MACERICH CO
Form 10-K
February 25, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
Commission File No. 1-12504
THE MACERICH COMPANY
(Exact name of registrant as specified in its charter)

MARYLAND	95-4448705
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401
(Address of principal executive office, including zip code)
Registrant's telephone number, including area code (310) 394-6000
Securities registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act YES ý NO o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act YES o NO ý
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 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 90 days. YES ý NO o
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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ý NO o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment on to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
			Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o   NO ý
The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $8.0 billion as of the last business day of the registrant's most recently completed second fiscal quarter based upon the price at which the common shares were last sold on that day.
Number of shares outstanding of the registrant's common stock, as of February 21, 2019: 141,161,293 shares
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the annual stockholders meeting to be held in 2019 are incorporated by reference into Part III of this Form 10-K.

THE MACERICH COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2018
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PART I

IMPORTANT FACTORS RELATED TO FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K of The Macerich Company (the "Company") contains 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-K and include statements regarding, among other matters:

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

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors.

You are urged to carefully review the disclosures we make concerning risks and other factors that may affect our business and operating results, including those made in "Item 1A. Risk Factors" of this Annual Report on Form 10-K, as well as our other reports filed with the Securities and Exchange Commission ("SEC"). 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.

ITEM 1. BUSINESS

General

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., a Delaware limited partnership (the "Operating Partnership"). As of December 31, 2018, the Operating Partnership owned or had an ownership interest in 47 regional shopping centers and five community/power shopping centers. These 52 regional and community/power shopping centers (which include any related office space) consist of approximately 51 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"), as set forth in "Item 2. Properties," unless the context otherwise requires.

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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 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 owned by the Company and are collectively referred to herein as the "Management Companies."

The Company was organized as a Maryland corporation in September 1993. All references to the Company in this Annual Report on Form 10-K include the Company, those entities owned or controlled by the Company and predecessors of the Company, unless the context indicates otherwise.

Financial information regarding the Company for each of the last three fiscal years is contained in the Company's Consolidated Financial Statements included in "Item 15. Exhibits and Financial Statement Schedule."

Recent Developments

Acquisitions and Dispositions:

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

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute Westside Pavilion (referred to hereafter as One Westside), a 680,000 square foot regional shopping center in Los Angeles, California in exchange for $142.5 million. The Company completed the sale of the 75% ownership interest in the property to Hudson Pacific Properties on August 31, 2018, resulting in a gain on sale of assets of $46.2 million. The sales price was funded by a cash payment of $36.9 million and the assumption of a pro rata share of the mortgage note payable on the property of $105.6 million. The Company used the proceeds to fund its share of the cost to defease the mortgage note payable on the property (See "Financing Activity").

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

On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49.1 million, resulting in a gain on sale of assets of $12.6 million. The Company's share of the gain of $3.0 million was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the $24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

Financing Activity:

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

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

On August 31, 2018, concurrent with the sale of the ownership interest in One Westside (See "Acquisitions and Dispositions"), the joint venture defeased the loan on the property by providing a $149.2 million portfolio of marketable securities as replacement collateral in lieu of the property. At December 31, 2018, the balance of the marketable securities and the defeased loan at the joint venture were $146.9 million and $138.2 million, respectively, with Company's pro rata share at $36.7 million and $34.6 million, respectively. The Company funded its $37.3 million share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property.

On September 14, 2018, the Company entered into four interest rate swap agreements that effectively convert a total of $400.0 million of the outstanding balance of the Company’s line of credit from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 30, 2021.

On November 7, 2018, the Company's joint venture in Boulevard Shops replaced the existing loan on the property with a new $18.8 million loan that bears interest at LIBOR plus 1.85% and matures on December 5, 2023. The loan can be expanded, depending on certain conditions, up to $23.0 million. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On January 10, 2019, the Company replaced the existing loan on Fashion Outlets of Chicago with a new $300.0 million loan that bears interest at an effective rate of 4.58% and matures on February 1, 2031. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On February 13, 2019, the Company’s joint venture in SanTan Village Regional Center entered into a commitment for a ten-year $220.0 million loan to replace the existing loan on the property. The new loan will bear interest at a fixed rate of 4.30% and is expected to close during the second quarter of 2019.

On February 22, 2019, the Company’s joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from $57.8 million to $80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional $18.4 million. The Company used its $9.2 million share of the additional proceeds to pay down its line of credit and for general corporate purposes.

Redevelopment and Development Activity:

The Company's joint venture is proceeding with the redevelopment of Fashion District Philadelphia, an 850,000 square foot shopping center in Philadelphia, Pennsylvania. The project is expected to be completed in September 2019. The total cost of the project is estimated to be between $400.0 million and $420.0 million, with $200.0 million to $210.0 million estimated to be the Company's pro rata share. The Company has funded $151.5 million of the total $302.9 million incurred by the joint venture as of December 31, 2018.

The Company's joint venture in Scottsdale Fashion Square is redeveloping a former Barney's store and an 80,000 square foot exterior expansion. The project is expected to be completed in 2019. The total cost of the project is estimated to be between $140.0 million and $160.0 million, with $70.0 million to $80.0 million estimated to be the Company's pro rata share. The Company has funded $26.8 million of the total $53.6 million incurred by the joint venture as of December 31, 2018.

The Company's joint venture with Hudson Pacific Properties is redeveloping One Westside into 584,000 square feet of creative office space and 96,000 square feet of dining and entertainment space. The entire creative office space has been leased to Google and is expected to be completed in 2022. The total cost of the project is estimated to be between $500.0 million and $550.0 million, with $125.0 million to $137.5 million estimated to be the Company's pro rata share. The Company has funded $35.6 million of the total $142.4 million incurred by the joint venture as of December 31, 2018.

On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second stage. The first phase of the project is expected to be completed in Fall 2021. The Company has funded $15.8 million of the total $31.5 million incurred by the joint venture as of December 31, 2018.

In connection with the anticipated closures and lease rejections of several Sears stores owned or partially owned by the Company, the Company anticipates spending between $250.0 million to $300.0 million at the Company’s pro rata share to redevelop the Sears stores. The anticipated openings of such redevelopments are expected to occur between 2020 and 2024. The estimated range of redevelopment costs could increase if the Company or its joint venture decide to expand the scope of the redevelopments.

Other Transactions and Events:

On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement (the "Financing Arrangement"). As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on

(i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

On February 1 and 2, 2018, the Company reduced its workforce by approximately 10 percent. The Company incurred a one-time charge of $12.7 million in connection with the workforce reduction during the year ended December 31, 2018. As a result of the workforce reduction, the Company, exclusive of the one-time charge, reduced expenses by approximately $10.0 million during the year ended December 31, 2018.

During the year ended December 31, 2018, the Company incurred $19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

The Shopping Center Industry

General:

There are several types of retail shopping centers, which are differentiated primarily based on size and marketing strategy. Regional shopping centers generally contain in excess of 400,000 square feet of GLA and are typically anchored by two or more department or large retail stores ("Anchors") and are referred to as "Regional Shopping Centers" or "Malls." Regional Shopping Centers also typically contain numerous diversified retail stores ("Mall Stores"), most of which are national or regional retailers typically located along corridors connecting the Anchors. "Strip centers", "urban villages" or "specialty centers" ("Community/Power Shopping Centers") are retail shopping centers that are designed to attract local or neighborhood customers and are typically anchored by one or more supermarkets, discount department stores and/or drug stores. Community/Power Shopping Centers typically contain 100,000 to 400,000 square feet of GLA. Outlet Centers generally contain a wide variety of designer and manufacturer stores, often located in an open-air center, and typically range in size from 200,000 to 850,000 square feet of GLA ("Outlet Centers"). In addition, freestanding retail stores are located along the perimeter of the shopping centers ("Freestanding Stores"). Mall Stores and Freestanding Stores over 10,000 square feet of GLA are also referred to as "Big Box." Anchors, Mall Stores, Freestanding Stores and other tenants typically contribute funds for the maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operation of the shopping center.

Regional Shopping Centers:

A Regional Shopping Center draws from its trade area by offering a variety of fashion merchandise, hard goods and services and entertainment, often in an enclosed, climate controlled environment with convenient parking. Regional Shopping Centers provide an array of retail shops and entertainment facilities and often serve as the town center and a gathering place for community, charity and promotional events.

Regional Shopping Centers have generally provided owners with relatively stable income despite the cyclical nature of the retail business. This stability is due both to the diversity of tenants and to the typical dominance of Regional Shopping Centers in their trade areas.

Regional Shopping Centers have different strategies with regard to price, merchandise offered and tenant mix, and are generally tailored to meet the needs of their trade areas. Anchors are located along common areas in a configuration designed to maximize consumer traffic for the benefit of the Mall Stores. Mall GLA, which generally refers to GLA contiguous to the Anchors for tenants other than Anchors, is leased to a wide variety of smaller retailers. Mall Stores typically account for the majority of the revenues of a Regional Shopping Center.

Business of the Company

Strategy:

The Company has a long-term four-pronged business strategy that focuses on the acquisition, leasing and management, redevelopment and development of Regional Shopping Centers.

Acquisitions. The Company principally focuses on well-located, quality Regional Shopping Centers that can be dominant in their trade area and have strong revenue enhancement potential. In addition, the Company pursues other opportunistic acquisitions of property that include retail and will complement the Company's portfolio such as Outlet Centers. The Company subsequently seeks to improve operating performance and returns from these properties through leasing, management and redevelopment. Since its initial public offering, the Company has acquired interests in shopping centers nationwide. The Company believes that it is geographically well positioned to cultivate and maintain ongoing relationships with potential sellers and financial institutions and to act quickly when acquisition opportunities arise (See "Acquisitions and Dispositions" in Recent Developments).

Leasing and Management. The Company believes that the shopping center business requires specialized skills across a broad array of disciplines for effective and profitable operations. For this reason, the Company has developed a fully integrated real estate organization with in-house acquisition, accounting, development, finance, information technology, leasing, legal, marketing, property management and redevelopment expertise. In addition, the Company emphasizes a philosophy of decentralized property management, leasing and marketing performed by on-site professionals. The Company believes that this strategy results in the optimal operation, tenant mix and drawing power of each Center, as well as the ability to quickly respond to changing competitive conditions of the Center's trade area.

The Company believes that on-site property managers can most effectively operate the Centers. Each Center's property manager is responsible for overseeing the operations, marketing, maintenance and security functions at the Center. Property managers focus special attention on controlling operating costs, a key element in the profitability of the Centers, and seek to develop strong relationships with and be responsive to the needs of retailers.

The Company generally utilizes regionally located leasing managers to better understand the market and the community in which a Center is located. The Company continually assesses and fine tunes each Center's tenant mix, identifies and replaces underperforming tenants and seeks to optimize existing tenant sizes and configurations.

On a selective basis, the Company provides property management and leasing services for third parties. The Company currently manages two regional shopping centers and three community centers for third party owners on a fee basis.

Redevelopment. One of the major components of the Company's growth strategy is its ability to redevelop acquired properties. On a selective basis, the Company's business strategy may include mixed-use densification to maximize space at the Company’s Regional Shopping Centers, including by developing available land at the Regional Shopping Centers or by demolishing underperforming department store boxes and redeveloping the land. For this reason, the Company has built a staff of redevelopment professionals who have primary responsibility for identifying redevelopment opportunities that they believe will result in enhanced long-term financial returns and market position for the Centers. The redevelopment professionals oversee the design and construction of the projects in addition to obtaining required governmental approvals (See "Redevelopment and Development Activity" in Recent Developments).

Development. The Company pursues ground-up development projects on a selective basis. The Company has supplemented its strong acquisition, operations and redevelopment skills with its ground-up development expertise to further increase growth opportunities (See "Redevelopment and Development Activity" in Recent Developments).

The Centers:

As of December 31, 2018, the Centers primarily included 47 Regional Shopping Centers and five Community/Power Shopping Centers totaling approximately 51 million square feet of GLA. These 52 Centers average approximately 935,000 square feet of GLA and range in size from 3.5 million square feet of GLA at Tysons Corner Center to 185,000 square feet of GLA at Boulevard Shops. As of December 31, 2018, the Centers primarily included 184 Anchors totaling approximately 25.1 million square feet of GLA and approximately 5,000 Mall Stores and Freestanding Stores totaling approximately 24.2 million square feet of GLA.

Competition:

Numerous owners, developers and managers of malls, shopping centers and other retail-oriented real estate compete with the Company for the acquisition of properties and in attracting tenants or Anchors to occupy space. There are five other publicly traded mall companies and several large private mall companies in the United States, any of which under certain circumstances could compete against the Company for an Anchor or a tenant. In addition, these companies, as well as other REITs, private real estate companies or investors compete with the Company in terms of property acquisitions. This results in competition both for the acquisition of properties or centers and for tenants or Anchors to occupy space. Competition for property acquisitions may result in increased purchase prices and may adversely affect the Company's ability to make suitable property acquisitions on favorable terms. The existence of competing shopping centers could have a material adverse impact on the Company's ability to lease space and on the level of rents that can be achieved. There is also increasing competition from other retail formats and technologies, such as lifestyle centers, power centers, outlet centers, Internet shopping, home shopping networks, catalogs, telemarketing and discount shopping clubs that could adversely affect the Company's revenues.

In making leasing decisions, the Company believes that retailers consider the following material factors relating to a center: quality, design and location, including consumer demographics; rental rates; type and quality of Anchors and retailers at the center; and management and operational experience and strategy of the center. The Company believes it is able to compete effectively for retail tenants in its local markets based on these criteria in light of the overall size, quality and diversity of its Centers.

Major Tenants:

For the year ended December 31, 2018, the Centers derived approximately 72% of their total rents from Mall Stores and Freestanding Stores under 10,000 square feet and 28% of their total rents from Big Box and Anchor tenants. Total rents as set forth in "Item 1. Business" include minimum rents and percentage rents.

The following retailers (including their subsidiaries) represent the 10 largest tenants in the Centers based upon total rents in place as of December 31, 2018:

Tenant	Primary DBAs	Number of Locations in the Portfolio	% of Total Rents
L Brands, Inc.	Victoria's Secret, Bath and Body Works, PINK	93	3.0 %
Forever 21, Inc.	Forever 21, XXI Forever	30	2.5 %
Foot Locker, Inc.	Champs Sports, Foot Locker, Kids Foot Locker, Lady Foot Locker, Foot Action, House of Hoops SIX:02 and others	92	2.2 %
H & M Hennes & Mauritz AB	H & M	31	2.1 %
Gap, Inc., The	Athleta, Banana Republic, Gap, Gap Kids, Old Navy and others	49	1.8 %
Signet Jewelers	Jared Jewelry, Kay Jewelers, Piercing Pagoda, Shaw's Jewelers, Weisfield Jewelers, Zales	93	1.6 %
Dick's Sporting Goods, Inc.	Dick's Sporting Goods	17	1.6 %
American Eagle Outfitters, Inc.	American Eagle Outfitters, aerie	35	1.2 %
Express	Express, Express Men	28	1.1 %
Abercrombie & Fitch	Abercrombie & Fitch, Hollister	42	1.0 %

Mall Stores and Freestanding Stores:

Mall Store and Freestanding Store leases generally provide for tenants to pay rent comprised of a base (or "minimum") rent and a percentage rent based on sales. In some cases, tenants pay only minimum rent, and in other cases, tenants pay only percentage rent. The Company generally enters into leases for Mall Stores and Freestanding Stores that also require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses the Company actually incurs at any Center. However, certain leases for Mall Stores and Freestanding Stores contain provisions that only require tenants to pay their pro rata share of maintenance of the common areas, property taxes, insurance, advertising and other expenditures related to the operations of the Center. Tenant space of 10,000 square feet and under in the Company's portfolio at December 31, 2018 comprises approximately 65% of all Mall Store and Freestanding Store space. The Company uses tenant spaces of 10,000 square feet and under for comparing rental rate activity because this space is more consistent in terms of shape and configuration and, as such, the Company is able to provide a meaningful comparison of rental rate activity for this space. Mall Store and Freestanding Store space greater than 10,000 square feet is inconsistent in size and configuration throughout the Company's portfolio and as a result does not lend itself to a meaningful comparison of rental rate activity with the Company's other space. Much of the non-Anchor space over 10,000 square feet is not physically connected to the mall, does not share the same common area amenities and does not benefit from the foot traffic in the mall. As a result, space greater than 10,000 square feet has a unique rent structure that is inconsistent with mall space under 10,000 square feet.

The following tables set forth the average base rent per square foot for the Centers, as of December 31 for each of the past five years:
Mall Stores and Freestanding Stores under 10,000 square feet:

For the Years Ended December 31,	Avg. Base Rent Per Sq. Ft.(1)(2)	Avg. Base Rent Per Sq. Ft. on Leases Executed During the Year(2)(3)	Avg. Base Rent Per Sq. Ft. on Leases Expiring During the Year(2)(4)
Consolidated Centers:			
2018	$ 56.82	$ 54.00	$ 49.07
2017	$ 55.08	$ 57.36	$ 49.61
2016	$ 53.51	$ 53.48	$ 44.77
2015	$ 52.64	$ 53.99	$ 49.02
2014	$ 49.68	$ 49.55	$ 41.20
Unconsolidated Joint Venture Centers (at the Company's pro rata share):			
2018	$ 63.84	$ 66.95	$ 59.49
2017	$ 60.99	$ 63.50	$ 55.50
2016	$ 57.90	$ 64.78	$ 57.29
2015	$ 60.74	$ 80.18	$ 60.85
2014	$ 63.78	$ 82.47	$ 64.59

Big Box and Anchors:

For the Years Ended December 31,	Avg. Base Rent Per Sq. Ft.(1)(2)	Avg. Base Rent Per Sq. Ft. on Leases Executed During the Year(2)(3)	Number of Leases Executed During the Year	Avg. Base Rent Per Sq. Ft. on Leases Expiring During the Year(2)(4)	Number of Leases Expiring During the Year
Consolidated Centers:					
2018	$ 15.29	$ 14.03	23	$ 16.83	13
2017	$ 14.13	$ 18.19	24	$ 14.85	21
2016	$ 13.34	$ 22.23	20	$ 19.12	8
2015	$ 12.72	$ 19.87	19	$ 8.96	14
2014	$ 11.26	$ 18.28	22	$ 15.16	14
Unconsolidated Joint Venture Centers (at the Company's pro rata share):					
2018	$ 17.40	$ 38.98	11	$ 38.20	7
2017	$ 16.87	$ 26.33	15	$ 33.25	8
2016	$ 15.76	$ 29.41	13	$ 28.00	1
2015	$ 14.48	$ 33.00	14	$ 9.30	8
2014	$ 18.51	$ 33.62	11	$ 27.27	6

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(1) Average base rent per square foot is based on spaces occupied as of December 31 for each of the Centers and gives effect to the terms of each lease in effect, as of such date, including any concessions, abatements and other adjustments or allowances that have been granted to the tenants.

(2) Centers under development and redevelopment are excluded from average base rents. As a result, the leases for Fashion District Philadelphia, Paradise Valley Mall and One Westside are excluded for the years ended December 31, 2018, 2017, 2016, 2015 and 2014. The leases for Broadway Plaza are excluded for the years ended December 31, 2016, 2015, and 2014. The leases for Fashion Outlets of Niagara Falls USA and SouthPark Mall are excluded for the years ended December 31, 2015 and 2014.

The leases for Cascade Mall and Northgate Mall, which were sold on January 18, 2017, are excluded for the year ended December 31, 2016. Flagstaff Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016 and is excluded for the year ended December 31, 2015. On June 30, 2015, Great Northern Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure and is excluded for the year ended December 31, 2014.

(3) The average base rent per square foot on leases executed during the year represents the actual rent paid on a per square foot basis during the first twelve months of the lease.

(4) The average base rent per square foot on leases expiring during the year represents the actual rent to be paid on a per square foot basis during the final twelve months of the lease.

Cost of Occupancy:

A major factor contributing to tenant profitability is cost of occupancy, which consists of tenant occupancy costs charged by the Company. Tenant expenses included in this calculation are minimum rents, percentage rents and recoverable expenditures, which consist primarily of property operating expenses, real estate taxes and repair and maintenance expenditures. These tenant charges are collectively referred to as tenant occupancy costs. These tenant occupancy costs are compared to tenant sales. A low cost of occupancy percentage shows more potential capacity for the Company to increase rents at the time of lease renewal than a high cost of occupancy percentage. The following table summarizes occupancy costs for Mall Store and Freestanding Store tenants in the Centers as a percentage of total Mall Store sales for the last five years:

	For the Years Ended December 31,				
	2018	2017	2016 (1)	2015 (2)	2014 (3)
Consolidated Centers:					
Minimum rents	9.3 %	9.5 %	9.4 %	9.0 %	8.7 %
Percentage rents	0.3 %	0.3 %	0.4 %	0.4 %	0.4 %
Expense recoveries(4)	3.9 %	4.2 %	4.3 %	4.5 %	4.3 %
	13.5%	14.0%	14.1%	13.9%	13.4%
Unconsolidated Joint Venture Centers:					
Minimum rents	7.8 %	8.6 %	8.6 %	8.1 %	8.7 %
Percentage rents	0.3 %	0.3 %	0.3 %	0.4 %	0.4 %
Expense recoveries(4)	3.4 %	3.8 %	3.9 %	4.0 %	4.5 %
	11.5%	12.7%	12.8%	12.5%	13.6%

(1) Cascade Mall and Northgate Mall were sold on January 18, 2017 and are excluded for the year ended December 31, 2016.

(2) Flagstaff Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016 and is excluded for the year ended December 31, 2015.

(3) Great Northern Mall was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on June 30, 2015 and is excluded for the year ended December 31, 2014.

(4) Represents real estate tax and common area maintenance charges.

Lease Expirations:
The following tables show scheduled lease expirations for Centers owned as of December 31, 2018 for the next ten years, assuming that none of the tenants exercise renewal options:
Mall Stores and Freestanding Stores under 10,000 square feet:

Year Ending December 31,	Number of Leases Expiring	Approximate GLA of Leases Expiring(1)	% of Total Leased GLA Represented by Expiring Leases(1)		Ending Base Rent per Square Foot of Expiring Leases(1)	% of Base Rent Represented by Expiring Leases(1)	
Consolidated Centers:							
2019	321	622,707	13.59	%	$ 56.00	11.91	%
2020	318	625,774	13.66	%	$ 55.19	11.79	%
2021	283	557,506	12.17	%	$ 61.60	11.73	%
2022	219	400,752	8.75	%	$ 65.00	8.90	%
2023	216	456,668	9.97	%	$ 60.39	9.42	%
2024	194	520,294	11.36	%	$ 62.00	11.02	%
2025	158	390,149	8.52	%	$ 71.69	9.55	%
2026	134	400,740	8.75	%	$ 71.82	9.83	%
2027	100	233,954	5.11	%	$ 84.09	6.72	%
2028	82	210,852	4.60	%	$ 71.08	5.12	%
Unconsolidated Joint Venture Centers (at the Company's pro rata share):							
2019	205	229,108	10.32	%	$ 70.38	10.18	%
2020	188	243,473	10.97	%	$ 60.68	9.33	%
2021	223	278,815	12.56	%	$ 67.12	11.82	%
2022	166	220,758	9.94	%	$ 66.67	9.29	%
2023	150	230,940	10.40	%	$ 61.66	8.99	%
2024	116	186,452	8.40	%	$ 65.91	7.76	%
2025	126	210,633	9.49	%	$ 69.25	9.21	%
2026	151	214,368	9.66	%	$ 89.30	12.09	%
2027	109	162,767	7.33	%	$ 87.74	9.02	%
2028	94	168,930	7.61	%	$ 85.10	9.08	%

Big Boxes and Anchors:

Year Ending December 31,	Number of Leases Expiring	Approximate GLA of Leases Expiring(1)	% of Total Leased GLA Represented by Expiring Leases(1)		Ending Base Rent per Square Foot of Expiring Leases(1)	% of Base Rent Represented by Expiring Leases(1)	
Consolidated Centers:							
2019	11	349,937	3.62	%	$ 10.37	2.20	%
2020	17	787,639	8.16	%	$ 10.33	4.94	%
2021	25	1,025,585	10.62	%	$ 11.55	7.19	%
2022	23	871,991	9.03	%	$ 22.71	12.02	%
2023	29	875,095	9.06	%	$ 12.63	6.71	%
2024	28	922,040	9.55	%	$ 20.84	11.67	%
2025	25	923,651	9.57	%	$ 20.45	11.47	%
2026	17	738,212	7.65	%	$ 15.00	6.72	%
2027	18	544,493	5.64	%	$ 30.37	10.04	%
2028	19	877,330	9.09	%	$ 17.13	9.12	%
Unconsolidated Joint Venture Centers (at the Company's pro rata share):							
2019	8	102,361	2.00	%	$ 19.28	2.20	%
2020	24	678,668	13.23	%	$ 13.27	10.02	%
2021	19	248,344	4.84	%	$ 25.14	6.95	%
2022	18	606,825	11.83	%	$ 8.18	5.52	%
2023	21	291,620	5.69	%	$ 23.61	7.66	%
2024	19	282,291	5.50	%	$ 38.55	12.11	%
2025	21	1,049,746	20.47	%	$ 12.69	14.82	%
2026	19	364,157	7.10	%	$ 25.41	10.30	%
2027	11	157,891	3.08	%	$ 31.46	5.53	%
2028	13	398,044	7.76	%	$ 19.49	8.63	%

(1) The ending base rent per square foot on leases expiring during the period represents the final year minimum rent, on a cash basis, for tenant leases expiring during the year. Currently, 38% of leases have provisions for future consumer price index increases that are not reflected in ending base rent. The leases for Centers currently under development and redevelopment are excluded from this table.

Anchors:

Anchors have traditionally been a major factor in the public's identification with Regional Shopping Centers. Anchors are generally department stores whose merchandise appeals to a broad range of shoppers. Although the Centers receive a smaller percentage of their operating income from Anchors than from Mall Stores and Freestanding Stores, strong Anchors play an important part in maintaining customer traffic and making the Centers desirable locations for Mall Store and Freestanding Store tenants.

Anchors either own their stores, the land under them and in some cases adjacent parking areas, or enter into long-term leases with an owner at rates that are lower than the rents charged to tenants of Mall Stores and Freestanding Stores. Each Anchor that owns its own store and certain Anchors that lease their stores enter into reciprocal easement agreements with the owner of the Center covering, among other things, operational matters, initial construction and future expansion.

Anchors accounted for approximately 8.5% of the Company's total rents for the year ended December 31, 2018.

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The following table identifies each Anchor, each parent company that owns multiple Anchors and the number of square feet owned or leased by each such Anchor or parent company in the Company's portfolio at December 31, 2018.

Name	Number of Anchor Stores	GLA Owned by Anchor	GLA Leased by Anchor	Total GLA Occupied by Anchor
Macy's Inc.				
Macy's	36	4,698,000	1,931,000	6,629,000
Bloomingdale's	2	—	355,000	355,000
	38	4,698,000	2,286,000	6,984,000
JCPenney	27	1,641,000	2,299,000	3,940,000
Sears(1)	17	429,000	2,168,000	2,597,000
Dillard's	13	2,107,000	257,000	2,364,000
Nordstrom(2)	12	739,000	1,339,000	2,078,000
Dick's Sporting Goods	15	—	952,000	952,000
Forever 21	8	155,000	629,000	784,000
Target	4	304,000	273,000	577,000
Hudson Bay Company				
Lord & Taylor	3	121,000	199,000	320,000
Saks Fifth Avenue	1	—	92,000	92,000
	4	121,000	291,000	412,000
Home Depot	3	—	395,000	395,000
Burlington	4	187,000	182,000	369,000
Costco	2	—	321,000	321,000
Primark	3	—	240,000	240,000
Kohl's(3)	2	—	200,000	200,000
Neiman Marcus	2	—	188,000	188,000
Von Maur	2	187,000	—	187,000
Walmart	1	—	173,000	173,000
Century 21	2	—	171,000	171,000
La Curacao	1	—	165,000	165,000
Boscov's	1	—	161,000	161,000
Belk	2	—	139,000	139,000
BJ's Wholesale Club	1	—	123,000	123,000
Lowe's	1	—	114,000	114,000
Mercado de los Cielos	1	—	78,000	78,000
L.L. Bean	1	—	75,000	75,000
Best Buy	1	66,000	—	66,000
Des Moines Area Community College	1	64,000	—	64,000
Bealls	1	—	40,000	40,000
Vacant Anchors(4)	10	—	819,000	819,000
	180	10,698,000	14,078,000	24,776,000
Anchors at Centers not owned by the Company(5):				
Kohl's	1	—	83,000	83,000
Vacant Anchors(4)	3	—	195,000	195,000
Total	184	10,698,000	14,356,000	25,054,000

(1) Sears filed for Chapter 11 bankruptcy protection in October 2018, and as a result, closed four of its stores at the Centers in 2018 and in January 2019, Sears closed nine more of its stores at the Centers.
(2) Nordstrom has announced plans to open a 116,000 square foot store at Country Club Plaza in Spring 2021.
(3) Kohl's has announced plans to close its store at Green Acres Mall in 2019.

(4) The Company is seeking replacement tenants and/or contemplating redevelopment opportunities for these vacant sites.

(5) The Company owns an office building and six stores located at shopping centers not owned by the Company. Of these six stores, one has been leased to Kohl's, three are vacant or partially vacant and two have been leased for non-Anchor usage.

Environmental Matters

Each of the Centers has been subjected to an Environmental Site Assessment—Phase I (which involves review of publicly available information and general property inspections, but does not involve soil sampling or ground water analysis) completed by an environmental consultant.

Based on these assessments, and on other information, the Company is aware of the following environmental issues, which may result in potential environmental liability and cause the Company to incur costs in responding to these liabilities or in other costs associated with future investigation or remediation:

- Asbestos. The Company has conducted asbestos-containing materials ("ACM") surveys at various locations within the Centers. The surveys indicate that ACMs are present or suspected in certain areas, primarily vinyl floor tiles, mastics, roofing materials, drywall tape and joint compounds. The identified ACMs are generally non-friable, in good condition, and possess low probabilities for disturbance. At certain Centers where ACMs are present or suspected, however, some ACMs have been or may be classified as "friable," and ultimately may require removal under certain conditions. The Company has developed and implemented an operations and maintenance ("O&M") plan to manage ACMs in place.
- Underground Storage Tanks. Underground storage tanks ("USTs") are or were present at certain Centers, often in connection with tenant operations at gasoline stations or automotive tire, battery and accessory service centers located at such Centers. USTs also may be or have been present at properties neighboring certain Centers. Some of these tanks have either leaked or are suspected to have leaked. Where leakage has occurred, investigation, remediation, and monitoring costs may be incurred by the Company if responsible current or former tenants, or other responsible parties, are unavailable to pay such costs.
- Chlorinated Hydrocarbons. The presence of chlorinated hydrocarbons such as perchloroethylene ("PCE") and its degradation byproducts have been detected at certain Centers, often in connection with tenant dry cleaning operations. Where PCE has been detected, the Company may incur investigation, remediation and monitoring costs if responsible current or former tenants, or other responsible parties, are unavailable to pay such costs.

See "Item 1A. Risk Factors—Possible environmental liabilities could adversely affect us."

Insurance

Each of the Centers has comprehensive liability, fire, extended coverage and rental loss insurance with insured limits customarily carried for similar properties. The Company does not insure certain types of losses (such as losses from wars), because they are either uninsurable or not economically insurable. In addition, while the Company or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in California, the policies are subject to a deductible equal to 5% of the total insured value of each Center, a $100,000 per occurrence minimum and a combined annual aggregate loss limit of $100 million on these Centers. The Company or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in the Pacific Northwest and in the New Madrid Seismic Zone. However, the policies are subject to a deductible equal to 2% of the total insured value of each Center, a $50,000 per occurrence minimum and a combined annual aggregate loss limit of $100 million on these Centers. While the Company or the relevant joint venture also carries standalone terrorism insurance on the Centers, the policies are subject to a $25,000 deductible and a combined annual aggregate loss limit of $1.0 billion. Each Center has environmental insurance covering eligible third party losses, remediation and non-owned disposal sites, subject to a $100,000 retention and a $50 million three-year aggregate loss limit, with the exception of one Center, which has a $5 million ten-year aggregate loss limit and another Center, which has a $20 million ten-year aggregate loss limit. Some environmental losses are not covered by this insurance because they are uninsurable or not economically insurable. Furthermore, the Company carries title insurance on substantially all of the Centers for generally less than their full value.

Qualification as a Real Estate Investment Trust

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its first taxable year ended December 31, 1994, and intends to conduct its operations so as to continue to qualify as a REIT under the Code. As a REIT, the Company generally will not be subject to federal and state income taxes on its net taxable income that it currently distributes to stockholders. Qualification and taxation as a REIT depends on the Company's ability to meet certain dividend distribution tests, share ownership requirements and various qualification tests prescribed in the Code.

Supplemental Material United States Federal Income Tax Considerations

The following discussion updates the disclosures under “Material United States Federal Income Tax Considerations” in the prospectus dated August 10, 2017 contained in the Company's Registration Statement on Form S-3ASR filed with the SEC on August 10, 2017, as previously updated by the disclosures under “Supplemental Material Federal Income Tax Considerations” in its Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 23, 2018 (collectively, the “Base Disclosure”).

Due to a recent change in law, the applicable tax rate for backup withholding is 24%, rather than 28% as indicated in the Base Disclosure.

The Tax Cuts and Jobs Act repealed the corporate alternative minimum tax. Therefore, notwithstanding the Company's Base Disclosure, absent a subsequent change in law the Company will not be subject to an alternative minimum tax.

The Internal Revenue Service has recently issued proposed regulations that limit the application of FATCA (as defined in the Base Disclosure). Specifically, no withholding is imposed under FATCA on sales proceeds. These proposed regulations have not been finalized and may not ever be finalized, but taxpayers may rely upon the proposed regulations unless and until they are revised or repealed.

Employees

As of December 31, 2018, the Company had approximately 718 employees, of which approximately 715 were full-time. The Company believes that relations with its employees are good.

Seasonality

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season and the majority of percentage rent is recognized in the fourth quarter. As a result of the above, earnings are generally higher in the fourth quarter.

Available Information; Website Disclosure; Corporate Governance Documents

The Company's corporate website address is www.macerich.com. The Company makes available free-of-charge through this website its reports on Forms 10-K, 10-Q and 8-K and all amendments thereto, as soon as reasonably practicable after the reports have been filed with, or furnished to, the SEC. These reports are available under the heading "Investors—Financial Information—SEC Filings", through a free hyperlink to a third-party service. Information provided on our website is not incorporated by reference into this Form 10-K. The following documents relating to Corporate Governance are available on the Company's website at www.macerich.com under "Investors—Corporate Governance":

Guidelines on Corporate Governance

Code of Business Conduct and Ethics

Code of Ethics for CEO and Senior Financial Officers

Audit Committee Charter

Compensation Committee Charter

Executive Committee Charter

Nominating and Corporate Governance Committee Charter

You may also request copies of any of these documents by writing to:

Attention: Corporate Secretary

The Macerich Company

401 Wilshire Blvd., Suite 700

Santa Monica, CA 90401

ITEM 1A. RISK FACTORS

The following factors could cause our actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by our management from time to time. This list should not be considered to be a complete statement of all potential risks or uncertainties as it does not describe additional risks of which we are not presently aware or that we do not currently consider material. We may update our risk factors from time to time in our future periodic reports. Any of these factors may have a material adverse effect on our business, financial condition, operating results and cash flows. For purposes of this “Risk Factor” section, Centers wholly owned by us are referred to as “Wholly Owned Centers” and Centers that are partly but not wholly owned by us are referred to as “Joint Venture Centers.”

RISKS RELATED TO OUR BUSINESS AND PROPERTIES

We invest primarily in shopping centers, which are subject to a number of significant risks that are beyond our control.

Real property investments are subject to varying degrees of risk that may affect the ability of our Centers to generate sufficient revenues to meet operating and other expenses, including debt service, lease payments, capital expenditures and tenant improvements, and to make distributions to us and our stockholders. A number of factors may decrease the income generated by the Centers, including:

- the national economic climate;
- the regional and local economy (which may be negatively impacted by rising unemployment, declining real estate values, increased foreclosures, higher taxes, plant closings, industry slowdowns, union activity, adverse weather conditions, natural disasters and other factors);
- local real estate conditions (such as an oversupply of, or a reduction in demand for, retail space or retail goods, decreases in rental rates, declining real estate values and the availability and creditworthiness of current and prospective tenants);
- decreased levels of consumer spending, consumer confidence, and seasonal spending (especially during the holiday season when many retailers generate a disproportionate amount of their annual sales);
- increasing use by customers of e-commerce and online store sites and the impact of internet sales on the demand for retail space;
- negative perceptions by retailers or shoppers of the safety, convenience and attractiveness of a Center;
- acts of violence, including terrorist activities; and
- increased costs of maintenance, insurance and operations (including real estate taxes).

Income from shopping center properties and shopping center values are also affected by applicable laws and regulations, including tax, environmental, safety and zoning laws.

A significant percentage of our Centers are geographically concentrated and, as a result, are sensitive to local economic and real estate conditions.

A significant percentage of our Centers are located in California and Arizona. Nine Centers in the aggregate are located in New York, New Jersey and Connecticut. To the extent that weak economic or real estate conditions or other factors affect California, Arizona, New York, New Jersey or Connecticut (or their respective regions) more severely than other areas of the country, our financial performance could be negatively impacted.

We are in a competitive business.

Numerous owners, developers and managers of malls, shopping centers and other retail-oriented real estate compete with us for the acquisition of properties and in attracting tenants or Anchors to occupy space. There are five other publicly traded mall companies and several large private mall companies in the United States, any of which under certain circumstances could compete against us for an Anchor or a tenant. In addition, these companies, as well as other REITs, private real estate companies or investors compete with us in terms of property acquisitions. This results in competition both for the acquisition of properties or centers and for tenants or Anchors to occupy space. Competition for property acquisitions may result in increased purchase prices and may adversely affect our ability to make suitable property acquisitions on favorable terms or at all. The existence of competing shopping centers could have a material adverse impact on our ability to lease space and on the rental

rates that can be achieved. There is also increasing competition for tenants and shoppers from other retail formats and technologies, such as lifestyle centers, power centers, outlet centers, e-commerce, home shopping networks, catalogs, telemarketing and discount shopping clubs that could adversely affect our revenues.

We may be unable to renew leases, lease vacant space or re-let space as leases expire on favorable terms or at all, which could adversely affect our financial condition and results of operations.

There are no assurances that our leases will be renewed or that vacant space in our Centers will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates at our Centers decrease, if our existing tenants do not renew their leases or if we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition and results of operations could be adversely affected.

If Anchors or other significant tenants experience a downturn in their business, close or sell stores or declare bankruptcy, our financial condition and results of operations could be adversely affected.

Our financial condition and results of operations could be adversely affected if a downturn in the business of, or the bankruptcy or insolvency of, an Anchor or other significant tenant leads them to close retail stores or terminate their leases after seeking protection under the bankruptcy laws from their creditors, including us as lessor. In recent years, a number of companies in the retail industry, including some of our tenants, have declared bankruptcy, have gone out of business or have significantly reduced the number of their retail stores. If one of our tenants files for bankruptcy, we may not be able to collect amounts owed by that party prior to filing for bankruptcy. In addition, after filing for bankruptcy, a tenant may terminate any or all of its leases with us, in which event we would have a general unsecured claim against such tenant that would likely be worth less than the full amount owed to us for the remainder of the lease term. We may be unable to re-let stores vacated as a result of voluntary closures or the bankruptcy of a tenant.

On October 15, 2018, Sears filed for bankruptcy and announced additional store closings. As of December 31, 2018, following the closure of four stores during 2018, we had 17 Sears stores totaling approximately 2.6 million square feet of gross leasable area within our portfolio and accounting for approximately 1% of our total minimum and percentage rents. In January 2019, Sears closed nine additional stores. The remaining eight stores include three owned by us, three owned by our joint venture with Seritage Growth Properties and two owned by a third-party.

Furthermore, certain department stores and other national retailers have experienced, and may continue to experience, decreases in customer traffic in their retail stores, increased competition from alternative retail options such as e-commerce and other forms of pressure on their business models. If the store sales of retailers operating at our Centers decline significantly due to adverse economic conditions or for any other reason, tenants might be unable to pay their minimum rents or expense recovery charges. In the event of a default by a lessee, the affected Center may experience delays and costs in enforcing its rights as lessor.

Anchors and/or tenants at one or more Centers might also terminate their leases as a result of mergers, acquisitions, consolidations or dispositions in the retail industry. The sale of an Anchor or store to a less desirable retailer may reduce occupancy levels, customer traffic and rental income. Depending on economic conditions, there is also a risk that Anchors or other significant tenants may sell stores operating in our Centers or consolidate duplicate or geographically overlapping store locations. Store closures by an Anchor and/or a significant number of tenants may allow other Anchors and/or certain other tenants to terminate their leases, receive reduced rent and/or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center.

Our real estate acquisition, development and redevelopment strategies may not be successful.

Our historical growth in revenues, net income and funds from operations has been in part tied to the acquisition, development and redevelopment of shopping centers. Many factors, including the availability and cost of capital, our total amount of debt outstanding, our ability to obtain financing on attractive terms, if at all, interest rates and the availability of attractive acquisition targets, among others, will affect our ability to acquire, develop and redevelop additional properties in the future. We may not be successful in pursuing acquisition opportunities, and newly acquired properties may not perform as well as expected. Expenses arising from our efforts to complete acquisitions, develop and redevelop properties or increase our market penetration may have a material adverse effect on our business, financial condition and results of operations. We face competition for acquisitions primarily from other REITs, as well as from private real estate companies or investors. Some of our competitors have greater financial and other resources. Increased competition for shopping center acquisitions may result in increased purchase prices and may impact adversely our ability to acquire additional properties on favorable terms. We cannot guarantee that we will be able to implement our growth strategy successfully or manage our expanded operations effectively and profitably.

We may not be able to achieve the anticipated financial and operating results from newly acquired assets. Some of the factors that could affect anticipated results are:

- our ability to integrate and manage new properties, including increasing occupancy rates and rents at such properties;
- the disposal of non-core assets within an expected time frame; and
- our ability to raise long-term financing to implement a capital structure at a cost of capital consistent with our business strategy.

Our business strategy also includes the selective development and construction of retail properties. On a selective basis, our business strategy may include mixed-use densification to maximize space at our Regional Shopping Centers, including by developing available land at our Regional Shopping Centers or by demolishing underperforming department store boxes and redeveloping the land. Any development, redevelopment and construction activities that we may undertake will be subject to the risks of real estate development, including lack of financing, construction delays, environmental requirements, budget overruns, sunk costs and lease-up. Furthermore, occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable. Real estate development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, and occupancy and other required governmental permits and authorizations. If any of the above events occur, our ability to pay dividends to our stockholders and service our indebtedness could be adversely affected.

Real estate investments are relatively illiquid and we may be unable to sell properties at the time we desire and on favorable terms.

Investments in real estate are relatively illiquid, which limits our ability to adjust our portfolio in response to changes in economic, market or other conditions. Moreover, there are some limitations under federal income tax laws applicable to REITs that limit our ability to sell assets. In addition, because our properties are generally mortgaged to secure our debts, we may not be able to obtain a release of a lien on a mortgaged property without the payment of the associated debt and/or a substantial prepayment penalty, which restricts our ability to dispose of a property, even though the sale might otherwise be desirable. Furthermore, the number of prospective buyers interested in purchasing shopping centers is limited. Therefore, if we want to sell one or more of our Centers, we may not be able to dispose of it in the desired time period and may receive less consideration than we originally invested in the Center.

Our real estate assets may be subject to impairment charges.

We periodically assess whether there are any indicators that the value of our real estate assets and other investments may be impaired. A property’s value is considered to be impaired only if the estimated aggregate future undiscounted property cash flows are less than the carrying value of the property. In our estimate of cash flows, we consider factors such as trends and prospects and the effects of demand and competition on expected future operating income. If we are evaluating the potential sale of an asset or redevelopment alternatives, the undiscounted future cash flows consider the most likely course of action as of the balance sheet date based on current plans, intended holding periods and available market information. We are required to make subjective assessments as to whether there are impairments in the value of our real estate assets and other investments. Impairment charges have an immediate direct impact on our earnings. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our operating results in the period in which the charge is taken.

Our success depends, in part, on our ability to attract and retain talented employees, and the loss of any one of our key personnel could adversely impact our business.

The success of our business depends, in part, on the leadership and performance of our executive management team and key employees, and our ability to attract, retain and motivate talented employees could significantly impact our future performance. Competition for these individuals is intense, and we cannot assure you that we will retain our executive management team and key employees or that we will be able to attract and retain other highly qualified individuals for these positions in the future. Losing any one or more of these persons could have a material adverse effect on our results of operations, financial condition and cash flows.

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Possible environmental liabilities could adversely affect us.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that real property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. The costs of investigation, removal or remediation of hazardous or toxic substances may be substantial. In addition, the presence of hazardous or toxic substances, or the failure to remedy environmental hazards properly, may adversely affect the owner's or operator's ability to sell or rent affected real property or to borrow money using affected real property as collateral.

Persons or entities that arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at the disposal or treatment facility, whether or not that facility is owned or operated by the person or entity arranging for the disposal or treatment of hazardous or toxic substances. Laws exist that impose liability for release of asbestos containing materials (“ACMs”) into the air, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to ACMs. In connection with our ownership, operation, management, development and redevelopment of the Centers, or any other centers or properties we acquire in the future, we may be potentially liable under these laws and may incur costs in responding to these liabilities.

Some of our properties are subject to potential natural or other disasters.

Some of our Centers are located in areas that are subject to natural disasters, including our Centers in California or in other areas with higher risk of earthquakes, our Centers in flood plains or in areas that may be adversely affected by tornadoes, as well as our Centers in coastal regions that may be adversely affected by increases in sea levels or in the frequency or severity of hurricanes, tropical storms or other severe weather conditions. The occurrence of natural disasters can delay redevelopment or development projects, increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact the tenant demand for lease space. If insurance is unavailable to us or is unavailable on acceptable terms, or our insurance is not adequate to cover losses from these events, our financial condition and results of operations could be adversely affected.

Uninsured losses could adversely affect our financial condition.

Each of our Centers has comprehensive liability, fire, extended coverage and rental loss insurance with insured limits customarily carried for similar properties. We do not insure certain types of losses (such as losses from wars), because they are either uninsurable or not economically insurable. In addition, while we or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in California, the policies are subject to a deductible equal to 5% of the total insured value of each Center, a $100,000 per occurrence minimum and a combined annual aggregate loss limit of $100 million on these Centers. We or the relevant joint venture, as applicable, carry specific earthquake insurance on the Centers located in the Pacific Northwest and in the New Madrid Seismic Zone. However, the policies are subject to a deductible equal to 2% of the total insured value of each Center, a $50,000 per occurrence minimum and a combined annual aggregate loss limit of $100 million on these Centers. While we or the relevant joint venture also carries standalone terrorism insurance on the Centers, the policies are subject to a $25,000 deductible and a combined annual aggregate loss limit of $1.0 billion. Each Center has environmental insurance covering eligible third party losses, remediation and non-owned disposal sites, subject to a $100,000 retention and a $50 million three-year aggregate loss limit, with the exception of one Center, which has a $5 million ten-year aggregate loss limit and another Center has a $20 million ten-year aggregate loss limit. Some environmental losses are not covered by this insurance because they are uninsurable or not economically insurable. Furthermore, we carry title insurance on substantially all of the Centers for generally less than their full value.

If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but may remain obligated for any mortgage debt or other financial obligations related to the property.

We face risks associated with and have been the target of security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.
We face risks associated with and have been the target of security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally. Moreover, cyber attacks perpetrated against our Anchors and tenants, including unauthorized access to customers' credit card data and other confidential information, could diminish consumer confidence and consumer spending and negatively impact our business.
Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make expenditures that adversely affect our cash flows.
All of the properties in our portfolio are required to comply with the Americans with Disabilities Act ("ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-compliance could result in the imposition of fines by the United States government or an award of damages to private litigants, or both. While the tenants to whom our portfolio is leased are obligated to comply with ADA provisions, within their leased premises, if required changes within their leased premises involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of tenants to cover costs could be adversely affected. Furthermore, we are required to comply with ADA requirements within the common areas of our portfolio and we may not be able to pass on to our tenants any costs necessary to remediate any common area ADA issues. As a result, we could be required to expend funds to comply with the provisions of the ADA, which could adversely affect our financial condition and operating results. In addition, we are required to operate the properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our portfolio. We may be required to make substantial capital expenditures to comply with, and we may be restricted in our ability to renovate or redevelop the properties subject to, those requirements. The resulting expenditures and restrictions could have a material adverse effect on our ability to meet our financial obligations.
Possible terrorist activity or other acts or threats of violence and threats to public safety could adversely affect our financial condition and results of operations.
Terrorist attacks and threats of terrorist attacks in the United States or other acts or threats of violence may result in declining economic activity, which could harm the demand for goods and services offered by our tenants and the value of our properties and might adversely affect the value of an investment in our securities. Such a resulting decrease in retail demand could make it difficult for us to renew or re-lease our properties.
Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be reduced or cost more, which

could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that our tenants are affected by such attacks and threats of attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts and threats might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies.

Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our new or redeveloped properties, and limit our access to capital or increase our cost of raising capital.

Inflation may adversely affect our financial condition and results of operations.

If inflation increases in the future, we may experience any or all of the following:

- Difficulty in replacing or renewing expiring leases with new leases at higher rents;
- Decreasing tenant sales as a result of decreased consumer spending which could adversely affect the ability of our tenants to meet their rent obligations and/or result in lower percentage rents; and
- An inability to receive reimbursement from our tenants for their share of certain operating expenses, including common area maintenance, real estate taxes and insurance.

Inflation also poses a risk to us due to the possibility of future increases in interest rates. Such increases would adversely impact us due to our outstanding floating-rate debt as well as result in higher interest rates on new fixed-rate debt. In certain cases, we may limit our exposure to interest rate fluctuations related to a portion of our floating-rate debt by the use of interest rate cap and swap agreements. Such agreements, subject to current market conditions, allow us to replace floating-rate debt with fixed-rate debt in order to achieve our desired ratio of floating-rate to fixed-rate debt. However, in an increasing interest rate environment the fixed rates we can obtain with such replacement fixed-rate cap and swap agreements or the fixed-rate on new debt will also continue to increase.

We have substantial debt that could affect our future operations.

Our total outstanding loan indebtedness at December 31, 2018 was $7.9 billion (consisting of $5.0 billion of consolidated debt, less $318.7 million attributable to noncontrolling interests, plus $3.2 billion of our pro rata share of mortgages and other notes payable on unconsolidated joint ventures). As a result of this substantial indebtedness, we are required to use a material portion of our cash flow to service principal and interest on our debt, which limits the amount of cash available for other business opportunities. We are also subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required debt service and that rising interest rates could adversely affect our debt service costs. In addition, our use of interest rate hedging arrangements may expose us to additional risks, including that the counterparty to the arrangement may fail to honor its obligations and that termination of these arrangements typically involves costs such as transaction fees or breakage costs. Furthermore, most of our Centers are mortgaged to secure payment of indebtedness, and if income from the Center is insufficient to pay that indebtedness, the Center could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value. Certain Centers also have debt that could become recourse debt to us if the Center is unable to discharge such debt obligation and, in certain circumstances, we may incur liability with respect to such debt greater than our legal ownership.

We are obligated to comply with financial and other covenants that could affect our operating activities.

Our unsecured credit facilities contain financial covenants, including interest coverage requirements, as well as limitations on our ability to incur debt, make dividend payments and make certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain transactions that might otherwise be advantageous. In addition, failure to meet certain of these financial covenants could cause an event of default, which, if not cured or waived, could accelerate some or all of such indebtedness which could have a material adverse effect on us.

We depend on external financings for our growth and ongoing debt service requirements.

We depend primarily on external financings, principally debt financings and, in more limited circumstances, equity financings, to fund the growth of our business and to ensure that we can meet ongoing maturities of our outstanding debt. Our access to financing depends on the willingness of banks, lenders and other institutions to lend to us based on their underwriting criteria which can fluctuate with market conditions and on conditions in the capital markets in general. In addition, levels of market disruption and volatility could materially adversely impact our ability to access the capital markets for equity financings.

There are no assurances that we will continue to be able to obtain the financing we need for future growth or to meet our debt service as obligations mature, or that the financing will be available to us on acceptable terms, or at all. Any debt refinancing could also impose more restrictive terms.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

Certain individuals have substantial influence over the management of both us and the Operating Partnership, which may create conflicts of interest.

Under the limited partnership agreement of the Operating Partnership, we, as the sole general partner, are responsible for the management of the Operating Partnership's business and affairs. Two of the principals of the Operating Partnership serve as our executive officers and as members of our board of directors. Accordingly, these principals have substantial influence over our management and the management of the Operating Partnership. As a result, certain decisions concerning our operations or other matters affecting us may present conflicts of interest for these individuals.

Outside partners in Joint Venture Centers result in additional risks to our stockholders.

We own partial interests in property partnerships that own 23 Joint Venture Centers as well as several development sites. We may acquire partial interests in additional properties through joint venture arrangements. Investments in Joint Venture Centers involve risks different from those of investments in Wholly Owned Centers.

We have fiduciary responsibilities to our joint venture partners that could affect decisions concerning the Joint Venture Centers. Our partners in certain Joint Venture Centers (notwithstanding our majority legal ownership) share control of major decisions relating to the Joint Venture Centers, including decisions with respect to sales, refinancings and the timing and amount of additional capital contributions, as well as decisions that could have an adverse impact on us.

In addition, we may lose our management and other rights relating to the Joint Venture Centers if:

- we fail to contribute our share of additional capital needed by the property partnerships; or
- we default under a partnership agreement for a property partnership or other agreements relating to the property partnerships or the Joint Venture Centers.

Furthermore, the bankruptcy of one of the other investors in our Joint Venture Centers could materially and adversely affect the respective property or properties. Pursuant to the bankruptcy code, we could be precluded from taking some actions affecting the estate of the other investor without prior court approval which would, in most cases, entail prior notice to other parties and a hearing. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture through which we have invested in a Joint Venture Center has incurred recourse obligations, the discharge in bankruptcy of one of the other investors might result in our ultimate liability for a greater portion of those obligations than would otherwise be required.

Our legal ownership interest in a joint venture vehicle may, at times, not equal our economic interest in the entity because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, our actual economic interest (as distinct from our legal ownership interest) in certain of the Joint Venture Centers could fluctuate from time to time and may not wholly align with our legal ownership interests. Substantially all of our joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds.

Our holding company structure makes us dependent on distributions from the Operating Partnership.

Because we conduct our operations through the Operating Partnership, our ability to service our debt obligations and pay dividends to our stockholders is strictly dependent upon the earnings and cash flows of the Operating Partnership and the ability of the Operating Partnership to make distributions to us. Under the Delaware Revised Uniform Limited Partnership Act, the Operating Partnership is prohibited from making any distribution to us to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the Operating Partnership (other than some non-recourse liabilities and some liabilities to the partners) exceed the fair value of the assets of the Operating Partnership. An inability to make cash distributions from the Operating Partnership could jeopardize our ability to maintain qualification as a REIT.

An ownership limit and certain of our Charter and bylaw provisions could inhibit a change of control or reduce the value of our common stock.

The Ownership Limit. In order for us to maintain our qualification as a REIT, not more than 50% in value of our outstanding stock (after taking into account certain options to acquire stock) may be owned, directly or indirectly or through the application of certain attribution rules, by five or fewer individuals (as defined in the Internal Revenue Code to include some entities that would not ordinarily be considered “individuals”) at any time during the last half of a taxable year. To assist us in maintaining our qualification as a REIT, among other purposes, our Charter restricts ownership of more than 5% (the “Ownership Limit”) of the lesser of the number or value of our outstanding shares of stock by any single stockholder or a group of stockholders (with limited exceptions). In addition to enhancing preservation of our status as a REIT, the Ownership Limit may:

- have the effect of delaying, deferring or preventing a change in control of us or other transaction without the approval of our board of directors, even if the change in control or other transaction is in the best interests of our stockholders; and
- limit the opportunity for our stockholders to receive a premium for their common stock or preferred stock that they might otherwise receive if an investor were attempting to acquire a block of stock in excess of the Ownership Limit or otherwise effect a change in control of us.

Our board of directors, in its sole discretion, may waive or modify (subject to limitations and upon any conditions as it may direct) the Ownership Limit with respect to one or more of our stockholders, if it is satisfied that ownership in excess of this limit will not jeopardize our status as a REIT.

Selected Provisions of our Charter, Bylaws and Maryland Law. Some of the provisions of our Charter, bylaws and Maryland law may have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for us and may inhibit a change in control that holders of some, or a majority, of our shares might believe to be in their best interests or that could give our stockholders the opportunity to realize a premium over the then-prevailing market prices for our shares. These provisions include the following:

- advance notice requirements for stockholder nominations of directors and stockholder proposals to be considered at stockholder meetings;
- the obligation of our directors to consider a variety of factors with respect to a proposed business combination or other change of control transaction;
- the authority of our directors to classify or reclassify unissued shares and cause the Company to issue shares of one or more classes or series of common stock or preferred stock;
- the authority of our directors to create and cause the Company to issue rights entitling the holders thereof to purchase shares of stock or other securities from us; and
- limitations on the amendment of our Charter and bylaws, the change in control of us, and the liability of our directors and officers.

In addition, the Maryland General Corporation Law prohibits business combinations between a Maryland corporation and an interested stockholder (which includes any person who beneficially holds 10% or more of the voting power of the corporation's outstanding voting stock or any affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the corporation's outstanding stock at any time within the two-year period prior to the date in question) or its affiliates for five years following the most recent date on which the interested stockholder became an interested stockholder and, after the five-year period, requires the recommendation of the board of directors and two supermajority stockholder votes to approve a business combination unless the stockholders receive a minimum price determined by the statute. As permitted by Maryland law, our Charter exempts from these provisions any business combination between us and the principals and their respective affiliates and related persons. Maryland law also allows the board of directors to exempt particular business combinations before the interested stockholder becomes an interested stockholder. Furthermore, a person is not an interested stockholder if the transaction by which he or she would otherwise have become an interested stockholder is approved in advance by the board of directors.

The Maryland General Corporation Law also provides that the acquirer of certain levels of voting power in electing directors of a Maryland corporation (one-tenth or more but less than one-third, one-third or more but less than a majority and a majority or more) is not entitled to vote the shares in excess of the applicable threshold, unless voting rights for the shares are

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approved by holders of two-thirds of the disinterested shares or unless the acquisition of the shares has been specifically or generally approved or exempted from the statute by a provision in our Charter or bylaws adopted before the acquisition of the shares. Our Charter exempts from these provisions voting rights of shares owned or acquired by the principals and their respective affiliates and related persons. Our bylaws also contain a provision exempting from this statute any acquisition by any person of shares of our common stock. There can be no assurance that this bylaw will not be amended or eliminated in the future. The Maryland General Corporation Law and our Charter also contain supermajority voting requirements with respect to our ability to amend certain provisions of our Charter, merge, or sell all or substantially all of our assets. Furthermore, the Maryland General Corporation Law permits our board of directors, without stockholder approval and regardless of what is currently provided in our Charter or bylaws, to adopt certain Charter and bylaw provisions, such as a classified board, that may have the effect of delaying or preventing a third party from making an acquisition proposal for us.

FEDERAL INCOME TAX RISKS

The tax consequences of the sale of some of the Centers and certain holdings of the principals may create conflicts of interest.

The principals will experience negative tax consequences if some of the Centers are sold. As a result, the principals may not favor a sale of these Centers even though such a sale may benefit our other stockholders. In addition, the principals may have different interests than our stockholders because they are significant holders of limited partnership units in the Operating Partnership.

If we were to fail to qualify as a REIT, we would have reduced funds available for distributions to our stockholders.

We believe that we currently qualify as a REIT. No assurance can be given that we will remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. The complexity of these provisions and of the applicable income tax regulations is greater in the case of a REIT structure like ours that holds assets through the Operating Partnership and joint ventures. The determination of various factual matters and circumstances not entirely within our control, including determinations by our partners in the Joint Venture Centers, may affect our continued qualification as a REIT. In addition, legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to our qualification as a REIT or the U.S. federal income tax consequences of that qualification.

In addition, we currently hold certain of our properties through subsidiaries that have elected to be taxed as REITs and we may in the future determine that it is in our best interests to hold one or more of our other properties through one or more subsidiaries that elect to be taxed as REITs. If any of these subsidiaries fails to qualify as a REIT for U.S. federal income tax purposes, then we may also fail to qualify as a REIT for U.S. federal income tax purposes.

If in any taxable year we were to fail to qualify as a REIT, we will suffer the following negative results:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income; and
- we will be subject to U.S. federal income tax on our taxable income at regular corporate rates.

In addition, if we were to lose our REIT status, we would be prohibited from qualifying as a REIT for the four taxable years following the year during which the qualification was lost, absent relief under statutory provisions. As a result, net income and the funds available for distributions to our stockholders would be reduced for at least five years and the fair market value of our shares could be materially adversely affected. Furthermore, the Internal Revenue Service could challenge our REIT status for past periods. Such a challenge, if successful, could result in us owing a material amount of tax, interest and penalties for prior periods. It is possible that future economic, market, legal, tax or other considerations might cause our board of directors to revoke our REIT election.

Even if we remain qualified as a REIT, we might face other tax liabilities that reduce our cash flow. Further, we might be subject to federal, state and local taxes on our income and property. Any of these taxes would decrease cash available for distributions to stockholders.

Complying with REIT requirements might cause us to forego otherwise attractive opportunities.
In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities we would otherwise pursue.
In addition, the REIT provisions of the Internal Revenue Code impose a 100% tax on income from “prohibited transactions.” Prohibited transactions generally include sales of assets that do not qualify for a statutory safe harbor if such assets constitute inventory or other property held for sale in the ordinary course of business, other than foreclosure property. This 100% tax could impact our desire to sell assets and other investments at otherwise opportune times if we believe such sales could be considered prohibited transactions.
Complying with REIT requirements may force us to borrow or take other measures to make distributions to our stockholders.
As a REIT, we generally must distribute 90% of our annual taxable income (subject to certain adjustments) to our stockholders. From time to time, we might generate taxable income greater than our net income for financial reporting purposes, or our taxable income might be greater than our cash flow available for distributions to our stockholders. If we do not have other funds available in these situations, we might be unable to distribute 90% of our taxable income as required by the REIT rules. In that case, we would need to borrow funds, liquidate or sell a portion of our properties or investments (potentially at disadvantageous or unfavorable prices), in certain limited cases distribute a combination of cash and stock (at our stockholders' election but subject to an aggregate cash limit established by the Company) or find another alternative source of funds. These alternatives could increase our costs or reduce our equity. In addition, to the extent we borrow funds to pay distributions, the amount of cash available to us in future periods will be decreased by the amount of cash flow we will need to service principal and interest on the amounts we borrow, which will limit cash flow available to us for other investments or business opportunities.
We may face risks in connection with Section 1031 Exchanges.
If a transaction intended to qualify as a Section 1031 Exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis. Under recently enacted legislation, Section 1031 Exchanges now only apply to real property and do not apply to any related personal property transferred with the real property. As a result, any appreciated personal property that is transferred in connection with a Section 1031 Exchange of real property will cause gain to be recognized, and such gain is generally treated as non-qualifying income for the 95% and 75% gross income tests. Any such non-qualifying income could have an adverse effect on our REIT status.
If our Operating Partnership fails to maintain its status as a partnership for tax purposes, we would face adverse tax consequences.
We intend to maintain the status of the Operating Partnership as a partnership for federal income tax purposes. However, if the Internal Revenue Service were to successfully challenge the status of the Operating Partnership as an entity taxable as a partnership, the Operating Partnership would be taxable as a corporation. This would reduce the amount of distributions that the Operating Partnership could make to us. This could also result in our losing REIT status, with the consequences described above. This would substantially reduce the cash available to us to make distributions and the return on your investment. In addition, if any of the partnerships or limited liability companies through which the Operating Partnership owns its property, in whole or in part, loses its characterization as a partnership or disregarded entity for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the Operating Partnership. Such a recharacterization of an underlying entity could also threaten our ability to maintain REIT status.

Recent legislation substantially modified the taxation of REITs and their shareholders, and the effects of such legislation and related regulatory action are uncertain.

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "TCJA"). The TCJA makes major changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxable years beginning after December 31, 2017 and before January 1, 2026, providing for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJA also imposes new limitations on the deduction of net operating losses and requires us to recognize income for tax purposes no later than when we take it into account on our financial statements, which may result in us having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements or avoid taxes on retained income and gains. The effect of the significant changes made by the TCJA is highly uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse effect on us or our stockholders. Investors should consult their tax advisors regarding the implications of the TCJA on their investment in our capital stock.

In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments similar to an investment in our stock. Additional changes to tax laws are likely to continue in the future, and we cannot assure you that any such changes will not adversely affect the taxation of us or our stockholders. Any such changes could have an adverse effect on an investment in our stock or on the market value or the resale potential of our properties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth certain information regarding the Centers and other locations that are wholly owned or partly owned by the Company as of December 31, 2018.

Count	Company's Ownership(1)	Name of Center/Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Non-Owned Anchors (3)	Company-Owned Anchors (3)
	CONSOLIDATED CENTERS:								
1	50.1%	Chandler Fashion Center Chandler, Arizona	2001/2002	-	1,318,000	633,000	97.6%	Dillard's, Macy's, Nordstrom	Sears(4)
2	100%	Danbury Fair Mall Danbury, Connecticut	1986/2005	2016	1,269,000	524,000	96.1%	JCPenney, Macy's	Dick's Sporting Goods, Forever 21, Lord & Taylor, Primark, Sears
3	100%	Desert Sky Mall(5) Phoenix, Arizona	1981/2002	2007	746,000	280,000	99.1%	Burlington, Dillard's	La Curacao, Mercado de los Cielos
4	100%	Eastland Mall(6)(8) Evansville, Indiana	1978/1998	1996	1,026,000	492,000	94.9%	Dillard's, Macy's	JCPenney
5	100%	Fashion Outlets of Chicago Rosemont, Illinois	2013/—	-	538,000	538,000	98.0%	—	—
6	100%	Fashion Outlets of Niagara Falls USA Niagara Falls, New York	1982/2011	2014	688,000	688,000	93.9%	—	—
7	50.1%	Freehold Raceway Mall Freehold, New Jersey	1990/2005	2007	1,672,000	774,000	97.8%	JCPenney, Lord & Taylor, Macy's, Nordstrom	Dick's Sporting Goods, Primark, Sears
8	100%	Fresno Fashion Fair Fresno, California	1970/1996	2006	992,000	431,000	95.2%	Macy's	Forever 21, JCPenney, Macy's
9	100%	Green Acres Mall(6) Valley Stream, New York	1956/2013	2016	2,081,000	893,000	98.0%	—	BJ's Wholesale Club, Dick's Sporting Goods, Century 21, JCPenney, Kohl's(7), Macy's (two), Sears, Walmart
10	100%	Inland Center	1966/2004	2016	870,000	208,000	97.0%	Macy's, Sears	Forever 21, JCPenney

		San Bernardino, California							
11	100%	Kings Plaza Shopping Center(6) Brooklyn, New York	1971/2012	2018	1,138,000	446,000	97.9%	Macy's	Burlington, JCPenney, Lowe's, Primark
12	100%	La Cumbre Plaza(6) Santa Barbara, California	1967/2004	1989	492,000	175,000	80.7%	Macy's	Sears(4)
13	100%	NorthPark Mall(5)(8) Davenport, Iowa	1973/1998	2001	934,000	399,000	87.8%	Dillard's, JCPenney, Von Maur	—
14	100%	Oaks, The Thousand Oaks, California	1978/2002	2009	1,199,000	597,000	88.9%	JCPenney, Macy's (two)	Dick's Sporting Goods, Nordstrom
15	100%	Pacific View Ventura, California	1965/1996	2001	1,061,000	413,000	91.3%	JCPenney, Sears, Target	Macy's
16	100%	Queens Center(6) Queens, New York	1973/1995	2004	964,000	407,000	99.7%	JCPenney, Macy's	—
17	100%	Santa Monica Place Santa Monica, California	1980/1999	2015	526,000	303,000	93.4%	—	Bloomingdale's, Nordstrom
18	84.9%	SanTan Village Regional Center Gilbert, Arizona	2007/—	2018	1,119,000	711,000	98.1%	Dillard's, Macy's	Dick's Sporting Goods
19	100%	SouthPark Mall(8) Moline, Illinois	1974/1998	2015	863,000	348,000	87.2%	Dillard's, Von Maur	Dick's Sporting Goods, JCPenney

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Count	Company's Ownership(1)	Name of Center/Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Non-Owned Anchors (3)	Company-C Anchors (3)
20	100%	Stonewood Center(6) Downey, California	1953/1997	1991	933,000	359,000	91.9%	—	JCPenney, Kohl's, Mac Sears
21	100%	Superstition Springs Center(5)(8) Mesa, Arizona	1990/2002	2002	919,000	345,000	96.8%	Dillard's, JCPenney, Macy's	—
22	100%	Towne Mall(8) Elizabethtown, Kentucky	1985/2005	1989	350,000	179,000	90.3%	—	Belk, JCPer
23	100%	Tucson La Encantada Tucson, Arizona	2002/2002	2005	246,000	246,000	97.0%	—	—
24	100%	Valley Mall Harrisonburg, Virginia	1978/1998	1992	506,000	191,000	97.1%	Target	Belk, Dick's Sporting Go JCPenney
25	100%	Valley River Center(8) Eugene, Oregon	1969/2006	2007	869,000	345,000	95.7%	Macy's	JCPenney
26	100%	Victor Valley, Mall of Victorville, California	1986/2004	2012	577,000	254,000	98.1%	Macy's	Dick's Spor Goods, JCPenney, S
27	100%	Vintage Faire Mall Modesto, California	1977/1996	2008	1,138,000	404,000	97.3%	Forever 21, Macy's	Dick's Spor Goods, JCPenney, Macy's, Sea
28	100%	Wilton Mall(8) Saratoga Springs, New York	1990/2005	1998	734,000	449,000	93.7%	JCPenney	Dick's Spor Goods, Sear
		Total Consolidated Centers			25,768,000	12,032,000	95.2%		
	UNCONSOLIDATED JOINT VENTURE CENTERS:								
29	60%	Arrowhead Towne Center Glendale, Arizona	1993/2002	2015	1,197,000	389,000	97.2%	Dillard's, JCPenney, Macy's	Dick's Spor Goods, Fore 21, Sears
30	50%	Biltmore Fashion Park Phoenix, Arizona	1963/2003	2006	517,000	212,000	91.0%	—	Macy's, Sak Fifth Avenu
31	50%	Broadway Plaza Walnut Creek, California	1951/1985	2016	887,000	342,000	99.4%	Macy's	Neiman Ma Nordstrom
32	50.1%		1985/1998	2005	461,000	225,000	94.4%		—

		Corte Madera, The Village at Corte Madera, California						Macy's, Nordstrom	
33	50%	Country Club Plaza(9) Kansas City, Missouri	1922/2016	2015	1,003,000	1,003,000	90.1%	—	—
34	51%	Deptford Mall Deptford, New Jersey	1975/2006	1990	1,040,000	344,000	97.4%	JCPenney, Macy's	Boscov's, Sears(4)
35	51%	FlatIron Crossing Broomfield, Colorado	2000/2002	2009	1,428,000	729,000	97.2%	Dillard's, Macy's, Nordstrom	Dick's Spor Goods, Fore 21
36	50%	Kierland Commons Scottsdale, Arizona	1999/2005	2003	437,000	437,000	97.8%	—	—
37	60%	Lakewood Center Lakewood, California	1953/1975	2008	2,070,000	1,005,000	97.0%	—	Costco, For 21, Home D JCPenney, Macy's, Tar
38	60%	Los Cerritos Center Cerritos, California	1971/1999	2016	1,305,000	545,000	96.5%	Macy's, Nordstrom	Dick's Spor Goods, Fore 21, Sears(4)
39	50%	North Bridge, The Shops at(6) Chicago, Illinois	1998/2008	-	669,000	409,000	98.2%	—	Nordstrom
40	50%	Scottsdale Fashion Square Scottsdale, Arizona	1961/2002	Ongoing	1,845,000	885,000	92.1%	Dillard's	Dick's Spor Goods, Mac Neiman Ma Nordstrom
41	60%	South Plains Mall Lubbock, Texas	1972/1998	2017	1,135,000	476,000	92.0%	—	Bealls, Dill (two), JCPe Sears(4)

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Count	Company's Ownership(1)	Name of Center/Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Non-Owned Anchors (3)	Company- Anchors (
42	51%	Twenty Ninth Street(6) Boulder, Colorado	1963/1979	2007	845,000	553,000	97.1 %	Macy's	Home Dep
43	50%	Tysons Corner Center Tysons Corner, Virginia	1968/2005	2014	1,973,000	1,088,000	96.8 %	—	Blooming L.L. Bean & Taylor, Macy's, Nordstron
44	60%	Washington Square Portland, Oregon	1974/1999	2005	1,446,000	511,000	98.8 %	Macy's	Dick's Spo Goods, JCPenney Nordstron Sears(4)
45	19%	West Acres Fargo, North Dakota	1972/1986	2001	678,000	413,000	97.2 %	Macy's	JCPenney
		Total Unconsolidated Joint Ventures			18,936,000	9,566,000	95.6 %		
	REGIONAL SHOPPING CENTERS UNDER REDEVELOPMENT								
46	50%	Fashion District Philadelphia(10) Philadelphia, Pennsylvania	1977/2014	ongoing	850,000	624,000	(11)	—	Burlingtor Century 2
47	100%	Paradise Valley Mall(12) Phoenix, Arizona	1979/2002	2009	1,202,000	421,000	(11)	Dillard's, JCPenney, Macy's	Costco, Se
47		Total Regional Shopping Centers			46,756,000	22,643,000	95.4 %		
	COMMUNITY/POWER SHOPPING CENTERS								
1	50%	Atlas Park, The Shops at(10) Queens, New York	2006/2011	2013	370,000	370,000	89.9 %	—	—
2	50%	Boulevard Shops(10) Chandler, Arizona	2001/2002	2004	185,000	185,000	90.0 %	—	—
3	100%	Southridge Center(8)(12) Des Moines, Iowa	1975/1998	2013	848,000	459,000	87.8 %	Des Moines Area Community College	Target, Yo
4	100%	Superstition Springs Power Center(12) Mesa, Arizona	1990/2002	-	206,000	53,000	100.0%	Best Buy, Burlington	—
5	100%	The Marketplace at Flagstaff(6)(12)	2007/—	-	268,000	147,000	100.0%	—	Home Dep

		Flagstaff, Arizona							
5		Total Community/Power Shopping Centers			1,877,000	1,214,000			
52		Total before Other Assets			48,633,000	23,857,000			
	OTHER ASSETS:								
	100%	Various(12)(13)	-	-	427,000	149,000		—	Kohl's
	86.5%	Estrella Falls(12)	2016	2016	79,000	79,000	—	—	—
		Goodyear, Arizona							
	50%	Scottsdale Fashion Square-Office(10)	1984/2002	2016	123,000	—	—	—	—
		Scottsdale, Arizona							
	50%	Tysons Corner Center-Office(10)	1999/2005	2012	174,000	—	—	—	—
		Tysons Corner, Virginia							
	50%	Hyatt Regency Tysons Corner Center(10)	2015	2015	290,000	—	—	—	—
		Tysons Corner, Virginia							
	50%	VITA Tysons Corner Center(10)	2015	2015	510,000	—	—	—	—
		Tysons Corner, Virginia							
	50%	Tysons Tower(10)	2014	2014	529,000	—	—	—	—
		Tysons Corner, Virginia							
	OTHER ASSETS UNDER DEVELOPMENT:								
	25%	One Westside(10)(14)	1985/1998	Ongoing	680,000	96,000	—	—	—
		Los Angeles, California							

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Count	Company's Ownership(1)	Name of Center/Location(2)	Year of Original Construction/ Acquisition	Year of Most Recent Expansion/ Renovation	Total GLA(3)	Mall and Freestanding GLA	Percentage of Mall and Freestanding GLA Leased	Non-Owned Anchors (3)	Company-Owned Anchors (3)
		Total Other Assets			2,812,000	324,000			
		Grand Total			51,445,000	24,181,000			

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(1) The Company's ownership interest in this table reflects its direct or indirect legal ownership interest. Legal ownership may, at times, not equal the Company's economic interest in the listed properties because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests. Substantially all of the Company's joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds. See "Item 1A.-Risks Related to Our Organizational Structure-Outside partners in Joint Venture Centers result in additional risks to our stockholders."

(2) With respect to 43 Centers, the underlying land controlled by the Company is owned in fee entirely by the Company or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company. With respect to the remaining nine Centers, portions of the underlying land controlled by the Company are owned by third parties and leased to the Company, or the joint venture property partnership or limited liability company, pursuant to long-term ground leases. Under the terms of a typical ground lease, the Company, or the joint venture property partnership or limited liability company, has an option or right of first refusal to purchase the land. The termination dates of the ground leases range from 2028 to 2098.

(3) Total GLA includes GLA attributable to Anchors (whether owned or non-owned) and Mall and Freestanding Stores as of December 31, 2018. "Non-owned Anchors" is space not owned by the Company (or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company) which is occupied by Anchor tenants. "Company-owned Anchors" is space owned (or leased) by the Company (or, in the case of Joint Venture Centers, by the joint venture property partnership or limited liability company) and leased (or subleased) to Anchor tenants.

(4) These Sears stores closed in January 2019.

(5) This Center had a Sears store, not owned by the Company, that closed.

(6) Portions of the land on which the Center is situated are subject to one or more long-term ground leases.

(7) Kohl's has announced plans to close this store in 2019.

(8) These Centers have vacant Anchor locations. The Company is seeking replacement tenants and/or considering redevelopment opportunities for these vacant sites.

(9) Nordstrom has announced plans to open a 116,000 square foot store at Country Club Plaza in 2021.

(10) Included in Unconsolidated Joint Venture Centers.

(11) Tenant spaces have been intentionally held off the market and remain vacant because of redevelopment plans. As a result, the Company believes the percentage of mall and freestanding GLA leased at this redevelopment property is not meaningful data.

(12) Included in Consolidated Centers.

(13) The Company owns an office building and six stores located at shopping centers not owned by the Company. Of the six stores, one has been leased to Kohl's, three are vacant or partially vacant and two have been leased for non-Anchor usage. With respect to the office building and three of the six stores, the underlying land is owned in fee entirely by the Company. With respect to the remaining three stores, the underlying land is owned by third

parties and leased to the Company pursuant to long-term building or ground leases. Under the terms of a typical building or ground lease, the Company pays rent for the use of the building or land and is generally responsible for all costs and expenses associated with the building and improvements. In some cases, the Company has an option or right of first refusal to purchase the land. The termination dates of the ground leases range from 2023 to 2027.

(14) One Westside, formerly known as Westside Pavilion, was a regional shopping center that closed in January 2019. This property is under redevelopment into 584,000 square feet of creative office leased entirely to Google, along with 96,000 square feet of existing dining and entertainment space.

Mortgage Debt

The following table sets forth certain information regarding the mortgages encumbering the Centers, including those Centers in which the Company has less than a 100% interest. The information set forth below is as of December 31, 2018 (dollars in thousands):

Property Pledged as Collateral	Fixed or Floating	Carrying Amount(1)	Effective Interest Rate(2)	Annual Debt Service(3)	Maturity Date(4)	Balance Due on Maturity	Earliest Date Notes Can Be Defeased or Be Prepaid
Consolidated Centers:							
Chandler Fashion Center(5)	Fixed	$199,972	3.77 %	$ 7,500	7/1/19	$200,000	Any Time
Danbury Fair Mall	Fixed	202,158	5.53 %	18,456	10/1/20	188,854	Any Time
Fashion Outlets of Chicago(6)	Floating	199,622	4.01 %	7,700	3/31/20	200,000	Any Time
Fashion Outlets of Niagara Falls USA	Fixed	109,651	4.89 %	8,724	10/6/20	103,810	Any Time
Freehold Raceway Mall(5)	Fixed	398,212	3.94 %	15,600	11/1/29	386,013	11/1/22
Fresno Fashion Fair	Fixed	323,460	3.67 %	11,652	11/1/26	325,000	2/28/19
Green Acres Commons(7)	Floating	128,006	5.06 %	5,850	3/29/21	130,000	Any Time
Green Acres Mall	Fixed	284,686	3.61 %	17,364	2/3/21	269,922	Any Time
Kings Plaza Shopping Center	Fixed	437,120	3.67 %	26,748	12/3/19	427,423	Any Time
Oaks, The	Fixed	192,037	4.14 %	12,768	6/5/22	174,433	Any Time
Pacific View	Fixed	121,362	4.08 %	8,016	4/1/22	110,597	Any Time
Queens Center	Fixed	600,000	3.49 %	20,928	1/1/25	600,000	Any Time
Santa Monica Place(8)	Floating	297,069	4.01 %	11,266	12/9/22	300,000	Any Time
SanTan Village Regional Center(9)	Fixed	121,585	3.14 %	7,068	6/1/19	120,238	Any Time
Towne Mall	Fixed	20,733	4.48 %	1,404	11/1/22	18,886	Any Time
Tucson La Encantada	Fixed	65,361	4.23 %	4,416	3/1/22	59,788	Any Time
Victor Valley, Mall of	Fixed	114,675	4.00 %	4,560	9/1/24	115,000	Any Time
Vintage Faire Mall	Fixed	258,207	3.55 %	15,072	3/6/26	210,825	Any Time
		$4,073,916					

Property Pledged as Collateral	Fixed or Floating	Carrying Amount(1)	Effective Interest Rate(2)		Annual Debt Service(3)	Maturity Date(4)	Balance Due on Maturity	Earliest Date Notes Can Be Defeased or Be Prepaid
Unconsolidated Joint Venture Centers (at Company's Pro Rata Share):								
Arrowhead Towne Center(60.0%)	Fixed	$240,000	4.05	%	$ 9,720	2/1/28	$212,719	2/1/22
Atlas Park, The Shops at(50.0%)(10)	Floating	26,466	4.42	%	1,174	10/28/20	26,993	Any Time
Boulevard Shops(50.0%)(11)	Floating	9,219	4.56	%	398	12/5/23	9,400	Any Time
Broadway Plaza(50.0%)(12)	Fixed	224,409	4.19	%	9,405	4/1/30	189,724	4/1/22
Corte Madera, The Village at(50.1%)	Fixed	112,378	3.53	%	3,945	9/1/28	98,753	9/30/19
Country Club Plaza(50.0%)	Fixed	159,656	3.88	%	6,160	4/1/26	137,525	4/1/21
Deptford Mall(51.0%)	Fixed	93,018	3.55	%	5,795	4/3/23	81,750	Any Time
FlatIron Crossing(51.0%)	Fixed	121,254	2.81	%	8,525	1/5/21	110,538	Any Time
Kierland Commons(50.0%)	Fixed	108,949	3.98	%	6,406	4/1/27	88,724	Any Time
Lakewood Center(60.0%)	Fixed	218,503	4.15	%	13,144	6/1/26	185,306	Any Time
Los Cerritos Center(60.0%)	Fixed	315,000	4.00	%	12,600	11/1/27	278,711	11/1/21
North Bridge, The Shops at(50.0%)	Fixed	186,990	3.71	%	6,900	6/1/28	160,523	Any Time
Scottsdale Fashion Square(50.0%)	Fixed	229,485	3.02	%	13,281	4/3/23	201,331	Any Time
South Plains Mall(60.0%)	Fixed	120,000	4.22	%	5,065	11/6/25	120,000	Any Time
Twenty Ninth Street(51.0%)	Fixed	76,500	4.10	%	3,137	2/6/26	76,500	Any Time
Tysons Corner Center(50.0%)	Fixed	381,975	4.13	%	24,643	1/1/24	333,233	Any Time
Washington Square(60.0%)	Fixed	330,000	3.65	%	12,045	11/1/22	311,863	Any Time
West Acres(19.0%)	Fixed	14,610	4.61	%	1,025	3/1/32	8,256	Any Time
		$2,968,412						

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

The debt premiums (discounts) as of December 31, 2018 consisted of the following:

Property Pledged as Collateral	
Consolidated Centers	
Fashion Outlets of Niagara Falls USA	$1,701
Unconsolidated Joint Venture Center (at Company's Pro Rata Share)	
Deptford Mall	$664
FlatIron Crossing	2,516
Lakewood Center	(10,499)
	$(7,319)

The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs at December 31, 2018 were $13,053 for Consolidated Centers and $3,847 for Unconsolidated Joint Ventures (at Company's pro rata share).

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

(3) The annual debt service represents the annual 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 Financing Arrangement (See "Item 1. Business—Other Transactions and Events").

(6) The loan bears interest at LIBOR plus 1.50%. On January 10, 2019, the Company replaced the existing loan on the property with a new $300.0 million loan that bears interest at 4.58% and matures on February 1, 2031.

(7) On March 1, 2018, the Company borrowed the remaining $20,000 available under the loan agreement on the property. The loan bears interest at LIBOR plus 2.15%.

(8) The loan bears interest at LIBOR plus 1.35%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2019.

(9) On February 13, 2019, the Company’s joint venture in SanTan Village Regional Center entered into a commitment for a ten-year $220.0 million loan to replace the existing loan on the property. The new loan will bear interest at a fixed rate of 4.30% and is expected to close during the second quarter of 2019.

(10) The loan bears interest at LIBOR plus 2.00%. On February 22, 2019, the Company’s joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from $57.8 million to $80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional $18.4 million.

(11) On November 7, 2018, the Company's joint venture in Boulevard Shops replaced the existing loan on the property with a new $18.8 million loan that bears interest at LIBOR plus 1.85% and matures on December 5, 2023. The loan can be expanded, depending on certain conditions, up to $23.0 million.

(12) On March 29, 2018, the Company's joint venture in Broadway Plaza placed a $450.0 million loan on the property that bears interest at an effective rate of 4.19% and matures on April 1, 2030.

ITEM 3. LEGAL PROCEEDINGS

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates is currently involved in any material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of the Company is listed and traded on the New York Stock Exchange under the symbol "MAC". The common stock began trading on March 10, 1994 at a price of $19 per share. As of February 21, 2019, there were approximately 507 stockholders of record.

To maintain its qualification as a REIT, the Company is required each year to distribute to stockholders at least 90% of its net taxable income after certain adjustments. The Company paid all of its 2018 and 2017 quarterly dividends in cash. The timing, amount and composition of future dividends will be determined in the sole discretion of the Company's board of directors and will depend on actual and projected cash flow, financial condition, funds from operations, earnings, capital requirements, annual REIT distribution requirements, contractual prohibitions or other restrictions, applicable law and such other factors as the board of directors deems relevant. For example, under the Company's existing financing arrangements, the Company may pay cash dividends and make other distributions based on a formula derived from funds from operations (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations ("FFO")") and only if no default under the financing agreements has occurred, unless, under certain circumstances, payment of the distribution is necessary to enable the Company to continue to qualify as a REIT under the Code.

Stock Performance Graph

The following graph provides a comparison, from December 31, 2013 through December 31, 2018, of the yearly percentage change in the cumulative total stockholder return (assuming reinvestment of dividends) of the Company, the Standard & Poor's ("S&P") 500 Index, the S&P Midcap 400 Index, FTSE Nareit Equity Retail Index and FTSE Nareit All Equity REITs Index. The FTSE Nareit Equity Retail Index and FTSE Nareit All Equity REITs Index are industry indexes of publicly-traded REITs that include the Company.

The graph assumes that the value of the investment in each of the Company's common stock and the indices was $100 at the close of the market on December 31, 2013.

Upon written request directed to the Secretary of the Company, the Company will provide any stockholder with a list of the REITs included in the FTSE Nareit Equity Retail Index and the FTSE Nareit All Equity REITs Index. The historical information set forth below is not necessarily indicative of future performance.

Data for the FTSE Nareit Equity Retail Index, FTSE Nareit All Equity REITs Index, the S&P 500 Index and the S&P Midcap 400 Index were provided by Research Data Group.

	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
The Macerich Company	$ 100.00	$ 147.20	$ 154.58	$ 140.71	$ 136.68	$ 94.92
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
S&P Midcap 400 Index	100.00	109.77	107.38	129.65	150.71	134.01
FTSE Nareit Equity Retail Index (1)	100.00	127.62	133.44	134.70	128.27	121.91
FTSE Nareit All Equity REITs Index (1)	100.00	128.03	131.64	143.00	155.41	149.12

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(1) Beginning with this Annual Report on Form 10-K, the Company determined to use the FTSE Nareit Equity Retail Index instead of the FTSE Nareit All Equity REITs Index as a comparator group in the stock performance graph. The Company believes that the FTSE Nareit Equity Retail Index provides a more narrowly defined peer group that more closely matches its business and better correlates with the performance of the retail REIT industry.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

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

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

ITEM 6. SELECTED FINANCIAL DATA

The following sets forth selected financial data for the Company on a historical basis. The following data should be read in conjunction with the consolidated financial statements (and the notes thereto) of the Company and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each included elsewhere in this Form 10-K. All dollars and share amounts are in thousands, except per share data.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
OPERATING DATA:					
Revenues:					
Minimum rents (1)	$575,856	$594,030	$616,295	$759,603	$633,571
Percentage rents	17,569	17,124	20,902	25,693	24,350
Tenant recoveries	263,477	283,295	305,282	415,129	361,119
Other	59,969	55,819	59,328	61,470	52,226
Management Companies	43,480	43,394	39,464	26,254	33,981
Total revenues	960,351	993,662	1,041,271	1,288,149	1,105,247
Expenses:					
Shopping center and operating expenses	277,470	295,190	307,623	379,815	353,505
Management Companies' operating expenses	103,534	100,121	98,323	92,340	88,424
REIT general and administrative expenses	24,160	28,240	28,217	29,870	29,412
Costs related to shareholder activism (2)	19,369	—	—	—	—
Costs related to unsolicited takeover offer (3)	—	—	—	25,204	—
Depreciation and amortization	327,436	335,431	348,488	464,472	378,716
Interest expense	182,962	171,776	163,675	211,943	190,689
(Gain) loss on extinguishment of debt, net (4)	—	—	(1,709)	(1,487)	9,551
Total expenses	934,931	930,758	944,617	1,202,157	1,050,297
Equity in income of unconsolidated joint ventures (5)	71,773	85,546	56,941	45,164	60,626
Co-venture expense (6)	—	(13,629)	(13,382)	(11,804)	(9,490)
Income tax benefit (expense) (7)	3,604	(15,594)	(722)	3,223	4,269
(Loss) gain on sale or write down of assets, net (8)	(31,825)	42,446	415,348	378,248	73,440
Gain on remeasurement of assets (9)	—	—	—	22,089	1,423,136
Net income	68,972	161,673	554,839	522,912	1,606,931
Less net income attributable to noncontrolling interests	8,952	15,543	37,844	35,350	107,889
Net income attributable to the Company	$60,020	$146,130	$516,995	$487,562	$1,499,042
Earnings per common share ("EPS") attributable to the Company:					
Basic	$0.42	$1.02	$3.52	$3.08	$10.46
Diluted (10)(11)	$0.42	$1.02	$3.52	$3.08	$10.45

	As of December 31,				
	2018	2017	2016	2015	2014
BALANCE SHEET DATA:					
Investment in real estate (before accumulated depreciation)	$8,878,820	$9,127,533	$9,209,211	$10,689,656	$12,777,882
Total assets	$9,026,808	$9,605,862	$9,958,148	$11,235,584	$13,094,948
Total mortgage and notes payable	$4,982,460	$5,170,264	$4,965,900	$5,260,750	$6,265,570
Equity (12)	$3,188,432	$3,967,999	$4,427,168	$5,071,239	$6,039,849
OTHER DATA:					
Funds from operations ("FFO")—diluted (13)	$564,436	$582,878	$642,304	$642,268	$542,754
Cash flows provided by (used in):					
Operating activities	$344,311	$386,389	$429,534	$554,956	$409,731
Investing activities	$176,323	$178,988	$454,066	$(70,136)	$(262,317)
Financing activities	$(514,438)	$(566,269)	$(867,502)	$(452,329)	$(138,748)
Number of Centers at year end	52	55	57	58	60
Regional Shopping Centers portfolio occupancy (14)	95.4%	95.0%	95.4%	96.1%	95.8%
Regional Shopping Centers portfolio sales per square foot (15)	$726	$660	$630	$635	$587
Weighted average number of shares outstanding—EPS basic	141,142	141,877	146,599	157,916	143,144
Weighted average number of shares outstanding—EPS diluted(11)	141,144	141,913	146,711	158,060	143,291
Distributions declared per common share (16)	$2.97	$2.87	$2.75	$6.63	$2.51

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(1) Minimum rents were increased by amortization of above and below-market leases of $1.9 million, $1.0 million, $12.8 million, $16.5 million and $9.1 million for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

(2) During the year ended December 31, 2018, the Company incurred $19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

(3) During the year ended December 31, 2015, the Company incurred $25.2 million in legal and advisory costs in response to an unsolicited, conditional proposal from Simon Property Group, Inc.

(4) The (gain) loss on extinguishment of debt, net for the years ended December 31, 2016, 2015 and 2014 includes the (gain) loss on the extinguishment of mortgage notes payable of $(1.7) million, $(2.1) million and $9.6 million, respectively. The (gain) loss on extinguishment of debt, net for the year ended December 31, 2015 also includes the loss on the extinguishment of a term loan of $0.6 million.

(5) On June 4, 2014, the Company acquired the remaining 49.0% ownership interest in Cascade Mall that it did not previously own for a cash payment of $15.2 million. The Company purchased Cascade Mall from its joint venture in Pacific Premier Retail LLC. Prior to the acquisition, the Company had accounted for its investment in Cascade Mall under the equity method of accounting. From the date of acquisition until it was sold on January 18, 2017, the Company has included Cascade Mall in its consolidated financial statements.

On July 30, 2014, the Company formed a joint venture to redevelop Fashion District Philadelphia. The Company invested $106.8 million for a 50% ownership interest in the joint venture, which was funded by borrowings under its line of credit.

On August 28, 2014, the Company sold its 30% ownership interest in Wilshire Boulevard for a total sales price of $17.1 million, resulting in a gain on the sale of assets of $9.0 million. The sales price was funded by a cash payment

of $15.4 million and the assumption of the Company's share of the mortgage note payable on the property of $1.7 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.
On November 14, 2014, the Company acquired the remaining 49% ownership interest that it did not previously own in two separate joint ventures, Pacific Premier Retail LLC and Queens JV LP, which together owned five Centers: Lakewood Center, Los Cerritos Center, Queens Center, Stonewood Center and Washington Square (collectively referred to herein as the "PPR Queens Portfolio.") The total consideration of approximately $1.8 billion was funded by the direct issuance of approximately $1.2 billion of common stock of the Company and the assumption of the third party's pro rata share of the mortgage notes payable on the properties of $672.1 million. The Company has included Stonewood Center and Queens Center in its consolidated financial statements since the date of acquisition and has included Lakewood Center, Los Cerritos Center and Washington Square in its consolidated financial statements from the date of acquisition until the Company sold a 40% interest in Pacific Premier Retail LLC (the "PPR Portfolio") on October 30, 2015 as provided below.
On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center that it did not previously own for $51.3 million. The purchase price was funded by a cash payment of $26.3 million and the assumption of the third party's share of the mortgage note payable on the property of $25.0 million. Concurrent with the purchase of the joint venture interest, the Company paid off the $50.0 million mortgage note payable on the property. The cash payment was funded by borrowings under the Company's line of credit.

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

On October 30, 2015, the Company sold a 40% ownership interest in the PPR Portfolio, which owns Lakewood Center, Los Cerritos Center, South Plains Mall and Washington Square for a total sales price of $1.3 billion, resulting in a gain on sale of assets of $311.2 million. The sales price was funded by a cash payment of $545.6 million and the assumption of the pro rata share of the mortgage and other notes payable on the properties of $713.0 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the accelerated share repurchase program and Special Dividend (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Transactions and Events"). Upon completion of the sale of the ownership interest, the Company has accounted for its investment in the PPR Portfolio under the equity method of accounting.

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center for $289.5 million, resulting in a gain on the sale of assets of $101.6 million. The sales price was funded by a cash payment of $129.5 million and the assumption of a pro rata share of the mortgage note payable on the property of $160.0 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Transactions and Events"). Upon completion of the sale of the ownership interest, the Company has accounted for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, FlatIron Crossing and Twenty Ninth Street (the "MAC Heitman Portfolio"), for $771.5 million, resulting in a gain on the sale of assets of $340.7 million. The sales price was funded by a cash payment of $478.6 million and the assumption of a pro rata share of the mortgage notes payable on the properties of $292.9 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company has accounted for its investment in the MAC Heitman Portfolio under the equity method of accounting.

On March 1, 2016, the Company, through a 50/50 joint venture, acquired Country Club Plaza for a purchase price of $660.0 million. The Company funded its pro rata share of the purchase price of $330.0 million from borrowings under its line of credit. On March 28, 2016, the joint venture placed a $320.0 million loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its pro rata share of the proceeds to pay down its line of credit.

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

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

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

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

On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49.1 million, resulting in a gain on sale of assets of $12.6 million. The Company's share of the gain of $3.0 million was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the $24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.
On August 31, 2018, the Company completed the sale of a 75% ownership interest in One Westside, a 680,000 square foot regional shopping center in Los Angeles, California, for $142.5 million, resulting in a gain on sale of assets of $46.2 million. The sales price was funded by a cash payment of $36.9 million and the assumption of a pro rata share of the mortgage note payable on the property of $105.6 million. Concurrent with the sale of the ownership interest in the property, the joint venture defeased the loan on the property by providing a $149.2 million portfolio of marketable securities as replacement collateral in lieu of the property. The Company funded its share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property. From March 1, 2018 to the completion of the sale, the Company accounted for its interest in One Westside as a collaborative arrangement (See Note 14—Collaborative Arrangement in the Company's Notes to the Consolidated Financial Statements). Upon completion of the sale, the Company has accounted for its ownership interest in One Westside under the equity method of accounting.
On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second stage. The first phase of the project is expected to be completed in Fall 2021.

(6) On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to the Financing Arrangement. As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest

expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

(7) The Company's taxable REIT subsidiaries are subject to corporate level income taxes. The income tax expense for the year ended December 31, 2017 includes a charge of $14.2 million due to the impact of the Tax Cuts and Jobs Act of 2017 ("TCJA 2017"). The TCJA 2017 reduced the federal income tax rate to 21% (See Note 21—Income Taxes in the Company's Notes to the Consolidated Financial Statements).

(8) (Loss) gain on sale or write down of assets, net includes a gain of $46.2 million from the sale of a 75% ownership interest in One Westside during the year ended December 31, 2018, $14.6 million from sale of 500 North Michigan Avenue and $59.6 million from the sale of Cascade Mall and Northgate Mall during the year ended December 31, 2017, $340.7 million from the sale of a 49% ownership interest in the MAC Heitman Portfolio, $101.6 million from the sale of a 40% ownership interest in Arrowhead Towne Center and $24.9 million from the sale of Capitola Mall during the year ended December 31, 2016, $311.2 million from the sale of a 40% ownership interest in the PPR Portfolio and $73.7 million from the sale of Panorama Mall during the year ended December 31, 2015 and $121.9 million from the sale of South Towne Center, $24.6 million from the sale of Camelback Colonnade and $9.0 million from the sale of a 30% ownership interest in Wilshire Boulevard during the year ended December 31, 2014. (Loss) gain on sale or write down of assets, net also includes a charge for loss on impairment and write down of assets net of gains on land sales of $78.1 million, $31.7 million, $51.9 million, $6.7 million and $82.0 million for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively (See Note 6—Property, net in the Company's Notes to the Consolidated Financial Statements).

(9) Gain on remeasurement of assets includes $22.1 million from the acquisition of Inland Center during the year ended December 31, 2015 and $1.4 billion from the acquisition of the PPR Queens Portfolio during the year ended December 31, 2014.

(10) Assumes the conversion of Operating Partnership units to the extent they are dilutive to the EPS computation. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the EPS computation.

(11) Includes the dilutive effect, if any, of share and unit-based compensation plans calculated using the treasury stock method and the dilutive effect, if any, of all other dilutive securities calculated using the "if converted" method.

(12) Equity includes the noncontrolling interests in the Operating Partnership, nonredeemable noncontrolling interests in consolidated joint ventures and common and non-participating convertible preferred units of MACWH, LP.

(13) See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations ("FFO")".

(14) Occupancy is the percentage of Mall and Freestanding GLA leased as of the last day of the reporting period. Centers under development and redevelopment are excluded from occupancy. As a result, occupancy for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 excluded Fashion District Philadelphia, Paradise Valley Mall and One Westside. Occupancy for the years ended December 31, 2016, 2015 and 2014 excluded Broadway Plaza. Occupancy for the years ended December 31, 2015 and 2014 excluded Fashion Outlets of Niagara Falls USA and SouthPark Mall.

In addition, occupancy for the year ended December 31, 2016 excluded Cascade Mall and Northgate Mall, which were sold on January 18, 2017. Occupancy for the year ended December 31, 2015 excluded Flagstaff Mall, which was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016. Occupancy for the year ended December 31, 2014 excluded Great Northern Mall, which was conveyed to the mortgage lender by a deed-in-lieu of foreclosure in 2015.

(15) Sales per square foot are based on reports by retailers leasing Mall Stores and Freestanding Stores for the trailing twelve months for tenants which have occupied such stores for a minimum of twelve months. Sales per square foot also are based on tenants 10,000 square feet and under for Regional Shopping Centers. The sales per square foot exclude Centers under development and redevelopment. As a result, sales per square foot for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 excluded Fashion District Philadelphia, Paradise Valley Mall and One Westside. Sales per square foot for the years ended December 31, 2016, 2015 and 2014 excluded Broadway Plaza. Sales per square foot for the years ended December 31, 2015 and 2014 excluded Fashion Outlets of

Niagara Falls USA and SouthPark Mall.

In addition, sales per square foot for the year ended December 31, 2016 excluded Cascade Mall and Northgate Mall, which were sold on January 18, 2017. Sales per square foot for the year ended December 31, 2015 excluded Flagstaff Mall, which was conveyed to the mortgage lender by a deed-in-lieu of foreclosure on July 15, 2016. Sales per square foot for the year ended December 31, 2014 excluded Great Northern Mall, which was conveyed to the mortgage lender by a deed-in-lieu of foreclosure in 2015.

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 Operating Partnership. As of December 31, 2018, the Operating Partnership owned or had an ownership interest in 47 regional shopping centers and five community/power shopping centers. These 52 regional and community/power shopping centers (which include any related office space) consist of approximately 51 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”) as set forth in “Item 2. Properties,” unless the context otherwise requires. The Company is a self-administered and self-managed 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 years ended December 31, 2018, 2017 and 2016. It compares the results of operations and cash flows for the year ended December 31, 2018 to the results of operations and cash flows for the year ended December 31, 2017. Also included is a comparison of the results of operations and cash flows for the year ended December 31, 2017 to the results of operations and cash flows for the year ended December 31, 2016. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Acquisitions and Dispositions:

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

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center, a 1,197,000 square foot regional shopping center in Glendale, Arizona, for $289.5 million, resulting in a gain on the sale of assets of $101.6 million. The sales price was funded by a cash payment of $129.5 million and the assumption of a pro rata share of the mortgage note payable on the property of $160.0 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See "Other Transactions and Events"). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, a 1,040,000 square foot regional shopping center in Deptford, New Jersey; FlatIron Crossing, a 1,428,000 square foot regional shopping center in Broomfield, Colorado; and Twenty Ninth Street, an 845,000 square foot regional shopping center in Boulder, Colorado (the "MAC Heitman Portfolio"), for $771.5 million, resulting in a gain on the sale of assets of $340.7 million. The sales price was funded by a cash payment of $478.6 million and the assumption of a pro rata share of the mortgage notes payable on the properties of $292.9 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the MAC Heitman Portfolio under the equity method of accounting.

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

On March 1, 2016, the Company through a 50/50 joint venture, acquired Country Club Plaza, a 1,003,000 square foot regional shopping center in Kansas City, Missouri, for a purchase price of $660.0 million. The Company funded its pro rata share of $330.0 million with borrowings under its line of credit.

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

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

On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170.0 million, resulting in a gain on the sale of assets of $59.6 million. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events").

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

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

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

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

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

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute Westside Pavilion (referred to hereafter as One Westside), a 680,000 square foot regional shopping center in Los Angeles, California in exchange for $142.5 million. The Company completed the sale of the 75% ownership interest in the property to Hudson Pacific Properties on August 31, 2018, resulting in a gain on sale of assets of $46.2 million. The sales price was funded by a cash payment of $36.9 million and the assumption of a pro rata share of the mortgage note payable on the property of $105.6 million. The Company used the proceeds to fund its share of the cost to defease the mortgage note payable on the property (See "Financing Activity"). From March 1, 2018 to the completion of the sale, the Company accounted for its interest in the property as a collaborative arrangement (See Note 14—Collaborative Arrangement of the Company's consolidated financial statements). Upon completion of the sale, the Company has accounted for its ownership interest in the property under the equity method of accounting.

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

On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49.1 million, resulting in a gain on sale of assets of $12.6 million. The Company's share of the gain of $3.0 million was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the $24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

Financing Activity:

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

Dispositions").

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

On March 28, 2016, the Company's joint venture in Country Club Plaza placed a $320.0 million loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.
On May 27, 2016, the Company's joint venture in The Shops at North Bridge replaced the existing loan on the property with a new $375.0 million loan that bears interest at an effective rate of 3.71% and matures on June 1, 2028. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On July 6, 2016, the Company modified and amended its line of credit. The amended $1.5 billion line of credit bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. Based on the Company's leverage level as of the amendment date, the initial borrowing rate on the facility was LIBOR plus 1.33%. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2.0 billion.
On August 5, 2016, the Company’s joint venture in The Village at Corte Madera replaced the existing loan on the property with a new $225.0 million loan that bears interest at an effective rate of 3.53% and matures on September 1, 2028. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On October 6, 2016, the Company placed a $325.0 million loan on Fresno Fashion Fair that bears interest at an effective rate of 3.67% and matures on November 1, 2026. The Company used the proceeds to pay down its line of credit and for general corporate purposes.
On February 1, 2017, the Company's joint venture in West Acres replaced the existing loan on the property with a new $80.0 million loan that bears interest at an effective rate of 4.61% and matures on March 1, 2032. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On March 16, 2017, the Company's joint venture in Kierland Commons replaced the existing loan on the property with a new $225.0 million loan that bears interest at an effective rate of 3.98% and matures on April 1, 2027. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.
On September 29, 2017, the Company placed a new $110.0 million loan on Green Acres Commons that bears interest at LIBOR plus 2.15% and matures on March 29, 2021, including extension options. The Company expanded the loan and borrowed the additional $20.0 million available on the loan on March 1, 2018. The Company used the proceeds to pay down its line of credit and for general corporate purposes.
On October 19, 2017, the Company's joint venture in Chandler Fashion Center and Freehold Raceway Mall replaced the existing loan on Freehold Raceway Mall with a new $400.0 million loan that bears interest at an effective rate of 3.94% and matures on November 1, 2029. The Company used its share of the net proceeds to pay down its line of credit and for general corporate purposes.
On November 1, 2017, the Company paid off in full the $95.0 million mortgage loan payable on Stonewood Center. The Company funded the repayment of the mortgage loan payable from borrowings under its line of credit.
On December 4, 2017, the Company replaced the existing loan on Santa Monica Place with a new $300.0 million loan that bears interest at LIBOR plus 1.35% and matures on December 9, 2022, including three one-year extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.00%. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.
On January 22, 2018, the Company's joint venture in Fashion District Philadelphia obtained a $250.0 million term loan that bears interest at LIBOR plus 2.0% and matures on January 22, 2023. Concurrent with the loan closing, the joint venture borrowed $150.0 million on the term loan and borrowed the remaining $100.0 million on March 26, 2018. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.
On March 29, 2018, the Company's joint venture in Broadway Plaza placed a $450.0 million loan on the property that bears interest at an effective rate of 4.19% and matures on April 1, 2030. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.
On August 31, 2018, concurrent with the sale of the ownership interest in One Westside (See "Acquisitions and Dispositions"), the joint venture defeased the loan on the property by providing a $149.2 million portfolio of marketable securities as replacement collateral in lieu of the property. At December 31, 2018, the balance of the marketable securities and the defeased loan at the joint venture were $146.9 million and $138.2 million, respectively, with Company's pro rata share at $36.7 million and $34.6 million, respectively. The Company funded its $37.3 million

share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property.

On September 14, 2018, the Company entered into four interest rate swap agreements that effectively convert a total of $400.0 million of the outstanding balance of the Company's line of credit from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 30, 2021.

On November 7, 2018, the Company's joint venture in Boulevard Shops replaced the existing loan on the property with a new $18.8 million loan that bears interest at LIBOR plus 1.85% and matures on December 5, 2023. The loan can be expanded, depending on certain conditions, up to $23.0 million. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On January 10, 2019, the Company replaced the existing loan on Fashion Outlets of Chicago with a new $300.0 million loan that bears interest at 4.58% and matures on February 1, 2031. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On February 13, 2019, the Company's joint venture in SanTan Village Regional Center entered into a commitment for a ten-year $220.0 million loan to replace the existing loan on the property. The new loan will bear interest at a fixed rate of 4.30% and is expected to close during the second quarter of 2019.

On February 22, 2019, the Company's joint venture in The Shops at Atlas Park entered into an agreement to increase the total borrowing capacity of the existing loan on the property from $57.8 million to $80.0 million, and to extend the maturity date to October 28, 2021, including extension options. Concurrent with the loan modification, the joint venture borrowed an additional $18.4 million. The Company used its $9.2 million share of the additional proceeds to pay down its line of credit and for general corporate purposes.

Redevelopment and Development Activity:

The Company's joint venture is proceeding with the redevelopment of Fashion District Philadelphia, an 850,000 square foot shopping center in Philadelphia, Pennsylvania. The project is expected to be completed in September 2019. The total cost of the project is estimated to be between $400.0 million and $420.0 million, with $200.0 million to $210.0 million estimated to be the Company's pro rata share. The Company has funded $151.5 million of the total $302.9 million incurred by the joint venture as of December 31, 2018.

The Company's joint venture in Scottsdale Fashion Square is redeveloping a former Barney's store and an 80,000 square foot exterior expansion. The project is expected to be completed in 2019. The total cost of the project is estimated to be between $140.0 million and $160.0 million, with $70.0 million to $80.0 million estimated to be the Company's pro rata share. The Company has funded $26.8 million of the total $53.6 million incurred by the joint venture as of December 31, 2018.

The Company's joint venture with Hudson Pacific Properties is redeveloping One Westside, into 584,000 square feet of creative office space and 96,000 square feet of dining and entertainment space. The entire creative office space has been leased to Google and is expected to be completed in 2022. The total cost of the project is estimated to be between $500.0 million and $550.0 million, with $125.0 million to $137.5 million estimated to be the Company's pro rata share. The Company has funded $35.6 million of the total $142.4 million incurred by the joint venture as of December 31, 2018.

On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second stage. The first phase of the project is expected to be completed in Fall 2021. The Company has funded $15.8 million of the total $31.5 million incurred by the joint venture as of December 31, 2018.

In connection with the anticipated closures and lease rejections of several Sears stores owned or partially owned by the Company, the Company anticipates spending between $250.0 million to $300.0 million at the Company's pro rata share to redevelop the Sears stores. The anticipated openings of such redevelopments are expected to occur between 2020 and 2024. The estimated range of redevelopment costs could increase if the Company or its joint venture decide to expand the scope of the redevelopments.

Other Transactions and Events:

On October 30, 2015, the Company declared a special dividend/distribution ("Special Dividend") of $2.00 per share of common stock and per OP Unit that was paid on January 6, 2016 to common stockholders and OP Unit holders of record on November 12, 2015. The Special Dividend was funded from proceeds in connection with the financing and sale of ownership interests in Pacific Premier Retail LLC in 2015 and Arrowhead Towne Center in 2016 (See

"Acquisitions and Dispositions" and "Financing Activity").

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

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

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

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500.0 million of its outstanding common shares as market conditions and the Company’s liquidity warrant (the "2017 Stock Buyback Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements. During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for $221.4 million, representing an average price of $61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See "Acquisitions and Dispositions"), its share of the proceeds from the sale of ownership interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See "Acquisitions and Dispositions") and from borrowings under its line of credit.

On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to the Financing Arrangement. As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.

On February 1 and 2, 2018, the Company reduced its workforce by approximately 10 percent. The Company incurred a one-time charge of $12.7 million in connection with the workforce reduction during the year ended December 31, 2018. As a result of the workforce reduction, the Company, exclusive of the one-time charge, reduced expenses by approximately $10.0 million during the year ending December 31, 2018.

During the year ended December 31, 2018, the Company incurred $19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

Inflation:

In the last five years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically throughout the lease term. These rent increases are either in fixed increments or based on using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, approximately 5% to 12% of the leases for spaces 10,000 square feet and under expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. The Company has generally entered into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center, which places the burden of cost control on the Company. Additionally, certain leases require the tenants to pay their pro rata share of operating expenses.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, capitalization of costs and fair value measurements. The Company's significant accounting policies are described in more detail in Note 2—Summary of Significant Accounting Policies in the Company's Notes to the Consolidated Financial Statements. However, the following policies are deemed to be critical.

Acquisitions:

The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an “as if vacant” methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with “cost avoidance” of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the “assumed vacant” property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. Above or below-market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below-market, and the asset or liability is amortized to minimum rents over the remaining terms of the leases. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company's relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs and capitalizes costs associated with asset acquisitions.

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

Asset Impairment:

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

The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.

Fair Value of Financial Instruments:

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

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

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

The Company records its Financing Arrangement 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 cash flow model, with the significant unobservable inputs including the multiple of net operating income, discount 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 above, including those related to the Redevelopment Properties, the JV Transition Centers and the Disposition Properties (each as defined below).

For purposes of the discussion below, the Company defines "Same Centers" as those Centers that are substantially complete and in operation for the entirety of both periods of the comparison. Non-Same Centers for comparison purposes include those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center (“Redevelopment Properties”), those properties that have recently transitioned to or from equity method joint ventures to consolidated assets ("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, the JV Transition Centers and the Disposition Properties for the periods of comparison.

For the comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the Redevelopment Properties are Paradise Valley Mall and certain ground up developments. For the comparison of the year ended December 31, 2017 to the year ended December 31, 2016, the Redevelopment Properties are the expansion portion of Green Acres Mall, Paradise Valley Mall and One Westside.

For the comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the JV Transition Center is One Westside. For the comparison of the year ended December 31, 2017 to the year ended December 31, 2016, the JV Transition Centers are Arrowhead Towne Center and the MAC Heitman Portfolio. The change in revenues and expenses at the JV Transition Center for the comparison of the year ended December 31, 2018 to the year ended December 31, 2017 is primarily due to the conversion of One Westside from a Consolidated Center to an

Unconsolidated Joint Venture Center. The change in revenues and expenses at the JV Transition Centers for the comparison of the year ended December 31, 2017 to the year ended December 31, 2016 is primarily due to the conversion of Arrowhead Towne Center and the MAC Heitman Portfolio from Consolidated Centers to Unconsolidated Joint Venture Centers.

For comparison of the year ended December 31, 2018 to the year ended December 31, 2017, the Disposition Properties are Promenade at Casa Grande, 500 North Michigan Avenue, Cascade Mall and Northgate Mall. For the comparison of the year ended December 31, 2017 to the year ended December 31, 2016, the Disposition Properties are 500 North Michigan Avenue, Cascade Mall, Northgate Mall, Flagstaff Mall and Capitola Mall.

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

The Company considers tenant annual sales per square foot (for tenants in place for a minimum of 12 months or longer and 10,000 square feet and under) for regional shopping centers, occupancy rates (excluding large retail stores or "Anchors") for the Centers and releasing spreads (i.e. a comparison of initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the year based on the spaces 10,000 square feet and under) to be key performance indicators of the Company's internal growth.

Tenant sales per square foot increased from $660 for the twelve months ended December 31, 2017 to $726 for the twelve months ended December 31, 2018. Occupancy rate increased from 95.0% at December 31, 2017 to 95.4% at December 31, 2018. Releasing spreads remained positive as the Company was able to lease available space at average higher rents than the expiring rental rates, resulting in a releasing spread of $5.75 per square foot ($57.55 on new and renewal leases executed compared to $51.80 on leases expiring), representing a 11.1% increase for the trailing twelve months ended December 31, 2018. The Company expects that releasing spreads will continue to be positive for 2019 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire represent approximately 900,000 square feet of the Centers, accounting for 12.5% of the GLA of mall stores and freestanding stores, for spaces 10,000 square feet and under, as of December 31, 2018. These calculations exclude Centers under development or redevelopment and property dispositions (See "Acquisitions and Dispositions" and "Redevelopment and Development Activities" in Management's Overview and Summary).

During the trailing twelve months ended December 31, 2018, the Company signed 241 new leases and 363 renewal leases comprising approximately 1.0 million square feet of GLA, of which 0.7 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was $57.55 per square foot for the trailing twelve months ended December 31, 2018 with an average tenant allowance of $28.74 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 Shopping Centers. Although the Company believes that overall regional shopping centers fundamentals in its markets appear reasonably strong heading into 2019, the Company expects that its results for 2019 will be negatively impacted by rising interest rates and anticipated Anchor closures and tenant bankruptcies, among other factors.

Rising interest rates increase the cost of the Company’s borrowings due to its outstanding floating-rate debt and lead to higher interest rates on new fixed-rate debt. 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, in an increasing interest rate environment the fixed rates the Company can obtain with such replacement fixed-rate cap and swap agreements or the fixed-rate on new debt will also continue to increase.

In recent years, a number of companies in the retail industry, including some of the Company’s Anchors, have declared bankruptcy, have gone out of business or have significantly reduced the number of their retail stores. Store closures by an Anchor may impact the Company’s Centers more holistically by causing other Anchors and/or certain other tenants to terminate their leases, receive reduced rent and/or cease operating their stores at the Center.

On October 15, 2018, Sears filed for bankruptcy and announced additional store closings. As of December 31, 2018, following the closure of four stores during 2018, the Company had 17 Sears stores totaling approximately 2.6 million square feet of gross leasable area within the Company’s portfolio and accounting for approximately 1% of the Company’s total minimum and percentage rents. In January 2019, Sears closed nine additional stores. The remaining eight stores include three owned by the Company, three owned by the Company’s joint venture with Seritage Growth

Properties ("Seritage") and two owned by a third-party. Due to its bankruptcy filing, Sears may be unable or unwilling to meet its rent obligations and other obligations under its leases with the Company, and the Company may be unable to re-lease a terminated or rejected space on comparable terms or at all.

Although, in the short-term, the bankruptcy of an Anchor such as Sears may lead to lost base rent and the triggering of co-tenancy clauses, there is also the potential to create additional future value through the recapturing of space and releasing that space to new tenants at higher rent per square foot, which the Company has demonstrated through its joint venture with Seritage and the completed redevelopment of a former Sears store at Kings Plaza Shopping Center in July 2018.

Comparison of Years Ended December 31, 2018 and 2017

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") decreased by $17.7 million, or 2.9%, from 2017 to 2018. The decrease in rental revenue is attributed to a decrease of $10.4 million from the Disposition Properties and $9.6 million from the JV Transition Center offset in part by an increase of $1.6 million from the Same Centers and $0.7 million from the Redevelopment Properties.

Rental revenue includes the amortization of above and below-market leases, the amortization of straight-line rents and lease termination income. The amortization of above and below-market leases increased from $1.0 million in 2017 to $1.9 million in 2018. The amortization of straight-line rents increased from $8.6 million in 2017 to $11.8 million in 2018. Lease termination income decreased from $18.1 million in 2017 to $9.9 million in 2018.

Tenant recoveries decreased $19.8 million, or 7.0%, from 2017 to 2018. The decrease in tenant recoveries is attributed to a decrease of $15.3 million from the Same Centers, $3.1 million from the JV Transition Center and $1.4 million from the Disposition Properties. The decrease in tenant recoveries at the the Same Centers is primarily due to a reduction in property tax expense.

Management Companies' revenue increased from $43.4 million in 2017 to $43.5 million in 2018.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $17.7 million, or 6.0%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to a decrease of $9.8 million from the Same Centers, $5.5 million from the Disposition Properties and $5.0 million from the JV Transition Center offset in part by an increase of $2.6 million from the Redevelopment Properties. The decrease in shopping center and operating expenses at the the Same Centers is primarily due to a reduction in property tax expense.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased $3.4 million from 2017 to 2018. The increase is attributed to a one-time charge of $12.7 million in connection with the Company's reduction in work force in 2018 (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a reduction in payroll and share and unit-based compensation costs.

REIT General and Administrative Expenses:

REIT general and administrative expenses decreased $4.1 million from 2017 to 2018 due to a reduction in compensation costs.

Costs Related to Shareholder Activism:

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

Depreciation and Amortization:

Depreciation and amortization decreased $8.0 million from 2017 to 2018. The decrease in depreciation and amortization is primarily attributed to a decrease of $4.9 million from the JV Transition Center, $4.3 million from the Disposition Properties and $0.3 million from the Redevelopment Properties offset in part by an increase of $1.5 million from the Same Centers.

Interest Expense:
Interest expense increased $11.2 million from 2017 to 2018. The increase in interest expense is primarily attributed to an increase of $10.6 million from the Same Centers, $4.0 million from borrowings under the line of credit, $0.8 million from the Redevelopment Properties, $0.3 million from the Disposition Properties and $0.2 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a decrease of $4.7 million from the JV Transition Center. The increase in interest expense at the Same Centers is primarily due to the new loans on Green Acres Commons and Freehold Raceway Mall (See "Financing Activities" in Management's Overview and Summary).
The above interest expense items are net of capitalized interest, which increased from $13.2 million in 2017 to $15.4 million in 2018.
Equity in Income of Unconsolidated Joint Ventures:
Equity in income of unconsolidated joint ventures decreased $13.8 million from 2017 to 2018. The decrease in equity in income from joint ventures is primarily due to the gain on the sale of an ownership interest in office buildings at Fashion District Philadelphia in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and interest expense on the new the mortgage loan on Broadway Plaza in 2018 (See "Financing Activities" in Management's Overview and Summary).
(Loss) Gain on Sale or Write Down of Assets, net:
The change in (loss) gain on sale or write down of assets, net was $74.3 million, resulting from a gain of $42.4 million in 2017 and a loss of $31.8 million in 2018. The change in (loss) gain on sale or write down of assets, net is primarily due to the gain of $59.6 million on the sale of Cascade Mall and Northgate Mall in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and impairment losses of $54.5 million on SouthPark Mall, La Cumbre Plaza, Southridge Center and Promenade at Casa Grande in 2018 offset in part by the gain of $46.2 million on the sale of a 75% ownership interest in One Westside in 2018 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and impairment losses of $22.1 million on Southridge Center and Promenade at Casa Grande in 2017. The impairment losses were due to the reduction in the estimated holding periods of the properties.
Net Income:
Net income decreased $92.7 million from 2017 to 2018. The decrease in net income is primarily attributed to the change in (loss) gain on sale or write down of assets, net of $74.3 million, as discussed above.
Funds From Operations ("FFO"):
Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted decreased 3.2% from $582.9 million in 2017 to $564.4 million 2018. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.
Operating Activities:
Cash provided by operating activities decreased $42.1 million from 2017 to 2018. The decrease is primarily due to the $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary), changes in assets and liabilities and the results as discussed above.
Investing Activities:
Cash provided by investing activities decreased $2.7 million from 2017 to 2018. The decrease in cash provided by investing activities is primarily attributed to a decrease in cash proceeds from the sale of assets of $169.4 million, an increase in contributions to unconsolidated joint ventures of $63.7 million, an increase in development, redevelopment, expansion and renovation of properties costs of $20.7 million and an increase in property improvements of $14.3 million offset in part by an increase in distributions from unconsolidated joint ventures of $268.7 million.
The decrease in cash proceeds from the sale of assets is attributed to the sales of Cascade Mall and Northgate Mall in 2017 offset in part by the proceeds from the sale of Promenade at Casa Grande and an ownership interest in Westside Pavilion in 2018 (See "Acquisitions and Dispositions" in Management's Overview and Summary). The increase in distributions from unconsolidated joint ventures is primarily due to the distribution of the Company's share of

proceeds from the loans placed on Broadway Plaza and Fashion District Philadelphia (See "Financing Activities" in Management's Overview and Summary) and the sale of The Market at Estrella Falls and the sale of an ownership interest in an office building at Fashion District Philadelphia (See "Acquisitions and Dispositions" in Management's Overview and Summary) in 2018.

Financing Activities:
Cash used in financing activities decreased $51.8 million from 2017 to 2018. The decrease in cash used in financing activities is primarily due to a decrease in payments on mortgages, bank and other notes payable of $749.9 million, the repurchases of the Company's common stock of $221.4 million in 2017 (See "Other Transactions and Events" in Management's Overview and Summary) and a decrease in distributions to co-venture partner of $103.8 million (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a decrease in proceeds from mortgages, bank and other notes payable of $1.0 billion.

Comparison of Years Ended December 31, 2017 and 2016

Revenues:
Minimum and percentage rents decreased by $26.0 million, or 4.1%, from 2016 to 2017. The decrease in rental revenue is attributed to a decrease of $18.3 million from the Disposition Properties, $17.7 million from the Redevelopment Properties and $3.3 million from the Joint Venture Centers offset in part by an increase of $13.3 million from the Same Centers. The increase in rental revenue at the Same Centers is primarily due to an increase in lease termination income and an increase in leasing spreads.

The amortization of above and below-market leases decreased from $12.8 million in 2016 to $1.0 million in 2017 primarily due to the JV Transition Centers. The amortization of straight-line rents increased from $5.2 million in 2016 to $8.6 million in 2017. Lease termination income decreased from $19.2 million in 2016 to $18.1 million in 2017.

Tenant recoveries decreased $22.0 million, or 7.2%, from 2016 to 2017. The decrease in tenant recoveries is attributed to a decrease of $9.3 million from the Same Centers, $8.3 million from the Disposition Properties, $2.8 million from the Redevelopment Properties and $1.6 million from the Joint Venture Centers. The decrease in tenant recoveries from the Same Centers is primarily due to a decrease in property tax expense and utility cost.

Management Companies' revenue increased from $39.5 million in 2016 to $43.4 million in 2017. The increase in Management Companies' revenue is due to an increase in development and leasing fees from joint ventures.

Shopping Center and Operating Expenses:
Shopping center and operating expenses decreased $12.4 million, or 4.0%, from 2016 to 2017. The decrease in shopping center and operating expenses is attributed to a decrease of $11.5 million from the Disposition Properties, $1.3 million from the Redevelopment Properties and $0.8 million from the Joint Venture Centers offset in part by an increase of $1.2 million from the Same Centers.

Management Companies' Operating Expenses:
Management Companies' operating expenses increased $1.8 million from 2016 to 2017.

REIT General and Administrative Expenses:
REIT general and administrative expenses were $28.2 million in 2016 and 2017.

Depreciation and Amortization:
Depreciation and amortization decreased $13.1 million from 2016 to 2017. The decrease in depreciation and amortization is primarily attributed to a decrease of $10.5 million from the Disposition Properties, $4.4 million from the Same Centers and $1.5 million from the Joint Venture Centers offset in part by an increase of $3.3 million from the Redevelopment Properties.

Interest Expense:
Interest expense increased $8.1 million from 2016 to 2017. The increase in interest expense is primarily attributed to an increase of $6.8 million from borrowings under the line of credit, $5.4 million from the Same Centers and $0.2 million from the Redevelopment Properties offset in part by a decrease of $3.4 million from the Disposition Properties and $0.9 million from the Joint Venture Centers. The increase in interest expense at the Same Centers is primarily due to a new loan on Fresno Fashion Fair in 2016 (See "Financing Activity" in Management's Overview and Summary).

The above interest expense items are net of capitalized interest, which increased from $10.3 million in 2016 to $13.2 million in 2017.

Gain on Extinguishment of Debt, net:
The gain on extinguishment of debt, net of $1.7 million in 2016 was due to the gain of $5.3 million on the settlement of the mortgage note payable on Flagstaff Mall by a deed-in-lieu of foreclosure in 2016 (See “Other Transactions and Events” in Management’s Overview and Summary) offset in part by a loss of $3.6 million on the early extinguishment of debt on Arrowhead Towne Center in 2016 (See “Financing Activities” in Management’s Overview and Summary).
Equity in Income of Unconsolidated Joint Ventures:
Equity in income of unconsolidated joint ventures increased $28.6 million from 2016 to 2017. The increase is primarily due to the conversion of Arrowhead Towne Center and the MAC Heitman Portfolio from Consolidated Centers to Unconsolidated Joint Venture Centers in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary), the Company's share of the gain on the sales of ownership interests in office buildings at Fashion District Philadelphia and Country Club Plaza in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and the Company's shares of the gain on land sales at other joint ventures in 2017.
Gain on Sale or Write down of Assets, net:
Gain on sale or write down of assets, net decreased $372.9 million from 2016 to 2017. The decrease is primarily due to the gain of $467.2 million on the sales of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio in 2016 and the sale of Capitola Mall in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary) offset in part by the gain of $74.2 million on the sales of Cascade Mall, Northgate Mall and 500 North Michigan Avenue in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary).
Net Income:
Net income decreased $393.2 million from 2016 to 2017. The decrease in net income is primarily attributed to a decrease of $372.9 million from gain on sale or write down of assets, net, as discussed above.
Funds From Operations:
Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted decreased 9.3% from $642.3 million in 2016 to $582.9 million in 2017. For a reconciliation of net income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.
Operating Activities:
Cash provided by operating activities decreased from $429.5 million in 2016 to $386.4 million in 2017. The decrease is primarily due to changes in assets and liabilities and the results as discussed above.
Investing Activities:
Cash provided by investing activities decreased $275.1 million from 2016 to 2017. The decrease in cash provided by investing activities was primarily due to a decrease in proceeds from the sale of assets of $469.0 million and a decrease in distributions from unconsolidated joint ventures of $176.1 million offset in part by a decrease in contributions to unconsolidated joint ventures of $312.9 million and a decrease in development, redevelopment and renovations of $51.3 million.
The decrease in cash proceeds from the sale of assets is attributed to the sales of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio in 2016 and the sale of Capitola Mall in 2016 offset in part by the sale of Cascade Mall, Northgate Mall and 500 North Michigan Avenue in 2017 (See "Acquisitions and Dispositions" in Management's Overview and Summary). The decrease in contributions to unconsolidated joint ventures is primarily due to the acquisition of the 50% ownership interest in Country Club Plaza in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary).
Financing Activities:
Cash used in financing activities decreased $301.2 million from 2016 to 2017. The decrease in cash used in financing activities is primarily due to a decrease in payments on mortgages, bank and other notes payable of $1.2 billion, a decrease in the repurchases of the Company's common stock of $578.6 million (See "Other Transactions and Events" in Management's Overview and Summary) and a decrease in cash dividends and distributions of $335.5 million offset in part by a decrease in proceeds from mortgages, bank and other notes payable of $1.8 billion and an increase in

distributions to co-venture partner of $85.6 million.

Liquidity and Capital Resources

The Company anticipates meeting its liquidity needs for its operating expenses and debt service and dividend requirements for the next twelve months through cash generated from operations, working capital reserves and/or borrowings under its unsecured line of credit.

The following tables summarize capital expenditures and lease acquisition costs incurred at the Centers (at the Company's pro rata share) for the years ended December 31:

(Dollars in thousands)	2018	2017	2016
Consolidated Centers:			
Acquisitions of property and equipment	$53,350	$38,153	$56,759
Development, redevelopment, expansion and renovation of Centers	173,329	152,095	183,220
Tenant allowances	12,636	11,484	19,229
Deferred leasing charges	17,353	26,526	24,845
	$256,668	$228,258	$284,053
Joint Venture Centers (at Company's pro rata share):			
Acquisitions of property and equipment	$15,697	$16,069	$349,819
Development, redevelopment, expansion and renovation of Centers	145,905	121,787	101,124
Tenant allowances	8,736	6,779	11,271
Deferred leasing charges	10,880	6,154	7,070
	$181,218	$150,789	$469,284

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable or less than 2018 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings. Although the amounts incurred for deferred leasing charges during the next twelve months are expected to be comparable or less than 2018, the Company will begin expensing a significant portion of its leasing costs in 2019 in accordance with its adoption of Accounting Standards Codification 842 ,"Leases". The Company expects to incur between $250 million and $350 million during the next twelve months for development, redevelopment, expansion and renovations. Capital for these major expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from a combination of debt or equity financings, which are expected to include borrowings under the Company's line of credit and construction loans.

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

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

The Company's total outstanding loan indebtedness, which includes mortgages and other notes payable, at December 31, 2018 was $7.9 billion (consisting of $5.0 billion of consolidated debt, less $318.7 million of noncontrolling interests, plus $3.2 billion of its pro rata share of unconsolidated joint venture debt). The majority of the Company's debt consists of fixed-rate conventional mortgage notes collateralized by individual properties. The Company expects that all of the maturities during the next twelve months will be refinanced, restructured, extended and/or paid off from the Company's line of credit or cash on hand.

The Company believes that the pro rata debt provides useful information to investors regarding its financial condition because it includes the Company’s share of debt from unconsolidated joint ventures and, for consolidated debt, excludes the Company’s partners’ share from consolidated joint ventures, in each case presented on the same basis. The Company has several significant joint ventures and presenting its pro rata share of debt in this manner can help investors better understand the Company’s financial condition after taking into account our economic interest in these joint ventures. The Company’s pro rata share of debt should not be considered as a substitute for the Company’s total consolidated debt determined in accordance with GAAP or any other GAAP financial measures and should only be considered together with and as a supplement to the Company’s financial information prepared in accordance with GAAP.

The Company has a $1.5 billion revolving line of credit facility that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2.0 billion. All obligations under the facility are unconditionally guaranteed only by the Company. Based on the Company's leverage level as of December 31, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. The Company has four interest rate swap agreements that effectively convert a total of $400.0 million of the outstanding balance from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 30, 2021. At December 31, 2018, total borrowings under the line of credit were $910.0 million less unamortized deferred finance costs of $5.1 million with a total interest rate of 4.20%. The Company's availability under the line of credit was $589.7 million at December 31, 2018.

Cash dividends and distributions for the year ended December 31, 2018 were $453.6 million. A total of $344.3 million was funded by operations. The remaining $109.3 million was funded from distributions from unconsolidated joint ventures, which were included in the cash flows from investing activities section of the Company's Consolidated Statement of Cash Flows.

At December 31, 2018, the Company was in compliance with all applicable loan covenants under its agreements.

At December 31, 2018, the Company had cash and cash equivalents of $102.7 million.

Off-Balance Sheet Arrangements:

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

Additionally, as of December 31, 2018, the Company is contingently liable for $65.8 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

Contractual Obligations:
The following is a schedule of contractual obligations as of December 31, 2018 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

	Payment Due by Period				
Contractual Obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than five years
Long-term debt obligations (includes expected interest payments)(1)	$5,629,829	$946,442	$2,106,828	$813,398	$1,763,161
Operating lease obligations(2)	220,336	16,627	34,307	28,840	140,562
Purchase obligations(2)	8,360	8,360	—	—	—
Other liabilities	306,045	228,416	24,499	12,749	40,381
	$6,164,570	$1,199,845	$2,165,634	$854,987	$1,944,104

(1) Interest payments on floating rate debt were based on rates in effect at December 31, 2018.
(2) See Note 17—Commitments and Contingencies in the Company's Notes to the Consolidated Financial Statements.

Funds From Operations ("FFO")

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

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

The Company believes that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO, as presented, may not be comparable to similarly titled measures reported by other 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 income to FFO and FFO-diluted. Management believes that to further understand the Company's performance, FFO should be compared with the Company's reported net income and considered in addition to cash flows in accordance with GAAP, as presented in the Company's consolidated financial statements.

The following reconciles net income attributable to the Company to FFO and FFO-diluted for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 (dollars and shares in thousands):

	2018	2017	2016	2015	2014
Net income attributable to the Company	$60,020	$146,130	$516,995	$487,562	$1,499,042
Adjustments to reconcile net income attributable to the Company to FFO attributable to common stockholders and unit holders—basic:					
Noncontrolling interests in the Operating Partnership	4,407	10,729	37,780	32,615	105,584
Loss (gain) on sale or write down of consolidated assets, net	31,825	(42,446)	(415,348)	(378,248)	(73,440)
Gain on remeasurement of consolidated assets	—	—	—	(22,089)	(1,423,136)
Add: gain on undepreciated assets—consolidated assets	4,884	1,564	3,717	1,326	1,396
Less: loss on write-down of non-real estate assets—consolidated assets	—	(10,138)	—	—	—
Add: noncontrolling interests share of gain (loss) on sale or write-down of assets—consolidated assets	580	1,209	(1,662)	481	146
(Gain) loss on sale or write down of assets—unconsolidated joint ventures(1)	(2,993)	(14,783)	189	(4,392)	1,237
Add: gain (loss) on sale of undepreciated assets—unconsolidated joint ventures(1)	666	6,644	(2)	4,395	2,621
Depreciation and amortization on consolidated assets	327,436	335,431	348,488	464,472	378,716
Less: noncontrolling interests in depreciation and amortization—consolidated assets	(14,793)	(15,126)	(15,023)	(14,962)	(20,700)
Depreciation and amortization—unconsolidated joint ventures(1)	174,952	177,274	179,600	84,160	82,570
Less: depreciation on personal property	(13,699)	(13,610)	(12,430)	(13,052)	(11,282)
Financing expense in connection with the adoption of ASC 606 (Chandler Freehold)	(8,849)	—	—	—	—
FFO attributable to common stockholders and unit holders—basic and diluted	564,436	582,878	642,304	642,268	542,754
(Gain) loss on extinguishment of debt, net—consolidated assets	—	—	(1,709)	(1,487)	9,551
FFO attributable to common stockholders and unit holders excluding extinguishment of debt, net—diluted	564,436	582,878	640,595	640,781	552,305
Costs related to shareholder activism	19,369	—	—	—	—
Costs related to unsolicited takeover offer	—	—	—	25,204	—
FFO attributable to common stockholders and unit holders excluding extinguishment of debt, net and costs related to shareholder activism and unsolicited takeover offer—diluted	$583,805	$582,878	$640,595	$665,985	$552,305
Weighted average number of FFO shares outstanding for:					
FFO attributable to common stockholders and unit holders—basic(2)	151,502	152,293	157,320	168,478	153,224
Adjustments for the impact of dilutive securities in computing FFO—diluted:					
Share and unit-based compensation plans	2	36	112	144	147
FFO attributable to common stockholders and unit holders—diluted(3)	151,504	152,329	157,432	168,622	153,371

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

(2) Calculated based upon basic net income as adjusted to reach basic FFO. During the years ended December 31, 2018, 2017, 2016, 2015 and 2014, there were 10.4 million, 10.4 million, 10.7 million, 10.6 million and 10.1 million OP Units outstanding, respectively.

(3) The computation of FFO—diluted shares outstanding includes the effect of share and unit-based compensation plans and the convertible senior notes 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.

ITEM 7A. 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 December 31, 2018 concerning the Company's long term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value (dollars in thousands):

	Expected Maturity Date For the years ending December 31,							
	2019	2020	2021	2022	2023	Thereafter	Total	Fair Va
CONSOLIDATED CENTERS:								
Long term debt:								
Fixed rate	$794,286	$326,067	$290,107	$374,341	$6,895	$1,667,261	$3,458,957	$3,462,
Average interest rate	3.50 %	5.50 %	3.47 %	4.10 %	3.50 %	3.64 %	3.82 %	
Floating rate	—	200,000	1,040,000	300,000	—	—	1,540,000	1,535,5
Average interest rate	— %	3.85 %	4.10 %	3.76 %	— %	— %	4.00 %	
Total debt—Consolidated Centers	$794,286	$526,067	$1,330,107	$674,341	$6,895	$1,667,261	$4,998,957	$4,998,
UNCONSOLIDATED JOINT VENTURE CENTERS:								
Long term debt (at Company's pro rata share):								
Fixed rate	$32,036	$40,432	$150,426	$366,267	$352,368	$2,036,207	$2,977,736	$3,012,
Average interest rate	3.68 %	3.70 %	3.81 %	3.67 %	3.39 %	3.94 %	3.83 %	
Floating rate	—	30,743	15,000	41,250	134,400	—	221,393	219,27(
Average interest rate	— %	4.25 %	3.55 %	3.55 %	4.34 %	— %	4.13 %	
Total debt—Unconsolidated Joint Venture Centers	$32,036	$71,175	$165,426	$407,517	$486,768	$2,036,207	$3,199,129	$3,231,

The Consolidated Centers' total fixed rate debt at December 31, 2018 and 2017 was $3.5 billion and $3.6 billion, respectively. The average interest rate on such fixed rate debt at December 31, 2018 and 2017 was 3.82% and 3.85%, respectively. The Consolidated Centers' total floating rate debt at December 31, 2018 and 2017 was $1.5 billion. The average interest rate on such floating rate debt at December 31, 2018 and 2017 was 4.00% and 2.98%, respectively.

The Company's pro rata share of the Unconsolidated Joint Venture Centers' fixed rate debt at December 31, 2018 and 2017 was $3.0 billion and $2.7 billion, respectively. The average interest rate on such fixed rate debt at December 31, 2018 and 2017 was 3.83% and 3.79%, respectively. The Company's pro rata share of the Unconsolidated Joint

Venture Centers' floating rate debt at December 31, 2018 and 2017 was $221.4 million and $106.3 million, respectively. The average interest rate on such floating rate debt at December 31, 2018 and 2017 was 4.13% and 2.86%, 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 December 31, 2018, the Company has one interest rate cap agreement and four interest rate swap agreements in place (See Note 5—Derivative Instruments and Hedging Activities in the Company's Notes to the Consolidated Financial Statements).

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 $17.6 million per year based on $1.8 billion of floating rate debt outstanding at December 31, 2018.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to the Financial Statements and Financial Statement Schedules for the required information appearing in Item 15.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), 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 Annual Report on Form 10-K. Based on their evaluation as of December 31, 2018, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act 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.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). The Company's management concluded that, as of December 31, 2018, its internal control over financial reporting was effective based on this assessment. KPMG LLP, the independent registered public accounting firm that audited the Company's 2018 consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on the Company's internal control over financial reporting which follows below.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
The Macerich Company:

Opinion on Internal Control over Financial Reporting

We have audited The Macerich Company's and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement Schedule III - Real Estate and Accumulated Depreciation (collectively, the consolidated financial statements), and our report dated February 25, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Los Angeles, California
February 25, 2019

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

There is hereby incorporated by reference the information which appears under the captions "Information Regarding our Director Nominees," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Audit Committee Matters" in the Company's definitive proxy statement for its 2019 Annual Meeting of Stockholders that is responsive to the information required by this Item.

The Company has adopted a Code of Business Conduct and Ethics that provides principles of conduct and ethics for its directors, officers and employees. This Code complies with the requirements of the Sarbanes-Oxley Act of 2002 and applicable rules of the Securities and Exchange Commission and the New York Stock Exchange. In addition, the Company has adopted a Code of Ethics for CEO and Senior Financial Officers which supplements the Code of Business Conduct and Ethics applicable to all employees and complies with the additional requirements of the Sarbanes-Oxley Act of 2002 and applicable rules of the Securities and Exchange Commission for those officers. To the extent required by applicable rules of the Securities and Exchange Commission and the New York Stock Exchange, the Company intends to promptly disclose future amendments to certain provisions of these Codes or waivers of such provisions granted to directors and executive officers, including the Company’s principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions, on the Company’s website at www.macerich.com under "Investors—Corporate Governance-Code of Ethics." Each of these Codes of Conduct is available on the Company’s website at www.macerich.com under "Investors—Corporate Governance."

During 2018, there were no material changes to the procedures described in the Company's proxy statement relating to the 2018 Annual Meeting of Stockholders by which stockholders may recommend director nominees to the Company.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information which appears under the captions "Compensation of Non-Employee Directors," "Compensation Committee Report," "Compensation Discussion and Analysis," "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive proxy statement for its 2019 Annual Meeting of Stockholders that is responsive to the information required by this Item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

There is hereby incorporated by reference the information which appears under the captions "Principal Stockholders," "Information Regarding Our Director Nominees," "Executive Officers" and "Equity Compensation Plan Information" in the Company's definitive proxy statement for its 2019 Annual Meeting of Stockholders that is responsive to the information required by this Item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There is hereby incorporated by reference the information which appears under the captions "Certain Transactions" and "The Board of Directors and its Committees" in the Company's definitive proxy statement for its 2019 Annual Meeting of Stockholders that is responsive to the information required by this Item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

There is hereby incorporated by reference the information which appears under the captions "Principal Accountant Fees and Services" and "Audit Committee Pre-Approval Policy" in the Company's definitive proxy statement for its 2019 Annual Meeting of Stockholders that is responsive to the information required by this Item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Report of Independent Registered Public Accounting Firm
To the Stockholders and Board of Directors of
The Macerich Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of The Macerich Company and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement Schedule III Real Estate and Accumulated Depreciation (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for certain historical property sales in 2018 due to the adoption of FASB Accounting Standards Update 2014-09, Revenue from Contracts With Customers (ASC 606).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP
We have served as the Company's auditor since 2010.
Los Angeles, California
February 25, 2019

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

	December 31, 2018	2017
ASSETS:		
Property, net	$6,785,776	$7,109,230
Cash and cash equivalents	102,711	91,038
Restricted cash	46,590	52,067
Tenant and other receivables, net	123,492	112,653
Deferred charges and other assets, net	390,403	449,190
Due from affiliates	85,181	82,162
Investments in unconsolidated joint ventures	1,492,655	1,709,522
Total assets	$9,026,808	$9,605,862
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	$—	$171,569
Others	4,073,916	4,066,511
Total	4,073,916	4,238,080
Bank and other notes payable	908,544	932,184
Accounts payable and accrued expenses	59,392	58,412
Other accrued liabilities	303,051	325,701
Distributions in excess of investments in unconsolidated joint ventures	114,988	83,486
Financing arrangement obligation	378,485	—
Total liabilities	5,838,376	5,637,863
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, $0.01 par value, 250,000,000 shares authorized, 141,221,712 and 140,993,985 shares issued and outstanding at December 31, 2018 and 2017, respectively	1,412	1,410
Additional paid-in capital	4,567,643	4,510,489
Accumulated deficit	(1,614,357)	(830,279)
Accumulated other comprehensive loss	(4,466)	(42)
Total stockholders' equity	2,950,232	3,681,578
Noncontrolling interests	238,200	286,421
Total equity	3,188,432	3,967,999
Total liabilities and equity	$9,026,808	$9,605,862

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

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

	For The Years Ended December 31,		
	2018	2017	2016
Revenues:			
Minimum rents	$575,856	$ 594,030	$ 616,295
Percentage rents	17,569	17,124	20,902
Tenant recoveries	263,477	283,295	305,282
Other	59,969	55,819	59,328
Management Companies	43,480	43,394	39,464
Total revenues	960,351	993,662	1,041,271
Expenses:			
Shopping center and operating expenses	277,470	295,190	307,623
Management Companies' operating expenses	103,534	100,121	98,323
REIT general and administrative expenses	24,160	28,240	28,217
Costs related to shareholder activism	19,369	—	—
Depreciation and amortization	327,436	335,431	348,488
	751,969	758,982	782,651
Interest expense:			
Related parties	6,883	8,731	8,973
Other	176,079	163,045	154,702
	182,962	171,776	163,675
Gain on extinguishment of debt, net	—	—	(1,709)
Total expenses	934,931	930,758	944,617
Equity in income of unconsolidated joint ventures	71,773	85,546	56,941
Co-venture expense	—	(13,629)	(13,382)
Income tax benefit (expense)	3,604	(15,594)	(722)
(Loss) gain on sale or write down of assets, net	(31,825)	42,446	415,348
Net income	68,972	161,673	554,839
Less net income attributable to noncontrolling interests	8,952	15,543	37,844
Net income attributable to the Company	$60,020	$ 146,130	$ 516,995
Earnings per common share attributable to common stockholders:			
Basic	$0.42	$ 1.02	$ 3.52
Diluted	$0.42	$ 1.02	$ 3.52
Weighted average number of common shares outstanding:			
Basic	141,142,000	141,877,000	146,599,000
Diluted	141,144,000	141,913,000	146,711,000

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

THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	For The Years Ended December 31,		
	2018	2017	2016
Net income	$68,972	$161,673	$554,839
Other comprehensive loss:			
Interest rate cap/swap agreements	(4,424)	(42)	—
Comprehensive income	64,548	161,631	554,839
Less net income attributable to noncontrolling interests	8,952	15,543	37,844
Comprehensive income attributable to the Company	$55,596	$146,088	$516,995

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)

	Stockholders' Equity						
	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	154,404,986	$1,544	$4,926,630	$(212,760)	$4,715,414	$355,825	$5,071,239
Net income	—	—	—	516,995	516,995	37,844	554,839
Amortization of share and unit-based plans	139,671	2	40,527	—	40,529	—	40,529
Employee stock purchases	28,147	—	1,697	—	1,697	—	1,697
Stock repurchase	(11,123,011)	(111)	(412,391)	(387,516)	(800,018)	—	(800,018)
Distributions declared ($2.75) per share	—	—	—	(405,501)	(405,501)	—	(405,501)
Distributions to noncontrolling interests	—	—	—	—	—	(35,677)	(35,677)
Contributions from noncontrolling interests	—	—	—	—	—	90	90
Conversion of noncontrolling interests to common shares	535,243	5	12,443	—	12,448	(12,448)	—
Redemption of noncontrolling interests	—	—	(23)	—	(23)	(7)	(30)
Adjustment of noncontrolling interests in Operating Partnership	—	—	24,346	—	24,346	(24,346)	—
Balance at December 31, 2016	143,985,036	$1,440	$4,593,229	$(488,782)	$4,105,887	$321,281	$4,427,168

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

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

	Stockholders' Equity Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	143,985,036	$1,440	$4,593,229	$(488,782)	$ —	$4,105,887	$321,281	$4,427,168
Net income	—	—	—	146,130	—	146,130	15,543	161,673
Cumulative effect of adoption of ASU 2016-09	—	—	—	6,484	—	6,484	—	6,484
Interest rate cap	—	—	—	—	(42)	(42)	—	(42)
Amortization of share and unit-based plans	97,694	1	37,004	—	—	37,005	—	37,005
Employee stock purchases	38,832	—	1,868	—	—	1,868	—	1,868
Stock repurchases	(3,627,390)	(36)	(135,176)	(86,216)	—	(221,428)	—	(221,428)
Distributions declared ($2.87) per share	—	—	—	(407,895)	—	(407,895)	—	(407,895)
Distributions to noncontrolling interests	—	—	—	—	—	—	(35,944)	(35,944)
Contributions from noncontrolling interests	—	—	—	—	—	—	30	30
Conversion of noncontrolling interests to common shares	499,813	5	16,792	—	—	16,797	(16,797)	—
Redemption of noncontrolling interests	—	—	(615)	—	—	(615)	(305)	(920)
Adjustment of noncontrolling interests in Operating Partnership	—	—	(2,613)	—	—	(2,613)	2,613	—
Balance at December 31, 2017	140,993,985	$1,410	$4,510,489	$(830,279)	$ (42)	$3,681,578	$286,421	$3,967,999

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

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

	Stockholders' Equity Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	140,993,985	$1,410	$4,510,489	$(830,279)	$(42)	$3,681,578	$286,421	$3,967,999
Net income	—	—	—	60,020	—	60,020	8,952	68,972
Cumulative effect of adoption of ASU 2014-09	—	—	—	(424,859)	—	(424,859)	—	(424,859)
Interest rate cap/swap agreements	—	—	—	—	(4,424)	(4,424)	—	(4,424)
Amortization of share and unit-based plans	125,723	1	33,550	—	—	33,551	—	33,551
Exercise of stock options	—	—	—	—		—	—	—
Exercise of stock warrants	—	—	—	—		—	—	—
Employee stock purchases	35,293	—	1,570	—	—	1,570	—	1,570
Stock offerings, net	—	—	—	—		—	—	—
Stock issued to acquire properties	—	—	—	—		—	—	—
Stock repurchases	—	—	—	—	—	—	—	—
Distributions declared ($2.97) per share	—	—	—	(419,239)	—	(419,239)	—	(419,239)
Distributions to noncontrolling interests	—	—	—	—	—	—	(34,395)	(34,395)
Contributions from noncontrolling interests	—	—	—	—	—	—	16	16
Conversion of noncontrolling interests to common shares	66,711	1	74	—	—	75	(75)	—

Redemption of noncontrolling interests	—	—	(511)	—	—	(511)	(248)	(759)
Adjustment of noncontrolling interests in Operating Partnership	—	—	22,471	—	—	22,471	(22,471)	—
Balance at December 31, 2018	141,221,712	$1,412	$4,567,643	$(1,614,357)	$(4,466)	$2,950,232	$238,200	$3,188,432

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)

	For the Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$68,972	$161,673	$554,839
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on extinguishment of debt, net	—	—	(1,709)
Loss (gain) on sale or write down of assets, net	31,825	(42,446)	(415,348)
Depreciation and amortization	334,682	341,275	355,358
Amortization of net premium on mortgage notes payable	(929)	(3,277)	(4,048)
Amortization of share and unit-based plans	27,367	30,799	33,288
Straight-line rent adjustment	(11,755)	(8,597)	(5,237)
Amortization of above and below-market leases	(1,946)	(964)	(12,815)
Provision for doubtful accounts	4,663	4,314	3,586
Income tax (benefit) expense	(3,604)	15,594	722
Equity in income of unconsolidated joint ventures	(71,773)	(85,546)	(56,941)
Change in fair value of financing arrangement obligation	(15,225)	—	—
Co-venture expense	—	13,629	13,382
Distributions of income from unconsolidated joint ventures	1,959	463	7,248
Changes in assets and liabilities, net of acquisitions and dispositions:			
Tenant and other receivables	(13,912)	(6,508)	(7,585)
Other assets	8,439	(4,414)	(20,033)
Due from affiliates	(3,019)	(13,982)	15,983
Accounts payable and accrued expenses	(2,159)	(5,822)	(8,929)
Other accrued liabilities	(9,274)	(9,802)	(22,227)
Net cash provided by operating activities	344,311	386,389	429,534
Cash flows from investing activities:			
Development, redevelopment, expansion and renovation of properties	(181,089)	(160,343)	(211,616)
Property improvements	(56,142)	(41,807)	(47,863)
Proceeds from repayment of notes receivable	1,043	7,073	3,677
Deferred leasing costs	(28,769)	(31,655)	(28,074)
Distributions from unconsolidated joint ventures	536,643	267,964	444,095
Contributions to unconsolidated joint ventures	(181,239)	(117,538)	(430,428)
Proceeds from sale of assets	85,876	255,294	724,275
Net cash provided by investing activities	176,323	178,988	454,066

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

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

	For the Years Ended December 31,		
	2018	2017	2016
Cash flows from financing activities:			
Proceeds from mortgages, bank and other notes payable	415,000	1,430,000	3,201,138
Payments on mortgages, bank and other notes payable	(469,814)	(1,219,728)	(2,437,891)
Deferred financing costs	(275)	(8,500)	(10,584)
Payment of finance deposits, net of refunds received	(6,542)	—	—
Payment of debt extinguishment costs	—	—	(14,419)
Proceeds from share and unit-based plans	1,570	1,868	1,697
Stock repurchases	—	(221,428)	(800,018)
Redemption of noncontrolling interests	(759)	(920)	(30)
Contributions from noncontrolling interests	16	30	90
Settlement of contingent consideration	—	—	(10,012)
Dividends and distributions	(453,634)	(443,839)	(779,308)
Distributions to co-venture partner	—	(103,752)	(18,165)
Net cash used in financing activities	(514,438)	(566,269)	(867,502)
Net increase (decrease) in cash, cash equivalents and restricted cash	6,196	(892)	16,098
Cash, cash equivalents and restricted cash at beginning of year	143,105	143,997	127,899
Cash, cash equivalents, and restricted cash at end of year	$149,301	$143,105	$143,997
Supplemental cash flow information:			
Cash payments for interest, net of amounts capitalized	$192,254	$168,493	$153,838
Non-cash investing and financing activities:			
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$50,006	$43,726	$49,484
Conversion of Operating Partnership Units to common stock	$75	$16,797	$12,448
Mortgage notes payable settled by deed-in-lieu of foreclosure	$—	$—	$37,000
Mortgage notes payable assumed by buyer in exchange for investment in unconsolidated joint venture	$139,249	$—	$997,695
Disposition of property in exchange for investments in unconsolidated joint ventures	$25,177	$—	$—

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

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

1. Organization:
The Macerich Company (the "Company") is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers (the "Centers") located throughout the United States.
The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of December 31, 2018, the Company was the sole general partner of and held a 93% ownership interest in The Macerich Partnership, L.P. (the "Operating Partnership"). The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").
The property management, leasing and redevelopment of the Company's portfolio is provided by the Company's management companies, Macerich Property Management Company, LLC, a single member Delaware limited liability company, Macerich Management Company, a California corporation, Macerich Arizona Partners LLC, a single member Arizona limited liability company, Macerich Arizona Management LLC, a single member Delaware limited liability company, Macerich Partners of Colorado LLC, a single member Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are owned by the Company and are collectively referred to herein as the "Management Companies."
2. Summary of Significant Accounting Policies:
Basis of Presentation:
These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America.
The accompanying consolidated financial statements include the accounts of the Company. Investments in entities in which the Company has a controlling financial interest or entities that meet the definition of a variable interest entity ("VIE") in which the Company has, as a result of ownership, contractual or other financial interests, both the power to direct activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE are consolidated; otherwise they are accounted for under the equity method of accounting and are reflected as investments in unconsolidated joint ventures.
The Company's sole significant asset is its investment in the Operating Partnership and as a result, substantially all of the Company's assets and liabilities represent the assets and liabilities of the Operating Partnership. In addition, the Operating Partnership has investments in a number of VIEs.
The Operating Partnership's VIEs included the following assets and liabilities:

	December 31,	
	2018	2017
Assets:		
Property, net	$263,511	$288,881
Other assets	23,001	60,586
Total assets	$286,512	$349,467
Liabilities:		
Mortgage notes payable	$125,273	$129,436
Other liabilities	32,503	72,705
Total liabilities	$157,776	$202,141

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

Cash and Cash Equivalents and Restricted Cash:
The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, for which cost approximates fair value. Restricted cash includes impounds of property taxes and other capital reserves required under loan agreements.
Revenues:
Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight-line rent adjustment." Minimum rents were increased by $11,755, $8,597 and $5,237 due to the straight-line rent adjustment during the years ended December 31, 2018, 2017 and 2016, respectively. 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 revenues on a straight-line basis over the term of the related leases.
The Management Companies provide property management, leasing, corporate, development, redevelopment and acquisition services to affiliated and non-affiliated shopping centers. In consideration for these services, the Management Companies receive monthly management fees generally ranging from 1.5% to 4% of the gross monthly rental revenue of the properties managed.
Property:
Maintenance and repair expenses are charged to operations as incurred. Costs for major replacements and betterments, which includes HVAC equipment, roofs, parking lots, etc., are capitalized and depreciated over their estimated useful lives. Gains and losses are recognized upon disposal or retirement of the related assets and are reflected in earnings.
Property is recorded at cost and is depreciated using a straight-line method over the estimated useful lives of the assets as follows:

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

Capitalization of Costs:
The Company capitalizes costs incurred in redevelopment, development, renovation and improvement of properties. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. These capitalized costs include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs. Capitalized indirect costs are allocated to development and redevelopment activities based on the square footage of the portion of the building not held available for immediate occupancy. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once work has been completed on a vacant space, project costs are no longer capitalized. For projects with extended lease-up periods, the Company ends the capitalization when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the construction is substantially complete.

Investment in Unconsolidated Joint Ventures:

The Company accounts for its investments in joint ventures using the equity method of accounting unless the Company has a controlling financial interest in the joint venture or the joint venture meets the definition of a variable interest entity in which the Company is the primary beneficiary through both its power to direct activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. Although the Company has a greater than 50% interest in Corte Madera Village, LLC, Macerich HHF Centers LLC, New River Associates LLC and Pacific Premier Retail LLC, the Company does not have controlling financial interests in these joint ventures due to the substantive participation rights of the outside partners in these joint ventures and, therefore, accounts for its investments in these joint ventures using the equity method of accounting.

Equity method investments are initially recorded on the balance sheet at cost and are subsequently adjusted to reflect the Company's proportionate share of net earnings and losses, distributions received, additional contributions and certain other adjustments, as appropriate. The Company separately reports investments in joint ventures when accumulated distributions have exceeded the Company's investment, as distributions in excess of investments in unconsolidated joint ventures. The net investment of certain joint ventures is less than zero because of financing or operating distributions that are usually greater than net income, as net income includes charges for depreciation and amortization.

Acquisitions:

The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an "as if vacant" methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with "cost avoidance" of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. Above or below-market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below-market, and the asset or liability is amortized to minimum rents over the remaining terms of the leases. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company's relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs and capitalizes costs associated with asset acquisitions.

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

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2. Summary of Significant Accounting Policies: (Continued)

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

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

Accounting for Impairment:
The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell.
The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.
Share and Unit-based Compensation Plans:
The cost of share and unit-based compensation awards is measured at the grant date based on the calculated fair value of the awards and is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the awards. For market-indexed LTIP awards, compensation cost is recognized under the graded attribution method.
Derivative Instruments and Hedging Activities:
The Company recognizes all derivatives in the consolidated financial statements and measures the derivatives at fair value. The Company uses interest rate swap and cap agreements (collectively, "interest rate agreements") in the normal course of business to manage or reduce its exposure to adverse fluctuations in interest rates. The Company designs its hedges to be effective in reducing the risk exposure that they are designated to hedge. Any instrument that meets the cash flow hedging criteria is formally designated as a cash flow hedge at the inception of the derivative contract. On an ongoing quarterly basis, the Company adjusts its balance sheet to reflect the current fair value of its derivatives. To the extent they are effective, changes in fair value are recorded in comprehensive income. Ineffective portions, if any, are included in net income (loss).
Amounts paid (received) as a result of interest rate agreements are recorded as an addition (reduction) to (of) interest expense.
If any derivative instrument used for risk management does not meet the hedging criteria, it is marked-to-market each period with the change in value included in the consolidated statements of operations.

2. Summary of Significant Accounting Policies: (Continued)

Income Taxes:

The Company elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 1994. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, then it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income, if any.

Each partner is taxed individually on its share of partnership income or loss, and accordingly, no provision for federal and state income tax is provided for the Operating Partnership in the consolidated financial statements. 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.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets and liabilities of the TRSs relate primarily to differences in the book and tax bases of property and to operating loss carryforwards for federal and state income tax purposes. A valuation allowance for deferred tax assets is provided if the Company believes it is more likely than not that all or some portion of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent on the Company generating sufficient taxable income in future periods.

Segment Information:

The Company currently operates in one business segment, the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers. Additionally, the Company operates in one geographic area, the United States.

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 are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

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Fair Value of Financial Instruments:(Continued)
The fair values of interest rate agreements are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below or rose above the strike rate of the interest rate agreements. The variable interest rates used in the calculation of projected receipts on the interest rate agreements are based on an expectation of future interest rates derived from observable market interest rate curves and 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. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.
The Company records its financing arrangement 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 cash flow model, with the significant unobservable inputs including the multiple of net operating income, discount 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.
Concentration of Risk:
The Company maintains its cash accounts in a number of commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250. At various times during the year, the Company had deposits in excess of the FDIC insurance limit.
No Center or tenant generated more than 10% of total revenues during the years ended December 31, 2018, 2017 or 2016.
Management Estimates:
The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Shareholder Activism Costs:
During the year ended December 31, 2018, the Company incurred $19,369 in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.
Recent Accounting Pronouncements:
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue From Contracts With Customers (ASC 606)," which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While the standard specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. The standard applies to the Company's recognition of management companies and other revenues. The Company's adoption of the standard on January 1, 2018 did not have an impact on the pattern of revenue recognition for management companies and other revenues.
Additionally, under ASC 606, the Company changed its accounting for its joint venture in Chandler Freehold from a co-venture arrangement to a financing arrangement (See Note 11—Financing Arrangement). Upon adoption of the standard on January 1, 2018, the Company replaced its $31,150 distributions in excess of co-venture obligation (See Note 8—Deferred Charges and Other Assets, net) with a financing arrangement obligation of $393,709 on its consolidated balance sheets. This resulted in the recognition of a $424,859 increase in the Company's accumulated

deficit as a cumulative effect adjustment under the modified retrospective method of adoption.

Recent Accounting Pronouncements: (Continued)

In February 2016, the FASB issued ASU 2016-02, which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Under existing standards, certain of these costs are capitalizable and therefore this new standard may result in certain of these costs being expensed as incurred after adoption. Under the standard, lessees apply a dual approach, classifying leases as either finance or operating leases. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months, regardless of their lease classification. The Company is a lessee on ground leases at certain properties, on certain office space leases and on certain other improvements and equipment. The standard is effective for the Company under a modified retrospective approach beginning January 1, 2019.

The FASB has provided a transition package of practical expedients for implementation, which include (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date and (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized. In July 2018, the FASB issued ASU 2018-11, “Leases: Targeted improvements”, which provides companies with an additional transition option that would permit the application of the standard as of the adoption date rather than to all periods presented. The Company plans to utilize this transition option when it adopts the new standard on January 1, 2019 and also plans to elect to use the transition practical expedients package available to the Company under the new standard.

Under ASU 2016-02, initial direct costs for both lessees and lessors would include only those costs that are incremental to the arrangement and would not have been incurred if the lease had not been obtained. As a result, the Company will no longer be able to capitalize internal leasing costs and instead will be required to expense these costs as incurred. The Company capitalized internal leasing costs of $22,536, $22,403 and $25,788 during the years ended December 31, 2018, 2017 and 2016, respectively.

For leases where the Company is the lessee, the adoption of the standard will significantly change the accounting on the Company's consolidated balance sheets since these leases will be required to be recorded on the Company’s consolidated balance sheets as an obligation of the Company. Existing leases executed before the January 1, 2019 adoption date will continue to be accounted for as operating leases and the new guidance will not have a material impact on the Company's recognition of lease expense. The Company anticipates that upon adoption, it will a recognize a right of use asset and a lease liability estimated to be between $110,000 and $130,000 on it consolidated balance sheets, which represents the present value of the minimum lease payments required in accordance with each lease. The right of use asset and lease liability are still being evaluated by management and will be finalized on the the Company's consolidated financial statements for the three months ending March 31, 2019.

On November 17, 2016, the FASB issued ASU 2016-18, “Restricted Cash,” which requires that the statement of cash flows explain the change during a reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This standard states that transfers between cash, cash equivalents, and restricted cash are not part of the entity’s operating, investing, and financing activities. Therefore, restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. On January 1, 2018, the Company adopted the standard and retrospectively applied the guidance of the standard to the prior period presented, which resulted in an increase of $2,116 and $8,562 in net cash on its consolidated statements of cash flows for the years ended December 31, 2017 and 2016, respectively.

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

	2018	2017	2016
Beginning of period			
Cash and cash equivalents	$91,038	$94,046	$86,510
Restricted cash	52,067	49,951	41,389
Cash, cash equivalents and restricted cash	$143,105	$143,997	$127,899
End of period			
Cash and cash equivalents	$102,711	$91,038	$94,046
Restricted cash	46,590	52,067	49,951
Cash, cash equivalents and restricted cash	$149,301	$143,105	$143,997

On January 5, 2017, the FASB issued ASU 2017-01, “Clarifying the Definition of a Business,” which clarifies the definition of a business. The objective of the standard is to add further guidance that assists entities in evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If so, the set of transferred assets and activities are not a business and should be treated as an asset acquisition. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs. The primary difference between business combinations and asset acquisitions is the recognition of transaction costs, which are expensed as period costs for business combinations and capitalized for asset acquisitions. The Company's adoption of this standard on January 1, 2018 did not have a significant impact on its consolidated financial statements.
In February 2017, the FASB issued ASU No. 2017-05, “Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets,” which clarifies the scope of asset derecognition and adds further guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The Company has concluded that property sales represent transactions with non-customers. Sales of property generally represent only one performance obligation and are recognized when an enforceable contract is in place, collectability is ensured and control is transferred to the buyer. As a result of the adoption of the standard on January 1, 2018, the Company began measuring the noncontrolling interest retained in partial sale transactions of real estate at fair value.
In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities,” which aims to (i) improve the transparency and understandability of information conveyed to financial statement users about an entity’s risk management activities by better aligning the entity’s financial reporting for hedging relationships with those risk management activities and (ii) reduce the complexity of and simplify the application of hedge accounting by preparers. The standard is effective for the Company beginning January 1, 2019. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

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3. Earnings Per Share ("EPS"):
The following table reconciles the numerator and denominator used in the computation of earnings per share for the years ended December 31 (shares in thousands):

	2018	2017	2016
Numerator			
Net income	$68,972	$161,673	$554,839
Net income attributable to noncontrolling interests	(8,952)	(15,543)	(37,844)
Net income attributable to the Company	60,020	146,130	516,995
Allocation of earnings to participating securities	(1,106)	(757)	(779)
Numerator for basic and diluted EPS—net income attributable to common stockholders	$58,914	$145,373	$516,216
Denominator			
Denominator for basic EPS—weighted average number of common shares outstanding	141,142	141,877	146,599
Effect of dilutive securities (1)			
Share and unit based compensation	2	36	112
Denominator for diluted EPS—weighted average number of common shares outstanding	141,144	141,913	146,711
EPS—net income attributable to common stockholders:			
Basic	$0.42	$1.02	$3.52
Diluted	$0.42	$1.02	$3.52

(1) Diluted EPS excludes 90,619, 90,619 and 133,366 convertible preferred units for the years ended December 31, 2018, 2017 and 2016, respectively, as their impact was antidilutive.
Diluted EPS excludes 10,360,390, 10,416,321 and 10,721,271 Operating Partnership units ("OP Units") for the years ended December 31, 2018, 2017 and 2016, respectively, as their effect was antidilutive.

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4. Investments in Unconsolidated Joint Ventures:

The following are the Company's direct or indirect investments in various joint ventures with third parties. The Company's direct or indirect ownership interest in each joint venture as of December 31, 2018 was as follows:

Joint Venture	Ownership %(1)	
443 Wabash MAB LLC	50.0	%
AM Tysons LLC	50.0	%
Biltmore Shopping Center Partners LLC	50.0	%
CAM-CARSON LLC—Los Angeles Premium Outlets	50.0	%
Coolidge Holding LLC	37.5	%
Corte Madera Village, LLC	50.1	%
Country Club Plaza KC Partners LLC	50.0	%
Fashion District Philadelphia—Various Entities	50.0	%
HPP-MAC WSP, LLC—One Westside	25.0	%
Jaren Associates #4	12.5	%
Kierland Commons Investment LLC	50.0	%
Macerich HHF Broadway Plaza LLC—Broadway Plaza	50.0	%
Macerich HHF Centers LLC—Various Properties	51.0	%
MS Portfolio LLC	50.0	%
New River Associates LLC—Arrowhead Towne Center	60.0	%
North Bridge Chicago LLC	50.0	%
One Scottsdale Investors LLC	50.0	%
Pacific Premier Retail LLC—Various Properties	60.0	%
Propcor II Associates, LLC—Boulevard Shops	50.0	%
Scottsdale Fashion Square Partnership	50.0	%
TM TRS Holding Company LLC	50.0	%
Tysons Corner LLC	50.0	%
Tysons Corner Hotel I LLC	50.0	%
Tysons Corner Property Holdings II LLC	50.0	%
Tysons Corner Property LLC	50.0	%
West Acres Development, LLP	19.0	%
Westcor/Surprise Auto Park LLC	33.3	%
WMAP, L.L.C.—Atlas Park, The Shops at	50.0	%

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(1) The Company's ownership interest in this table reflects its direct or indirect legal ownership interest. Legal ownership may, at times, not equal the Company’s economic interest in the listed entities because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, the Company’s actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests. Substantially all of the Company’s joint venture agreements contain rights of first refusal, buy-sell provisions, exit rights, default dilution remedies and/or other break up provisions or remedies which are customary in real estate joint venture agreements and which may, positively or negatively, affect the ultimate realization of cash flow and/or capital or liquidation proceeds.

The Company has made the following investments and dispositions in unconsolidated joint ventures during the years ended December 31, 2018, 2017 and 2016:

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center, a 1,197,000 square foot regional shopping center in Glendale, Arizona, for $289,496, resulting in a gain on the sale of assets of $101,629. The sales price was funded by a cash payment of $129,496 and the assumption of a pro rata share of the mortgage note payable on the property of $160,000. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See Note 13—Stockholders' Equity). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, a 1,040,000 square foot regional shopping center in Deptford, New Jersey; FlatIron Crossing, a 1,428,000 square foot regional shopping center in Broomfield, Colorado; and Twenty Ninth Street, an 845,000 square foot regional shopping center in Boulder, Colorado (the "MAC Heitman Portfolio"), for $771,478, resulting in a gain on the sale of assets of $340,734. The sales price was funded by a cash payment of $478,608 and the assumption of a pro rata share of the mortgage notes payable on the properties of $292,870. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the MAC Heitman Portfolio under the equity method of accounting.

On March 1, 2016, the Company, through a 50/50 joint venture, acquired Country Club Plaza, a 1,003,000 square foot regional shopping center in Kansas City, Missouri, for a purchase price of $660,000. The Company funded its pro rata share of the purchase price of $330,000 from borrowings under its line of credit. On March 28, 2016, the joint venture placed a $320,000 loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its pro rata share of the proceeds to pay down its line of credit and for general corporate purposes.

On March 17, 2017, the Company's joint venture in Country Club Plaza sold an ownership interest in an office building for $78,000, resulting in a gain on sale of assets of $4,580. The Company's pro rata share of the gain on sale of assets of $2,290 was included in equity in income of unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).

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

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

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

On March 1, 2018, the Company formed a 25/75 joint venture with Hudson Pacific Properties, whereby the Company agreed to contribute Westside Pavilion, a 680,000 square foot regional shopping center in Los Angeles, California in exchange for $142,500. From March 1, 2018 to August 31, 2018, the Company accounted for its interest in the property as a collaborative arrangement (See Note 14—Collaborative Arrangement). On August 31, 2018, the Company completed the sale of the 75% ownership interest in the property to Hudson Pacific Properties, resulting in a gain on sale of assets of $46,242. The sales price was funded by a cash payment of $36,903 and the assumption of a pro rata share of the mortgage note payable on the property of $105,597. Concurrent with the sale of the ownership interest, the joint venture defeased the loan on the property by providing

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$149,175 portfolio of marketable securities as replacement collateral in lieu of the property. The Company funded its $37,294 share of the purchase price of the marketable securities portfolio with the proceeds from the sale of the ownership interest in the property. Upon completion of the sale of the ownership interest in the property, the Company has accounted for its remaining ownership interest in the property, also referred to as One Westside, under the equity method of accounting.

On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49,100, resulting in a gain on sale of assets of $12,598. The Company's share of the gain of $2,996 was included in equity in income from unconsolidated joint ventures. The proceeds were used to pay off the $24,118 mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

On September 6, 2018, the Company formed a 50/50 joint venture with Simon Property Group to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California that is planned to open with approximately 400,000 square feet, followed by an additional 165,000 square feet in the second stage. The joint venture expects to complete the first phase of the development in Fall 2021.

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 as of December 31:

	2018	2017
Assets(1):		
Property, net	$9,241,003	$9,052,105
Other assets	703,861	635,838
Total assets	$9,944,864	$9,687,943
Liabilities and partners' capital(1):		
Mortgage and other notes payable(2)	$6,050,930	$5,296,594
Other liabilities	388,509	405,052
Company's capital	1,913,475	2,188,057
Outside partners' capital	1,591,950	1,798,240
Total liabilities and partners' capital	$9,944,864	$9,687,943
Investment in unconsolidated joint ventures:		
Company's capital	$1,913,475	$2,188,057
Basis adjustment(3)	(535,808)	(562,021)
	$1,377,667	$1,626,036
Assets—Investments in unconsolidated joint ventures	$1,492,655	$1,709,522
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(114,988)	(83,486)
	$1,377,667	$1,626,036

(1) These amounts include the assets of $3,047,851 and $3,106,105 of Pacific Premier Retail LLC (the "PPR Portfolio") as of December 31, 2018 and 2017, respectively, and liabilities of $1,859,637 and $1,872,227 of the PPR Portfolio as of December 31, 2018 and 2017, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. Investments in Unconsolidated Joint Ventures: (Continued)

(2) Included in mortgage and other notes payable at December 31, 2017 was $482,332 due to NML (See Note 18—Related Party Transactions). Interest expense incurred on these borrowings, during the period NML was a related party, amounted to $20,197, $17,898 and $16,898 for the years ended December 31, 2018, 2017 and 2016, respectively.

(3) The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was $12,793, $16,562 and $17,610 for the years ended December 31, 2018, 2017 and 2016, respectively.

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	PPR Portfolio	Other Joint Ventures	Total
Year Ended December 31, 2018			
Revenues:			
Minimum rents	$132,258	$506,537	$638,795
Percentage rents	4,597	15,139	19,736
Tenant recoveries	46,067	191,228	237,295
Other	4,907	55,844	60,751
Total revenues	187,829	768,748	956,577
Expenses:			
Shopping center and operating expenses	39,283	246,652	285,935
Interest expense	67,117	145,915	213,032
Depreciation and amortization	97,885	248,778	346,663
Total operating expenses	204,285	641,345	845,630
(Loss) gain on sale of assets	(140)	14,471	14,331
Net (loss) income	$(16,596)	$141,874	$125,278
Company's equity in net (loss) income	$(16)	$71,789	$71,773
Year Ended December 31, 2017			
Revenues:			
Minimum rents	$134,450	$501,732	$636,182
Percentage rents	5,050	13,866	18,916
Tenant recoveries	46,575	189,059	235,634
Other	5,959	51,767	57,726
Total revenues	192,034	756,424	948,458
Expenses:			
Shopping center and operating expenses	41,340	243,271	284,611
Interest expense	67,053	131,714	198,767
Depreciation and amortization	101,625	250,921	352,546
Total operating expenses	210,018	625,906	835,924
(Loss) gain on sale of assets	(36)	33,861	33,825
Net (loss) income	$(18,020)	$164,379	$146,359
Company's equity in net (loss) income	$(453)	$85,999	$85,546

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4. Investments in Unconsolidated Joint Ventures: (Continued)

	PPR Portfolio	Other Joint Ventures	Total
Year Ended December 31, 2016			
Revenues:			
Minimum rents	$129,145	$471,139	$600,284
Percentage rents	5,437	15,480	20,917
Tenant recoveries	47,856	187,288	235,144
Other	6,303	49,937	56,240
Total revenues	188,741	723,844	912,585
Expenses:			
Shopping center and operating expenses	39,804	234,704	274,508
Interest expense	64,626	123,043	187,669
Depreciation and amortization	108,880	251,498	360,378
Total operating expenses	213,310	609,245	822,555
Loss on sale of assets	—	(375)	(375)
Net (loss) income	$(24,569)	$114,224	$89,655
Company's equity in net (loss) income	$(3,088)	$60,029	$56,941

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.
5. Derivative Instruments and Hedging Activities:
The Company uses an interest rate cap and four interest rate swap agreements to manage the interest rate risk of its floating rate debt. The Company recorded other comprehensive loss related to the marking-to-market of derivative instruments of $(4,424) and $(42) during the years ended December 31, 2018 and 2017, respectively. There were no derivatives outstanding during the year ended December 31, 2016. The fair value of the Company's derivatives was $(4,413) and $11 at December 31, 2018 and 2017, respectively.

The following derivatives were outstanding at December 31, 2018:

Property	Notional Amount	Product	LIBOR Rate	Maturity	Fair Value
Santa Monica Place	$300,000	Cap	4.00 %	12/9/2019	$—
The Macerich Partnership, L.P.	$400,000	Swaps	2.85 %	9/30/2021	$(4,413)

The above derivative instruments were designated as hedging instruments with an aggregate fair value (Level 2 measurement) and were included in other accrued liabilities. The fair value of the Company's interest rate derivatives was determined using discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, 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.

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5. Derivative Instruments and Hedging Activities: (Continued)

Although the Company has determined that the majority of the inputs used to value its derivatives 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 and swap valuations in their entirety are classified in Level 2 of the fair value hierarchy.

6. Property, net:

Property at December 31, 2018 and 2017 consists of the following:

	2018	2017
Land	$1,506,678	$1,567,152
Buildings and improvements	6,288,308	6,385,035
Tenant improvements	678,110	620,352
Equipment and furnishings	206,398	187,998
Construction in progress	199,326	366,996
	8,878,820	9,127,533
Less accumulated depreciation	(2,093,044)	(2,018,303)
	$6,785,776	$7,109,230

Depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $275,236, $277,917 and $277,270, respectively.

The loss on the sale or write down of assets, net for the year ended December 31, 2018 includes a loss of $54,469 on impairment, $28,266 on the write off of development costs and $311 on the sale of Promenade at Casa Grande (See Note 15—Dispositions). These losses were offset in part by a gain of $46,242 on the sale of a 75% ownership interest in One Westside (See Note 4—Investments in Unconsolidated Joint Ventures) and $4,989 on the sale of land parcels. The loss on impairment was due to the reduction of the estimated holding periods of SouthPark Mall, La Cumbre Plaza, Southridge Center and Promenade at Casa Grande.

The gain on sale or write down of assets, net for the year ended December 31, 2017 includes a gain of $59,577 on the sale of Cascade Mall and Northgate Mall (See Note 15—Dispositions), $14,597 on the sale of 500 North Michigan Avenue (See Note 15—Dispositions) and $1,564 on the sales of land. These gains were offset in part by a loss of $22,108 on impairment, $10,138 on the write down of an investment in non-real estate assets and $1,046 on the write off of development costs. The loss on impairment was due to the reduction of the estimated holding periods of Southridge Center and Promenade at Casa Grande.

The gain on sale or write down of assets, net for the year ended December 31, 2016 includes a gain of $101,629 on the sale of a 40% ownership interest in Arrowhead Towne Center (See Note 4—Investments in Unconsolidated Joint Ventures), $340,734 on the sale of a 49% ownership interest in the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures), $24,894 on the sale of Capitola Mall (See Note 15—Dispositions) and $4,546 on the sale of land. These gains were offset in part by a loss of $39,671 on impairment, a charge of $12,180 from a contingent consideration obligation, a loss of $3,066 on the sale of a former Mervyn's store (See Note 15—Dispositions) and $1,538 on the write-off of development costs. The loss on impairment was due to the reduction of the estimated holding periods of Cascade Mall, Promenade at Casa Grande, The Marketplace at Flagstaff and a freestanding store.

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6. Property, net: (Continued)

The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of impairment charges recorded for the years ended December 31, 2018, 2017 and 2016 as described above:

Years ended December, 31	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018	$ 104,700	$ —	$ 104,700	$ —
2017	$ 38,000	$ —	$ 38,000	$ —
2016	$ 86,100	$ —	$ —	$ 86,100

The fair value relating to impairments that were based on sales contracts were classified within Level 2 of the fair value hierarchy. The fair value relating to impairment assessments that were not based on sales contracts were based on a discounted cash flow model that included all cash inflows and outflows over a specific holding period. Such projected cash flows are comprised of contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectations for growth. Terminal capitalization rates and discount rates utilized in these models are based on a reasonable range of current market rates for each property analyzed. Based upon these inputs, the Company determined that its valuations of properties using a discounted cash flow model are classified within Level 3 of the fair value hierarchy.
The following table sets forth quantitative information about the unobservable inputs of the Company's Level 3 real estate recorded as of December 31, 2016:

Terminal capitalization rate	7.0% - 10.0%
Discount rate	8.0% - 15.0%
Market rents per square foot	$2.00 - $20.00

7. Tenant and Other Receivables, net:
Included in tenant and other receivables, net is an allowance for doubtful accounts of $2,919 and $2,786 at December 31, 2018 and 2017, respectively. Also included in tenant and other receivables, net are accrued percentage rents of $8,949 and $8,711 at December 31, 2018 and 2017, respectively, and a deferred rent receivable due to straight-line rent adjustments of $72,456 and $61,859 at December 31, 2018 and 2017, respectively.
On March 17, 2014, in connection with the sale of Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida, the Company issued a note receivable for $6,500 that bore interest at an effective rate of 6.5% and was to mature on March 17, 2018. The note was paid off on October 20, 2017.

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8. Deferred Charges and Other Assets, net:
Deferred charges and other assets, net at December 31, 2018 and 2017 consist of the following:

	2018	2017
Leasing	$226,885	$232,819
Intangible assets:		
In-place lease values(1)	94,966	108,432
Leasing commissions and legal costs(1)	23,508	25,958
Above-market leases	140,889	164,040
Deferred tax assets	32,197	29,006
Deferred compensation plan assets	45,857	52,221
Distributions in excess of co-venture obligation(2)	—	31,150
Other assets	75,497	66,990
	639,799	710,616
Less accumulated amortization(3)	(249,396)	(261,426)
	$390,403	$449,190

(1) The amortization of these intangible assets for the next five years and thereafter is as follows:

Year Ending December 31,	
2019	$10,957
2020	8,260
2021	6,780
2022	5,111
2023	3,685
Thereafter	11,395
	$46,188

(2) See Note 11—Financing Arrangement.

(3) Accumulated amortization includes $72,286 and $74,507 relating to in-place lease values, leasing commissions and legal costs at December 31, 2018 and 2017, respectively. Amortization expense for in-place lease values, leasing commissions and legal costs was $13,635, $19,958 and $33,048 for the years ended December 31, 2018, 2017 and 2016, respectively.

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

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

	2018	2017
Above-Market Leases		
Original allocated value	$140,889	$164,040
Less accumulated amortization	(49,847)	(60,210)
	$91,042	$103,830
Below-Market Leases(1)		
Original allocated value	$108,330	$120,573
Less accumulated amortization	(56,345)	(55,489)
	$51,985	$65,084

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

The allocated values of above and below-market leases will be amortized into minimum rents on a straight-line basis over the individual remaining lease terms. The amortization of these values for the next five years and thereafter is as follows:

Year Ending December 31,	Above Market	Below Market
2019	$8,303	$9,968
2020	7,286	7,716
2021	6,621	6,095
2022	5,882	5,122
2023	5,482	4,080
Thereafter	57,468	19,004
	$91,042	$51,985

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9. Mortgage Notes Payable:
Mortgage notes payable at December 31, 2018 and 2017 consist of the following:

	Carrying Amount of Mortgage Notes(1)						
	2018		2017				
Property Pledged as Collateral	Related Party	Other	Related Party	Other	Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
Chandler Fashion Center(5)	$—	$199,972	$—	$199,904	3.77 %	$ 625	2019
Danbury Fair Mall(6)	—	202,158	104,599	104,598	5.53 %	1,538	2020
Fashion Outlets of Chicago(7)	—	199,622	—	199,298	4.01 %	642	2020
Fashion Outlets of Niagara Falls USA	—	109,651	—	112,770	4.89 %	727	2020
Freehold Raceway Mall(5)	—	398,212	—	398,050	3.94 %	1,300	2029
Fresno Fashion Fair	—	323,460	—	323,261	3.67 %	971	2026
Green Acres Commons(8)	—	128,006	—	107,219	5.06 %	488	2021
Green Acres Mall	—	284,686	—	291,366	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	437,120	—	447,231	3.67 %	2,229	2019
Oaks, The	—	192,037	—	196,732	4.14 %	1,064	2022
Pacific View	—	121,362	—	124,397	4.08 %	668	2022
Queens Center	—	600,000	—	600,000	3.49 %	1,744	2025
Santa Monica Place(9)	—	297,069	—	296,366	4.01 %	939	2022
SanTan Village Regional Center(10)	—	121,585	—	124,703	3.14 %	589	2019
Towne Mall	—	20,733	—	21,161	4.48 %	117	2022
Tucson La Encantada(6)	—	65,361	66,970	—	4.23 %	368	2022
Victor Valley, Mall of	—	114,675	—	114,617	4.00 %	380	2024
Vintage Faire Mall	—	258,207	—	263,818	3.55 %	1,256	2026
Westside Pavilion(11)	—	—	—	141,020			
	$—	$4,073,916	$171,569	$4,066,511			

(1) The mortgage notes payable balances includes an unamortized debt premium. Debt premiums represent the excess of the fair value of debt over the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The loan on Fashion Outlets of Niagara Falls USA had a premium of $1,701 and $2,630 at December 31, 2018 and 2017, respectively.

The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were $13,053 and $17,838 at December 31, 2018 and 2017, respectively.

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

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

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

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

(6) Related party mortgage notes payable were amounts due to NML (See Note 18—Related Party Transactions).

(7)

The loan bears interest at LIBOR plus 1.50%. At December 31, 2018 and 2017, the total interest rate was 4.01% and 3.02%, respectively. On January 10, 2019, the Company replaced the existing loan on the property with a new $300,000 loan that bears interest at 4.58% and matures on February 1, 2031.

(8) On March 1, 2018, the Company borrowed the remaining $20,000 available under the loan agreement on the property. The loan bears interest at LIBOR plus 2.15%. At December 31, 2018 and 2017, the total interest rate was 5.06% and 4.07%, respectively.

(Dollars in thousands, except per share amounts)

(9) The loan bears interest at LIBOR plus 1.35%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2019 (See Note 5—Derivative Instruments and Hedging Activities). At December 31, 2018 and 2017, the total interest rate was 4.01% and 3.13%, respectively.

(10) On February 13, 2019, the Company’s joint venture in SanTan Village Regional Center entered into a commitment for a ten-year $220,000 loan to replace the existing loan on the property. The new loan will bear interest at a fixed rate of 4.30% and is expected to close during the second quarter of 2019.

(11) On August 31, 2018, a 75% interest in the loan was assumed by a third party in connection with the sale of a 75% ownership interest in the underlying property (See Note 4—Investments in Unconsolidated Joint Ventures).

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

As of December 31, 2018, all of 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 all loan maturities during the next twelve months will be refinanced, restructured, and/or paid off from the Company's line of credit or with cash on hand.

Total interest expense capitalized during the years ended December 31, 2018, 2017 and 2016 was $15,422, $13,160 and $10,316, respectively.

The estimated fair value (Level 2 measurement) of mortgage notes payable at December 31, 2018 and 2017 was $4,082,448 and $4,250,816, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

The future maturities of mortgage notes payable are as follows:

Year Ending December 31,	
2019	$793,399
2020	525,133
2021	418,239
2022	674,341
2023	6,895
Thereafter	1,667,261
	4,085,268
Debt premium	1,701
Deferred finance cost, net	(13,053)
	$4,073,916

The future maturities reflected above reflect the extension options that the Company believes will be exercised.

(Dollars in thousands, except per share amounts)

10. Bank and Other Notes Payable:
Bank and other notes payable at December 31, 2018 and 2017 consist of the following:
Line of Credit:
The Company has a $1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2,000,000.
Based on the Company's leverage level as of December 31, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. The Company has four interest rate swap agreements that effectively convert a total of $400,000 of the outstanding balance from floating rate debt of LIBOR plus 1.45% to fixed rate debt of 4.30% until September 30, 2021 (See Note 5—Derivative Instruments and Hedging Activities). As of December 31, 2018 and 2017, borrowings under the line of credit, were $910,000 and $935,000, respectively, less unamortized deferred finance costs of $5,145 and $7,548, respectively, at a total interest rate of 4.20% and 3.13%, respectively. As of December 31, 2018 and 2017, the Company's availability under the line of credit for additional borrowings was $589,719 and $504,412, respectively, The estimated fair value (Level 2 measurement) of the line of credit at December 31, 2018 and 2017 was $912,163 and $919,158, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.
Prasada Note:
On March 29, 2013, the Company issued a $13,330 note payable that bears interest at 5.25% and matures on May 30, 2021. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At December 31, 2018 and 2017, the note had a balance of $3,689 and $4,732, respectively. The estimated fair value (Level 2 measurement) of the note at December 31, 2018 and 2017 was $3,690 and $4,717, respectively, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.
As of December 31, 2018 and 2017, the Company was in compliance with all applicable financial loan covenants.
The future maturities of bank and other notes payable are as follows:

Year Ending December 31,	
2019	$887
2020	934
2021	911,868
	913,689
Deferred finance cost	(5,145)
	$908,544

The future maturities reflected above reflect the extension options that the Company believes will be exercised.

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11. Financing Arrangement:

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

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

During the year ended December 31, 2018, the Company incurred interest expense (income) in connection with the financing arrangement that included $9,079 from distributions of the partner's share of net income, $6,376 from the distributions in excess of the partner's share of net income and $(15,225) from the adjustment to fair value of the financing arrangement obligation.

12. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted-average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership periodically to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of December 31, 2018 and 2017. The remaining 7% limited partnership interest as of December 31, 2018 and 2017, was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of registered or unregistered 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 ten trading days ending on the respective balance sheet date. Accordingly, as of December 31, 2018 and 2017, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $448,116 and $671,592, respectively.

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

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

13. Stockholders' Equity:

2015 Stock Buyback Program:

On September 30, 2015, the Company's Board of Directors authorized the repurchase of up to $1,200,000 of the Company's outstanding common shares over the period ending September 30, 2017, as market conditions warranted. On February 17, 2016, the Company entered into an accelerated share repurchase program ("ASR") to repurchase an $400,000 of the Company's common stock. In accordance with the ASR, the Company made a prepayment of $400,000 and received an initial share delivery of 4,222,193 shares. On April 19, 2016, the ASR was completed and the Company received delivery of an additional 861,235 shares. The average price of the 5,083,428 shares repurchased under the ASR was $78.69 per share. The ASR was funded from borrowings under the Company's line of credit, which had been recently paid down from the proceeds from the financings and sale of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures).

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

2017 Stock Buyback Program:

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

During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for $221,428, representing an average price of $61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See Note 15—Dispositions), its share of the proceeds from the sale of ownership interests in office buildings at Country Club Plaza and Fashion District Philadelphia (See Note 4—Investments in Unconsolidated Joint Ventures) and from borrowings under its line of credit. There were no repurchases during the year ended December 31, 2018.

Special Dividend:

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

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

On August 20, 2014, the Company entered into an equity distribution agreement with a number of sales agents (the "ATM Program") to issue and sell, from time to time, shares of common stock, par value $0.01 per share, having an aggregate offering price of up to $500,000. The ATM Program expired by its terms in August 2017. No shares were sold under the ATM Program.

14. Collaborative Arrangement:

On March 1, 2018, the Company formed a 25/75 joint venture with a third party, whereby the Company agreed to contribute Westside Pavilion, a 755,000 square foot regional shopping center in Los Angeles, California in exchange for a cash payment of $142,500. The Company completed the transfer on August 31, 2018.

During the period from March 1, 2018 to August 31, 2018, the Company accounted for the operations of Westside Pavilion as a collaborative arrangement. Both partners shared operating control of the property and the Company was reimbursed by the outside partner for 75% of the carrying cost of the property, which were defined in the agreement as operating expenses in excess of revenues, debt service and capital expenditures. Accordingly, the Company reduced minimum rents, percentage rents, tenant recoveries, other revenue, shopping center and operating expenses and interest expense by its partner's 75% share and recorded a receivable due from its partner, which was settled upon completion of the transfer of the property. In addition, the Company was reimbursed by its partner for its 75% share of mortgage loan principal payments and capital expenditures during the period. Since completion of the transfer, the Company has accounted for its investment in Westside Pavilion, also referred to as One Westside, under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures).

15. Dispositions:

On April 13, 2016, the Company sold Capitola Mall, a 586,000 square foot regional shopping center in Capitola, California, for $93,000, resulting in a gain on the sale of assets of $24,894. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

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

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

On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170,000, resulting in a gain on the sale of assets of $59,577. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).

On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois for $86,350, resulting in a gain on sale of assets of $14,597. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona, for $26,000, resulting in a loss on sale of assets of $311. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

(Dollars in thousands, except per share amounts)

16. Future Rental Revenues:
Under existing non-cancelable operating lease agreements, tenants are committed to pay the following minimum rental payments to the Company:

Year Ending December 31,	
2019	$505,404
2020	439,094
2021	380,266
2022	329,840
2023	283,792
Thereafter	816,933
	$2,755,329

17. Commitments and Contingencies:
The Company has certain properties subject to non-cancelable operating leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Rent expenses were $17,709, $18,442 and $16,495 for the years ended December 31, 2018, 2017 and 2016, respectively. No contingent rent was incurred for the years ended December 31, 2018, 2017 or 2016.
Minimum future rental payments required under the leases are as follows:

Year Ending December 31,	
2019	$16,627
2020	17,183
2021	17,124
2022	17,450
2023	11,390
Thereafter	140,562
	$220,336

As of December 31, 2018, the Company was contingently liable for $65,814 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.
The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the relevant agreement. At December 31, 2018, the Company had $8,360 in outstanding obligations, which it believes will be settled in the next twelve months.

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 years ended December 31:

	2018	2017	2016
Management fees	$19,752	$19,105	