MACERICH CO
Form 10-Q
November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

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

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401
(Address of principal executive office, including zip code)

(310) 394-6000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days.

YES ý NO o

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

YES o NO o

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO ý

Number of shares outstanding as of November 6, 2009 of the registrant's common stock, par value $.01 per share: 94,757,688 shares

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THE MACERICH COMPANY

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THE MACERICH COMPANY

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value and share amounts)

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS:		
Property, net	$ 5,692,278	$ 6,371,319
Cash and cash equivalents	79,558	66,529
Restricted cash	68,185	61,707
Marketable securities	27,539	27,943
Tenant and other receivables, net	100,973	118,374
Deferred charges and other assets, net	285,117	339,662
Loans to unconsolidated joint ventures	1,236	932
Due from affiliates	9,870	9,124
Investments in unconsolidated joint ventures	1,054,671	1,094,845
Total assets	$ 7,319,427	$ 8,090,435
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY:		
Mortgage notes payable:		
Related parties	$ 197,825	$ 306,859
Others	3,037,180	3,373,116
Total	3,235,005	3,679,975
Bank and other notes payable	1,733,048	2,260,443
Accounts payable and accrued expenses	79,763	114,502
Other accrued liabilities	255,513	289,146
Investments in unconsolidated joint ventures	68,150	80,915
Co-venture obligation	168,154	
Preferred dividends payable	207	243
Total liabilities	5,539,840	6,425,224
Redeemable noncontrolling interests	23,327	23,327
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, $.01 par value, 250,000,000 and 145,000,000 shares authorized, 80,976,775 and 76,883,634 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	810	769
Additional paid-in capital	1,803,372	1,721,256
Accumulated deficit	(275,337)	(274,834)
Accumulated other comprehensive loss	(33,121)	(53,425)
Total stockholders' equity	1,495,724	1,393,766
Noncontrolling interests	260,536	248,118

Total equity		1,756,260		1,641,884
Total liabilities, redeemable noncontrolling interests and equity	$	7,319,427	$	8,090,435

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

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THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

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

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Minimum rents	$ 119,489	$ 131,083	$ 367,245	$ 388,072
Percentage rents	3,909	4,114	9,402	9,772
Tenant recoveries	59,809	69,417	186,974	203,040
Management Companies	10,449	10,261	28,335	30,334
Other	6,640	7,386	21,537	20,420
Total revenues	200,296	222,261	613,493	651,638
Expenses:				
Shopping center and operating expenses	64,952	73,201	201,837	211,680
Management Companies' operating expenses	16,400	19,014	58,702	57,886
REIT general and administrative expenses	7,085	2,883	16,989	11,419
Depreciation and amortization	61,815	65,937	189,293	183,107
	150,252	161,035	466,821	464,092
Interest expense:				
Related parties	4,405	5,002	16,449	12,381
Other	61,374	68,885	191,182	207,918
	65,779	73,887	207,631	220,299
Loss (gain) on early extinguishment of debt	455		(29,145)	
Total expenses	216,486	234,922	645,307	684,391
Equity in income of unconsolidated joint ventures	19,165	19,928	49,647	67,172
Income tax (provision) benefit	(302)	362	878	750
Gain (loss) on sale or write down of assets	157,612	(4,217)	159,776	(3,054)
Income from continuing operations	160,285	3,412	178,487	32,115

Discontinued operations:				
Gain (loss) on sale of assets	3,968	(961)	(23,045)	98,189
Income from discontinued operations	118	1,947	982	5,787
Total income (loss) from discontinued operations	4,086	986	(22,063)	103,976
Net income	164,371	4,398	156,424	136,091
Less net income attributable to noncontrolling interests	21,533	925	21,306	20,994
Net income attributable to the Company	142,838	3,473	135,118	115,097
Less preferred dividends		835		4,124
Net income available to common stockholders	$ 142,838	$ 2,638	$ 135,118	$ 110,973
Earnings per common share attributable to Company basic:				
Income from continuing operations	$ 1.71	$ 0.02	$ 1.96	$ 0.29
Discontinued operations	0.04	0.01	(0.25)	1.21
Net income available to common stockholders	$ 1.75	$ 0.03	$ 1.71	$ 1.50
Earnings per common share attributable to Company diluted:				
Income from continuing operations	$ 1.71	$ 0.02	$ 1.96	$ 0.29
Discontinued operations	0.04	0.01	(0.25)	1.21
Net income available to common stockholders	$ 1.75	$ 0.03	$ 1.71	$ 1.50
Weighted average number of common shares outstanding:				
Basic	79,496,000	74,931,000	77,898,000	73,688,000
Diluted	79,694,000	87,439,000	77,898,000	86,483,000

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

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THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars in thousands, except per share data)

(Unaudited)

	Stockholders' Equity									
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance January 1, 2009	76,883,634	$ 769	$ 1,721,256	$ (274,834)	$ (53,425)	$ 1,393,766	$ 248,118	$ 1,641,884	$ 23,327
Comprehensive income:									
Net income				135,118		135,118	20,869	155,987	437
Interest rate swap/cap agreements					20,304	20,304		20,304	
Total comprehensive income				135,118	20,304	155,422	20,869	176,291	437
Amortization of share and unit-based plans	174,962	2	13,359			13,361		13,361	
Employee stock purchases	23,202		368			368		368	
Distributions paid ($2.00) per share				(135,621)		(135,621)		(135,621)	
Distributions to noncontrolling interests							(22,124)	(22,124)	(437)
Issuance of common shares	3,894,977	39	68,079			68,118		68,118	
Issuance of stock warrants			14,564			14,564		14,564	
Contributions from noncontrolling interests							8,665	8,665	
Other			(9,069)			(9,069)		(9,069)	
Redemption of noncontrolling interests							(177)	(177)	
Adjustment of noncontrolling interest in Operating Partnership			(5,185)			(5,185)	5,185		
Balance September 30, 2009	80,976,775	$ 810	$ 1,803,372	$ (275,337)	$ (33,121)	$ 1,495,724	$ 260,536	$ 1,756,260	$ 23,327

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THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF EQUITY (Continued)

(Dollars in thousands, except per share data)

(Unaudited)

	Stockholders' Equity								
	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Common Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interest
Balance January 1, 2008	72,311,763	723	1,428,124	(203,505)	(24,508)	1,200,834	230,529	1,431,363	322,619
Comprehensive income:									
Net income				115,097		115,097	20,557	135,654	437
Reclassification of deferred losses					285	285		285	
Interest rate swap/cap agreements					248	248		248	
Total comprehensive income				115,097	533	115,630	20,557	136,187	437
Amortization of share and unit-based plans	186,917	2	15,959			15,961		15,961	
Exercise of stock options	362,888	4	8,568			8,572		8,572	
Employee stock purchases	6,494		363			363		363	
Distributions paid ($2.40) per share				(176,329)		(176,329)		(176,329)	
Distributions to noncontrolling interests							(33,108)	(33,108)	(437)
Preferred dividends			(4,124)			(4,124)		(4,124)	
Contributions from noncontrolling interests							11,602	11,602	
Conversion of noncontrolling interests to common shares	150,674	2	5,546			5,548	(5,548)		
Conversion of preferred shares to common shares	3,067,131	30	83,465			83,495		83,495	
Redemption of noncontrolling interests							(489)	(489)	(96,564)
Reversal of adjustments to redemption value of redeemable noncontrolling interests			202,728			202,728		202,728	(202,728)
Other			1,585			1,585	3,047	4,632	
Adjustment of noncontrolling interest in Operating Partnership			(57,299)			(57,299)	57,299		
Balance September 30, 2008	76,085,867	$ 761	$ 1,684,915	$ (264,737)	$ (23,975)	$ 1,396,964	$ 283,889	$ 1,680,853	$ 23,327

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

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THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	For the Nine Months Ended September 30, 2009	2008
Cash flows from operating activities:		
Net income	$ 156,424	$ 136,091
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on early extinguishment of debt	(29,145)	
(Gain) loss on sale or write down of assets	(159,776)	3,054
Loss (gain) on sale of assets of discontinued operations	23,045	(98,189)
Depreciation and amortization	199,180	186,456
Amortization of net discount on mortgage and bank and other notes payable	392	4,103
Amortization of share and unit-based plans	5,719	8,402
Equity in income of unconsolidated joint ventures	(49,647)	(67,172)
Distributions of income from unconsolidated joint ventures	7,981	18,900
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables, net	3,519	20,800
Other assets	11,537	(1,890)
Accounts payable and accrued expenses	(46,365)	(27,142)
Due from affiliates	(746)	826
Other accrued liabilities	(48,383)	(8,409)
Net cash provided by operating activities	73,735	175,830
Cash flows from investing activities:		
Acquisitions of property, development, redevelopment and property improvements	(133,686)	(453,001)
Redemption of Rochester Properties		(18,794)
Maturities of marketable securities	638	807
Deferred leasing costs	(22,218)	(24,165)
Distributions from unconsolidated joint ventures	137,112	119,090
Contributions to unconsolidated joint ventures	(41,421)	(148,102)
Proceeds from loans to unconsolidated joint ventures	(304)	148
Proceeds from sale of assets	342,109	3,742
Restricted cash	(9,239)	2,233
Net cash provided by (used in) investing activities	272,991	(518,042)
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	412,245	1,442,366
Payments on mortgages, bank and other notes payable	(778,852)	(925,760)
Repurchase of Senior Notes	(55,029)	
Deferred financing costs	(5,872)	(9,724)
Proceeds from share and unit-based plans	368	8,935
Proceeds from issuance of warrants to purchase common stock	14,564	
Contributions from co-venture partner	165,716	

Dividends and distributions	(86,837)	(199,312)
Dividends to preferred stockholders / preferred unitholders		(10,744)
Net cash (used in) provided by financing activities	(333,697)	305,761
Net increase (decrease) in cash	13,029	(36,451)
Cash and cash equivalents, beginning of period	66,529	85,273
Cash and cash equivalents, end of period	$ 79,558	$ 48,822

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THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2009	**2008**
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 207,833	$ 220,718
Non-cash transactions:		
Acquisition of noncontrolling interests in properties	$	$ 205,520
Deposits contributed to unconsolidated joint ventures and the purchase of properties	$	$ 51,943
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$ 35,501	$ 57,045
Accrued preferred dividend payable	$ 207	$ 276
Acquisition of property by assumption of mortgage note payable	$	$ 15,789
Stock dividend	$ 68,117	$
Conversion of Series A cumulative convertible preferred stock to common stock	$	$ 83,495

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

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Organization:

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

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of September 30, 2009, the Company was the sole general partner of and held an 87% 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 property management, leasing and redevelopment of the Company's portfolio is provided by the Company's management companies, Macerich Property Management Company, LLC ("MPMC, LLC"), a single member Delaware limited liability company, Macerich Management Company ("MMC"), a California corporation, Westcor Partners, L.L.C., a single member Arizona limited liability company, Macerich Westcor Management LLC, a single member Delaware limited liability company, Westcor Partners of Colorado, LLC, a 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. These last two management companies are collectively referred to herein as the "Wilmorite Management Companies." The three Westcor management companies are collectively referred to herein as the "Westcor Management Companies." All seven of the management companies are collectively referred to herein as the "Management Companies."

2. Summary of Significant Accounting Policies:

Basis of Presentation:

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

The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. Investments in entities that are controlled by the Company or meet the definition of a variable interest entity in which an enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity are consolidated; otherwise they are accounted for under the equity method and are reflected as "Investments in unconsolidated joint ventures."

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Current Report on Form 8-K filed May 27, 2009. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for the interim periods have been made. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying consolidated balance sheet as of December 31, 2008 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

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

Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of $5,760 and $3,754 at September 30, 2009 and December 31, 2008, respectively.

Included in tenant and other receivables, net, are the following notes receivable:

On March 31, 2006, the Company received a note receivable that is secured by a deed of trust, bears interest at 5.5% and matures on March 31, 2031. At September 30, 2009 and December 31, 2008, the note had a balance of $9,283 and $9,450, respectively.

On January 1, 2008, as part of the Rochester Redemption (See Note 17 Discontinued Operations), the Company received an unsecured note receivable that bears interest at 9.0% and matures on June 30, 2011. The balance on the note at September 30, 2009 and December 31, 2008 was $11,763.

On August 16, 2009, the Company received a $1,800 note receivable from J&R Holdings XV, LLC ("Pederson") that bears interest at 10% and matures August 14, 2014. Pederson is considered a related party because it has an ownership interest in Promenade at Casa Grande. The note is secured by Pederson's interest in Promenade at Casa Grande. Interest income on the note was $22 for the three and nine months ended September 30, 2009.

Recent Accounting Pronouncements Adopted:

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, "The FASB Accounting Standards Codification ("FASB Codification") and the Hierarchy of Generally Accepted Accounting Principles." This pronouncement establishes the FASB Codification as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The Company adopted this pronouncement on July 1, 2009 and has updated its references to specific GAAP literature to reflect the codification.

The following are recent accounting pronouncements adopted on April 1, 2009:

SFAS No. 165, "Subsequent Events," which was superseded by the FASB Codification and is now included in ASC 855, establishes principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

FSP SFAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies," which was superseded by the FASB Codification and is now included in ASC 805-20, addresses application issues on the accounting for contingencies in a

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

business combination. The adoption of this pronouncement did not have any impact on the Company's consolidated financial statements.

The following are recent accounting pronouncements adopted on January 1, 2009:

FSP SFAS No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," which was superseded by the FASB Codification and is now included in ASC 820-10, reaffirmed the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

SFAS No. 141(R), "Business Combinations," which was superseded by the FASB Codification and is now included in ASC 805, requires an acquiring entity to recognize acquired assets and assumed liabilities in a transaction at fair value as of the acquisition date and changes the accounting treatment for certain items, including acquisition costs, which will be required to be expensed as incurred. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133," which was superseded by the FASB Codification and is now included in ASC 815-10, requires qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. As a result of the Company's adoption of this pronouncement, the Company has expanded its disclosures concerning its derivative instruments and hedging activities in Note 5 Derivative Instruments and Hedging Activities.

Emerging Issues Task Force ("EITF") No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock," which was superseded by the FASB Codification and is now included in ASC 815-40, provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception for classification as a derivative. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51," which was superseded by the FASB Codification and is now included in ASC 810-10-45, requires that noncontrolling interests be presented as a component of consolidated stockholders' equity and eliminates "minority interest accounting" such that the amount of net income attributable to the noncontrolling interests will be presented as part of consolidated net income on the consolidated statements of operations. See Note 22 Cumulative Effect of Adoption of Accounting Principles for a summary of the impact of the adoption of this pronouncement on the Company's consolidated financial statements.

FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled In Cash Upon Conversion (Including Partial Cash Settlement)," which was superseded by the FASB Codification and is now included in ASC 470, requires the initial proceeds from convertible debt that may be settled in cash to be bifurcated between a liability component and an equity component. The objective of the guidance is to require the liability and equity components of convertible debt to be separately

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

accounted for in a manner such that the interest expense recorded on the convertible debt would not equal the contractual rate of interest on the convertible debt, but instead would be recorded at a rate that would reflect the issuer's conventional non-convertible debt borrowing rate at the date of issuance. This is accomplished through the creation of a discount on the debt that would be accreted using the effective interest method as additional non-cash interest expense over the period the debt is expected to remain outstanding. See Note 22 Cumulative Effect of Adoption of Accounting Principles for a summary of the impact of the adoption of this pronouncement on the Company's consolidated financial statements.

FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," which was superseded by the FASB Codification and is now included in ASC 260-10-45, provides that instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. See Note 22 Cumulative Effect of Adoption of Accounting Principles for a summary of the impact of the adoption of this pronouncement on the Company's consolidated financial statements.

FSP SFAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which was superseded by the FASB Codification and is now included in ASC 825-10-50, requires disclosures on a quarterly basis that provide qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The Company has provided these disclosures in Note 10 Mortgage Notes Payable and Note 11 Bank and Other Notes Payable.

FSP SFAS No. 115-2 and SFAS No. 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which was superseded by the FASB Codification and is now included in ASC 320-10-35, requires increased and more timely disclosures regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted:

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB No. 140," which was superseded by the FASB Codification and is now included in ASC 860. ASC 860 removes the concept of a qualifying special-purpose entity and requires a transferor to consider all arrangements or agreements made contemporaneously with, or in contemplation of, a transfer of a financial asset in order to determine whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control of the transferred financial asset. The Company is required to adopt this pronouncement prospectively starting January 1, 2010 and does not believe that this pronouncement will have a material impact on its results of operations or financial condition.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," which was superseded by the FASB Codification and is now included in ASC 810. The provision of ASC 810 provides guidance for determining whether an entity is the primary beneficiary in a variable interest entity. It also requires ongoing reassessments and additional disclosures about an entity's involvement in variable interest entities. The Company is required to adopt this pronouncement on

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

January 1, 2010 and is currently evaluating the impact of the adoption of this pronouncement on its results of operations and financial condition.

3. Earnings per Share ("EPS"):

The following table reconciles the numerator and denominator used in the computation of earnings per share for the three and nine months ended September 30, 2009 and 2008.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Numerator				
Income from continuing operations	$ 160,285	$ 3,412	$ 178,487	$ 32,115
Income (loss) from discontinued operations	4,086	986	(22,063)	103,976
Income attributable to noncontrolling interests	(21,533)	(925)	(21,306)	(20,994)
Net income attributable to the Company	142,838	3,473	135,118	115,097
Preferred dividends		(835)		(4,124)
Allocation of earnings to participating securities	(3,347)	(216)	(2,241)	(694)
Numerator for basic earnings per share net income available to common stockholders	139,491	2,422	132,877	110,279
Effect of assumed conversions:				
Partnership units		386		19,051
Convertible non-participating preferred units	208			
Numerator for diluted earnings per share net income available to common stockholders	$ 139,699	$ 2,808	$ 132,877	$ 129,330
Denominator				
Denominator for basic earnings per share weighted average number of common shares outstanding	79,496	74,931	77,898	73,688
Effect of dilutive securities:(1)				
Partnership units(2)		12,493		12,528
Convertible non-participating preferred units(3)	198			
Share and unit-based plans(4)		15		267
Denominator for diluted earnings per share weighted average number of common shares outstanding	79,694	87,439	77,898	86,483
Earnings per common share basic:				
Income from continuing operations	$ 1.71	$ 0.02	$ 1.96	$ 0.29
Discontinued operations	0.04	0.01	(0.25)	1.21

Net income available to common stockholders	$	1.75	$	0.03	$	1.71	$	1.50
Earnings per common share diluted:								
Income from continuing operations	$	1.71	$	0.02	$	1.96	$	0.29
Discontinued operations		0.04		0.01		(0.25)		1.21
Net income available to common stockholders	$	1.75	$	0.03	$	1.71	$	1.50

(1) The Senior Notes (See Note 11 Bank and Other Notes Payable) are excluded from diluted EPS for the three and nine months ended September 30, 2009 and 2008 as their effect would be antidilutive to net income available to common stockholders.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Earnings per Share ("EPS"): (Continued)

The then-outstanding convertible preferred stock (See Note 14 Cumulative Convertible Redeemable Preferred Stock) was convertible on a one-for-one basis for common stock. The convertible preferred stock was excluded from diluted EPS for the three and nine months ended September 30, 2008 as its effect would be antidilutive to net income available to common stockholders.

(2) Diluted EPS excludes 11,852,494 and 11,735,942 partnership units for the three and nine months ended September 30, 2009, respectively, as their effect was antidilutive to net income available to common stockholders.

(3) Diluted EPS excludes 194,000 convertible non-participating preferred units for the three months ended September 30, 2008 and excludes 195,000 and 215,000 convertible non-participating preferred units for the nine months ended September 30, 2009 and 2008, respectively, as their impact was antidilutive to net income available to common stockholders.

(4) Diluted EPS excludes 1,166,334 of unexercised stock appreciation rights and 132,500 of unexercised stock options for the three and nine months ended September 30, 2009 as their effect was antidilutive to net income available to common stockholders.

The noncontrolling interests of the Operating Partnership as reflected in the Company's consolidated statements of operations have been allocated for EPS calculations as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Income from continuing operations	$ 21,003	$ 784	$ 24,194	$ 5,886
Discontinued operations:				
Gain (loss) on sale or write-down of assets	515	(137)	(3,017)	14,267
Income from discontinued operations	15	278	129	841
Total	$ 21,533	$ 925	$ 21,306	$ 20,994

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures:

The following are the Company's investments in various joint ventures or properties jointly owned with third parties. The Company and Operating Partnership's interest in each joint venture as of September 30, 2009 is as follows:

Joint Venture	Ownership %(1)
Biltmore Shopping Center Partners LLC	50.0%
Camelback Colonnade SPE LLC	75.0%
Chandler Festival SPE LLC	50.0%
Chandler Gateway SPE LLC	50.0%
Chandler Village Center, LLC	50.0%
Coolidge Holding LLC	37.5%
Corte Madera Village, LLC	50.1%
Desert Sky Mall Tenants in Common	50.0%
East Mesa Land, L.L.C.	50.0%
East Mesa Mall, L.L.C. Superstition Springs Center	33.3%
FlatIron Property Holding,L.L.C.	25.0%
Jaren Associates #4	12.5%
Kierland Tower Lofts, LLC	15.0%
Macerich Northwestern Associates Broadway Plaza	50.0%
Macerich SanTan Phase 2 SPE LLC SanTan Village Power Center	34.9%
MetroRising AMS Holding LLC Metrocenter Mall	15.0%
New River Associates Arrowhead Towne Center	33.3%
North Bridge Chicago LLC	50.0%
NorthPark Land Partners, LP	50.0%
NorthPark Partners, LP	50.0%
One Scottsdale Investors LLC	50.0%
Pacific Premier Retail Trust	51.0%
PHXAZ/Kierland Commons, L.L.C.	24.5%
Propcor Associates	25.0%
Propcor II Associates, LLC Boulevard Shops	50.0%
Queens Mall Limited Partnership	51.0%
Queens Mall Expansion Limited Partnership	51.0%
Scottsdale Fashion Square Partnership	50.0%
SDG Macerich Properties, L.P.	50.0%
The Market at Estrella Falls LLC	35.1%
Tysons Corner Holdings LLC	50.0%
Tysons Corner LLC	50.0%
Tysons Corner Property Holdings II LLC	50.0%
Tysons Corner Property Holdings LLC	50.0%
Tysons Corner Property LLC	50.0%
WM Inland, L.L.C.	50.0%
West Acres Development, LLP	19.0%
Westcor/Gilbert, L.L.C.	50.0%
Westcor/Queen Creek Commercial LLC	37.9%
Westcor/Queen Creek LLC	37.8%
Westcor/Queen Creek Medical LLC	37.7%
Westcor/Queen Creek Residential LLC	37.7%
Westcor/Surprise Auto Park LLC	33.3%

Westpen Associates	50.0%
Wilshire Building Tenants in Common	30.0%
WM Ridgmar, L.P.	50.0%

(1) The Company and Operating Partnership's ownership interest in this table reflects its legal ownership interest but may not reflect its economic interest since each joint venture has various agreements regarding cash flow, profits and losses, allocations, capital requirements and other matters.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

The Company generally accounts for its investments in joint ventures using the equity method unless the Company has a controlling interest in the joint venture or is the primary beneficiary in a variable interest entity. Although the Company has a greater than 50% interest in Pacific Premier Retail Trust, Camelback Colonnade SPE LLC, Corte Madera Village, LLC, Queens Mall Limited Partnership and Queens Mall Expansion Limited Partnership, the Company shares management control with the partners in these joint ventures and, therefore, accounts for these joint ventures using the equity method of accounting.

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

On January 10, 2008, the Company, in a 50/50 joint venture, acquired The Shops at North Bridge, a 680,933 square foot urban shopping center in Chicago, Illinois, for a total purchase price of $515,000. The Company's share of the purchase price was funded by the assumption of a pro rata share of the $205,000 fixed rate mortgage on the Center and by borrowings under the Company's line of credit. The results of The Shops at North Bridge are included below for the period subsequent to its date of acquisition.

On June 11, 2008, the Company became a 50% owner in a joint venture that acquired One Scottsdale, which plans to develop a mixed-use property in Scottsdale, Arizona. The Company's share of the purchase price was $52,500, which was funded by borrowings under the Company's line of credit. The results of One Scottsdale are included below for the period subsequent to its date of acquisition.

On December 19, 2008, the Company sold a fee and/or ground leasehold interest in three freestanding Mervyn's department stores to Pacific Premier Retail Trust, one of the Company's joint ventures, for $43,405, resulting in a gain on sale of assets of $1,511. The Company's pro rata share of the proceeds was used to pay down the Company's line of credit. See Mervyn's in Note 16 Acquisitions and in Note 17 Discontinued Operations.

On July 30, 2009, the Company sold a 49% ownership interest in Queens Center to a third party for $152,654, resulting in a gain on sale of assets of $153,907. See Note 7 Property. The Company used the proceeds from the sale of the ownership interest in the property to pay down the Term Loan (see "Term Loan" in Note 11 Bank and Other Notes Payable) and for general corporate purposes. The results of Queens Center are included below for the period subsequent to the sale of the ownership interest.

On September 3, 2009, the Company formed a joint venture with a third party whereby the Company sold a 75% interest in FlatIron Crossing. As part of this transaction, the Company issued three warrants for an aggregate of 1,250,000 shares of common stock of the Company (See Note 15 Stockholders' Equity). The Company received $123,750 in cash proceeds for the overall transaction, of which $8,068 was attributed to the warrants. The proceeds attributable to the interest sold exceeded the Company's carrying value in the interest sold by $28,720. However, due to certain contractual rights afforded to the buyer of the interest in FlatIron Crossing, the Company has only recognized a gain on sale of $2,654. The remaining net cash proceeds in excess of the Company's carrying value in the interest sold has been included in other accrued liabilities and will not be recognized until dissolution of the joint venture or disposition of the Company's or buyer's interest in the joint venture. The

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Company used the proceeds from the sale of the ownership interest to pay down the Term Loan and for general corporate purposes. The results of FlatIron Crossing are included below for the period subsequent to the sale of the ownership interest.

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

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	September 30, 2009	December 31, 2008
Assets(1):		
Properties, net	$ 5,312,813	$ 4,706,823
Other assets	509,814	531,976
Total assets	$ 5,822,627	$ 5,238,799
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	$ 4,803,054	$ 4,244,270
Other liabilities	225,248	215,975
Company's capital	384,922	434,504
Outside partners' capital	409,403	344,050
Total liabilities and partners' capital	$ 5,822,627	$ 5,238,799
Investment in unconsolidated joint ventures:		
Company's capital	$ 384,922	$ 434,504
Basis adjustment(3)	601,599	579,426
Investments in unconsolidated joint ventures	$ 986,521	$ 1,013,930
Assets Investments in unconsolidated joint ventures	$ 1,054,671	$ 1,094,845
Liabilities Investments in unconsolidated joint ventures	(68,150)	(80,915)
	$ 986,521	$ 1,013,930

(1) These amounts include the assets and liabilities of the following significant subsidiaries as of September 30, 2009 and December 31, 2008:

SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC

As of September 30, 2009:						
Total Assets	$	855,958	$	1,118,972	$	323,575
Total Liabilities	$	817,257	$	1,039,695	$	333,370
As of December 31, 2008:						
Total Assets	$	882,117	$	1,148,831	$	328,064
Total Liabilities	$	823,550	$	976,506	$	333,307

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

(2)

Certain joint ventures have debt that could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of September 30, 2009 and December 31, 2008, a total of $17,450 and $16,898, respectively, could become recourse debt to the Company.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of $583,821 and $211,098 as of September 30, 2009 and December 31, 2008, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $9,384 and $2,923 for the three months ended September 30, 2009 and 2008, respectively, and $16,895 and $7,082 for the nine months ended September 30, 2009 and 2008, respectively.

(3)

This represents the difference between the cost of an investment and the book value of the underlying equity of the joint venture. The Company is amortizing this difference into income on a straight-line basis, consistent with the lives of the underlying assets. The amortization of this difference was $2,319 and $2,040 for the three months ended September 30, 2009 and 2008, respectively, and $7,429 and $6,356 for the nine months ended September 30, 2009 and 2008, respectively.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Three Months Ended September 30, 2009					
Revenues:					
Minimum rents	$ 22,393	$ 34,087	$ 14,415	$ 81,922	$ 152,817
Percentage rents	911	1,154	298	3,924	6,287
Tenant recoveries	12,450	12,257	9,735	39,761	74,203
Other	838	1,088	616	6,728	9,270
Total revenues	36,592	48,586	25,064	132,335	242,577
Expenses:					
Shopping center and operating expenses	14,261	13,729	7,923	48,826	84,739
Interest expense	11,768	13,159	3,923	34,342	63,192
Depreciation and amortization	7,918	9,294	4,482	27,391	49,085
Total operating expenses	33,947	36,182	16,328	110,559	197,016
Loss on sale of assets				(1,962)	(1,962)
Net income	$ 2,645	$ 12,404	$ 8,736	$ 19,814	$ 43,599
Company's equity in net income	$ 1,322	$ 6,359	$ 4,368	$ 7,116	$ 19,165
Three Months Ended September 30, 2008					
Revenues:					
Minimum rents	$ 22,772	$ 33,138	$ 14,116	$ 73,095	$ 143,121
Percentage rents	1,012	1,102	556	3,664	6,334
Tenant recoveries	12,899	13,085	9,531	33,988	69,503
Other	676	967	534	5,192	7,369
Total revenues	37,359	48,292	24,737	115,939	226,327
Expenses:					
Shopping center and operating	14,573	13,892	7,743	44,351	80,559

expenses					
Interest expense	11,768	11,384	4,108	30,177	57,437
Depreciation and amortization	7,840	8,208	4,753	25,595	46,396
Total operating expenses	34,181	33,484	16,604	100,123	184,392
Gain on sale of assets	403			1,575	1,978
Net income	$ 3,581	$ 14,808	$ 8,133	$ 17,391	$ 43,913
Company's equity in net income	$ 1,790	$ 7,523	$ 4,066	$ 6,549	$ 19,928

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

	SDG Macerich Properties, L.P.	Pacific Premier Retail Trust	Tysons Corner LLC	Other Joint Ventures	Total
Nine Months Ended September 30, 2009					
Revenues:					
Minimum rents	$ 67,872	$ 98,888	$ 43,561	$ 219,638	$ 429,959
Percentage rents	2,155	2,571	680	7,192	12,598
Tenant recoveries	36,583	36,709	28,353	107,325	208,970
Other	2,524	3,058	1,501	16,527	23,610
Total revenues	109,134	141,226	74,095	350,682	675,137
Expenses:					
Shopping center and operating expenses	42,228	40,698	23,627	132,116	238,669
Interest expense	34,925	37,838	11,885	90,079	174,727
Depreciation and amortization	22,942	27,136	13,436	79,690	143,204
Total operating expenses	100,095	105,672	48,948	301,885	556,600
Gain (loss) on sale of assets	44			(1,845)	(1,801)
Net income	$ 9,083	$ 35,554	$ 25,147	$ 46,952	$ 116,736
Company's equity in net income	$ 4,541	$ 18,133	$ 12,574	$ 14,399	$ 49,647
Nine Months Ended September 30, 2008					
Revenues:					
Minimum rents	$ 69,357	$ 97,121	$ 44,266	$ 212,051	$ 422,795
Percentage rents	2,543	2,805	1,677	8,581	15,606
Tenant recoveries	37,176	38,001	27,766	101,782	204,725
Other	2,653	3,161	1,507	34,580	41,901
Total revenues	111,729	141,088	75,216	356,994	685,027
Expenses:					
	44,311	40,355	22,953	125,675	233,294

Shopping center and operating expenses									
Interest expense		35,028		34,278		12,350		88,490		170,146
Depreciation and amortization		22,998		24,129		14,033		75,059		136,219
Total operating expenses		102,337		98,762		49,336		289,224		539,659
Gain on sale of assets		389						16,361		16,750
Net income	$	9,781	$	42,326	$	25,880	$	84,131	$	162,118
Company's equity in net income	$	4,890	$	21,526	$	12,940	$	27,816	$	67,172

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

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. 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 of derivatives are recorded in comprehensive income. Ineffective portions, if any, are included in net income. No ineffectiveness was recorded in net income during the three or nine months ended September 30, 2009 or 2008. If any derivative instrument used for risk management does not meet the hedging criteria, it is marked-to-market each period in the consolidated statements of operations. As of September 30, 2009, one of the Company's derivative instruments was not designated as a cash flow hedge. Changes in the market value of this derivative instrument is recorded in the consolidated statements of operations. As of September 30, 2009, the Company's derivative instruments did not contain any credit risk related contingent features or collateral arrangements.

The Company reclassified $0 and $285 for the three and nine months ended September 30, 2008, respectively, related to treasury rate lock transactions settled in prior years from accumulated other comprehensive income to earnings.

Amounts paid (received) as a result of interest rate agreements are recorded as an addition (reduction) of interest expense. The Company recorded other comprehensive income related to the marking-to-market of interest rate agreements of $2,815 and $449 for the three months ended September 30, 2009 and 2008, respectively and $20,304 and $248 for the nine months ended September 30, 2009 and 2008, respectively. The amount expected to be reclassified to interest expense in the next 12 months is immaterial.

The following derivatives were outstanding at September 30, 2009:

Property/Entity	Notional Amount	Product	Rate	Maturity	Fair Value
Panorama Mall(1)(2)	50,000	Cap	6.65%	3/1/2010	
Paradise Valley Mall(2)	85,000	Cap	5.00%	9/12/2011	107
The Oaks(2)	150,000	Cap	6.25%	7/1/2010	
The Operating Partnership(3)	450,000	Swap	4.80%	4/15/2010	(10,777)
The Operating Partnership(3)	400,000	Swap	5.08%	4/25/2011	(25,221)
Westside Pavilion(2)	175,000	Cap	5.50%	6/1/2010	

(1) Derivative is not designated as a hedge.

(2) See additional disclosure in Note 10 Mortgage Notes Payable.

(3) See additional disclosure in Note 11 Bank and Other Notes Payable.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Derivative Instruments and Hedging Activities: (Continued)

	Asset Derivatives			Liability Derivatives		
		September 30, 2009	December 31, 2008		September 30, 2009	December 31, 2008
	Balance Sheet Location	Fair Value	Fair Value	Balance Sheet Location	Fair Value	Fair Value
Derivatives designated as hedging instruments						
Interest rate cap agreements	Other assets	$ 107	$ 2	Other liabilities	$	$
Interest rate swap agreements	Other assets			Other liabilities	35,998	56,434
Total derivatives designated as hedging instruments		107	2		35,998	56,434
Derivatives not designated as hedging instruments						
Interest rate cap agreements	Other assets			Other liabilities		
Interest rate swap agreements	Other assets			Other liabilities		
Total derivatives not designated as hedging instruments						
Total derivatives		$ 107	$ 2		$ 35,998	$ 56,434

6. Fair Value:

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.

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 itself and its counterparties. However, as of September 30, 2009 and December 31, 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Fair Value: (Continued)

overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents certain of the Company's derivative instruments measured at fair value as of September 30, 2009:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Derivative instruments	$	$ 107	$	$ 107
Liabilities				
Derivative instruments		35,998		35,998

7. Property:

Property consists of the following:

	September 30, 2009	December 31, 2008
Land	$ 1,080,375	$ 1,135,013
Building improvements	4,638,867	5,190,049
Tenant improvements	324,614	327,877
Equipment and furnishings	106,218	101,991
Construction in progress	549,356	600,773
	6,699,430	7,355,703
Less accumulated depreciation	(1,007,152)	(984,384)
	$ 5,692,278	$ 6,371,319

Depreciation expense was $51,356 and $48,308 for the three months ended September 30, 2009 and 2008, respectively, and $156,555 and $139,280 for the nine months ended September 30, 2009 and 2008, respectively.

The Company recognized a gain (loss) on sale or write down of assets of $157,612 and ($4,217) for the three months ended September 30, 2009 and 2008, respectively, and $159,776 and ($3,054) for the nine months ended September 30, 2009 and 2008, respectively.

The gain (loss) on sale or write down of assets includes a gain on the sale of land of $792 and $224 for the three months ended September 30, 2009 and 2008, respectively, and $3,599 and $1,387 for the nine months ended September 30, 2009 and 2008, respectively. The Company wrote off development costs of $592 and $1,235 for the three and nine months ended September 30, 2009,

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Property: (Continued)

respectively. In addition, the Company wrote down $4,441 of assets related to Mervyn's for the three and nine months ended September 30, 2008.

The gain on sale of assets also includes a gain on the sale of a 49% interest in Queens Center of $153,907 during the three and nine months ended September 30, 2009. In addition, the Company also recorded a gain of $2,654 on the sale of a 75% interest in FlatIron Crossing. See Note 4 Investment in Unconsolidated Joint Ventures.

8. Marketable Securities:

Marketable Securities consists of the following:

	September 30, 2009	December 31, 2008
Government debt securities, at par value	$ 28,470	$ 29,108
Less discount	(931)	(1,165)
	27,539	27,943
Unrealized gain	2,993	4,347
Fair value	$ 30,532	$ 32,290

Future contractual maturities of marketable securities at September 30, 2009 are as follows:

1 year or less	$ 1,299
2 to 5 years	27,171
	$ 28,470

The proceeds from maturities and interest receipts from the marketable securities are restricted to the service of the Greeley Note (See Note 11 Bank and Other Notes Payable). The Company accounts for its investments in marketable securities as held-to-maturity debt securities as the Company has the intent and the ability to hold these securities until maturity. Accordingly, investments in marketable securities are carried at their amortized cost. The discount on marketable securities is amortized into interest income on a straight-line basis over the term of the securities, which approximates the effective interest method.

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THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Deferred Charges And Other Assets, net:

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

	September 30, 2009	December 31, 2008
Leasing	$ 144,688	$ 139,374
Financing	48,006	54,256
Intangible assets:		
In-place lease values	139,335	175,428
Leasing commissions and legal costs	48,377	57,832
	380,406	426,890
Less accumulated amortization(1)	(175,520)	(181,579)
	204,886	245,311
Other assets	80,231	94,351
	$ 285,117	$ 339,662

(1) Accumulated amortization includes $95,390 and $104,600 relating to intangibles at September 30, 2009 and December 31, 2008, respectively. Amortization expense for intangible assets was $4,425 and $12,501 for the three months ended September 30, 2009 and 2008, respectively, and $16,071 and $29,740 for the nine months ended September 30, 2009 and 2008, respectively.

The allocated values of above-market leases included in deferred charges and other assets, net, and below-market leases included in other accrued liabilities, consist of the following:

	September 30, 2009	December 31, 2008
Above-Market Leases		
Original allocated value	$ 51,964	$ 71,808
Less accumulated amortization	(33,837)	(49,014)
	$ 18,127	$ 22,794
Below-Market Leases		
Original allocated value	$ 125,014	$ 185,976
Less accumulated amortization	(71,431)	(108,197)
	$ 53,583	$ 77,779

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Mortgage Notes Payable:

Mortgage notes payable consists of the following:

	Carrying Amount of Mortgage Notes(a)						
	September 30, 2009		December 31, 2008				
Property Pledged as Collateral	**Other**	**Related Party**	**Other**	**Related Party**	**Interest Rate**	**Monthly Payment(b)**	**Maturity Date**
Capitola Mall	$	$ 36,051	$	$ 37,497	7.13%	380	2011
Cactus Power Center(c)			654				
Carmel Plaza(d)	25,443		25,805		7.45%	202	2010
Chandler Fashion Center(e)	163,913		166,500		5.50%	435	2012
Chesterfield Towne Center(f)	52,819		54,111		9.07%	548	2024
Danbury Fair Mall	164,840		169,889		4.64%	1,225	2011
Deptford Mall	172,500		172,500		5.41%	778	2013
Deptford Mall	15,501		15,642		6.46%	101	2016
Fiesta Mall	84,000		84,000		4.98%	341	2015
Flagstaff Mall	37,000		37,000		5.03%	153	2015
FlatIron Crossing(g)			184,248				
Freehold Raceway Mall(e)	167,118		171,726		4.68%	1,184	2011
Fresno Fashion Fair	84,017	84,018	84,706	84,705	6.76%	1,104	2015
Great Northern Mall	39,044		39,591		5.11%	234	2013
Hilton Village	8,560		8,547		5.27%	37	2012
La Cumbre Plaza(h)	30,000		30,000		1.62%	28	2009
Northridge Mall(i)	71,726		79,657		8.20%	453	2011
Oaks, The(j)	165,000		165,000		2.37%	284	2011
Oaks, The(k)	88,106		65,525		2.99%	176	2011
Pacific View	86,204		87,382		7.20%	602	2011
Panorama Mall(l)	50,000		50,000		1.31%	46	2010
Paradise Valley Mall(m)	85,000		20,259		6.30%	390	2012
Prescott Gateway	60,000		60,000		5.86%	289	2011
Promenade at Casa Grande(n)	86,617		97,209		1.74%	122	2010
Queens Center(o)			88,913				
Queens Center(o)			106,657	106,657			
Rimrock Mall	41,617		42,155		7.57%	320	2011
Salisbury, Center at	115,000		115,000		5.83%	555	2016
Santa Monica Place	76,974		77,888		7.79%	606	2010
SanTan Village Regional Center(p)	135,646		126,573		2.98%	287	2011
Shoppingtown Mall	41,805		43,040		5.01%	319	2011
South Plains Mall(q)	55,360		57,721		9.49%	454	2029
South Towne Center	89,126		89,915		6.39%	554	2015
Towne Mall	13,996		14,366		4.99%	100	2012
Tucson La Encantada		77,756		78,000	5.84%	363	2012
Twenty Ninth Street(r)	106,710		115,000		5.45%	467	2011
Valley River Center	120,000		120,000		5.59%	558	2016
Valley View Center	125,000		125,000		5.81%	596	2011
Victor Valley, Mall of(s)	100,000		100,000		2.16%	158	2011
Vintage Faire Mall	62,480		63,329		7.92%	508	2010
Westside Pavilion(t)	175,000		175,000		2.96%	330	2011
Wilton Mall	41,058		42,608		4.79%	349	2029
	$ 3,037,180	$ 197,825	$ 3,373,116	$ 306,859			

(a) The mortgage notes payable balances include the unamortized debt premiums (discounts). Debt premiums (discounts) represent the excess (deficiency) of the fair value of debt over (under) the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The interest rate disclosed represents the effective interest rate, including the debt premium (discounts) and deferred finance cost.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Mortgage Notes Payable: (Continued)

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	September 30, 2009	December 31, 2008
Danbury Fair Mall	$ 6,004	$ 9,166
Deptford Mall	(37)	(41)
Freehold Raceway Mall	6,365	8,940
Great Northern Mall	(116)	(137)
Hilton Village	(40)	(53)
Paradise Valley Mall		99
Shoppingtown Mall	1,838	2,648
Towne Mall	300	371
Wilton Mall	163	1,263
	$ 14,477	$ 22,256

(b) This represents the monthly payment of principal and interest.

(c) On September 4, 2009, the construction loan was paid off.

(d) The loan was extended to May 1, 2010.

(e) On September 30, 2009, 49.9% of the loan was assumed by an unrelated party in connection with entering into a co-venture arrangement with that unrelated party. See Note 12 Co-Venture Arrangement.

(f) In addition to monthly principal and interest payments, contingent interest, as defined in the loan agreement, may be due to the extent that 35% of the amount by which the property's gross receipts exceeds a base amount. Contingent interest expense recognized was $0 and $86 for the three months ended September 30, 2009 and 2008, respectively and ($331) and $199 for the nine months ended September 30, 2009 and 2008, respectively.

(g) On September 3, 2009, 75.0% of the loan was assumed by an unrelated party in connection with the sale of a 75.0% interest of the underlying property to that party. See Note 4 Investments in Unconsolidated Joint Ventures.

(h) The loan bears interest at LIBOR plus 0.88%. The Company is currently negotiating to extend this loan. At September 30, 2009 and December 31, 2008, the total interest rate was 1.62% and 2.58%, respectively.

(i) On June 1, 2009, the Company extended the loan until January 1, 2011 at an interest rate of 8.20%.

(j) The loan bears interest at LIBOR plus 1.75% and matures on July 10, 2011 with two one-year extension options. At September 30, 2009 and December 31, 2008, the total interest rate was 2.37% and 3.48%, respectively. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 6.25% over the loan term. See Note 5 Derivative Instruments and Hedging Activities.

(k)

The construction loan allows for total borrowings of up to $135,000, bears interest at LIBOR plus a spread of 1.75% to 2.10%, depending on certain conditions and matures on July 10, 2011, with two one-year extension options. At September 30, 2009 and December 31, 2008, the total interest rate was 2.99% and 4.24%, respectively.

(l) The loan bears interest at LIBOR plus 0.85% and matures on February 28, 2010, with a one-year extension option. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 6.65%. See Note 5 Derivative Instruments and Hedging Activities. At September 30, 2009 and December 31, 2008, the total interest rate was 1.31% and 1.62%, respectively.

(m) The previous loan was paid off in full on May 1, 2009. On August 31, 2009, the Company placed a new $85,000 loan on the property that bears interest at LIBOR plus 4.0% and matures on August 31, 2012 with two one-year extension options.

(n) The loan bears interest at LIBOR plus a spread of 1.20% to 1.40%, depending on certain conditions. The loan matures on August 16, 2010, with a one-year extension option, subject to provisions of the loan agreement. At September 30, 2009 and December 31, 2008, the total interest rate was 1.74% and 3.35%, respectively.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

10. Mortgage Notes Payable: (Continued)

(o) On July 30, 2009, 49% of the loan was assumed by an unrelated party in connection with the sale of a 49% interest of the underlying property to that party. See Note 4 Investments in Unconsolidated Joint Ventures.

(p) The construction loan on the property allows for total borrowings of up to $150,000 and bears interest at LIBOR plus a spread of 2.10% to 2.25%, depending on certain conditions. The loan matures on June 13, 2011, with two one-year extension options. At September 30, 2009 and December 31, 2008, the total interest rate was 2.98% and 3.91%, respectively.

(q) On March 1, 2009, the interest rate on the loan increased from 7.49% to 9.49% and the loan was extended until March 1, 2029.

(r) On March 25, 2009, the loan agreement was modified to bear interest at LIBOR plus 3.40% and matures on June 5, 2011, with a one-year extension option. At September 30, 2009 and December 31, 2008, the total interest rate was 5.45% and 2.20%, respectively.

(s) The loan bears interest at LIBOR plus 1.60% and matures on May 6, 2011, with two one-year extension options. At September 30, 2009 and December 31, 2008, the total interest rate on the loan was 2.16% and 3.74%, respectively.

(t) The loan bears interest at LIBOR plus 2.00% and matures on June 5, 2011, with two one-year extension options. At September 30, 2009 and December 31, 2008, the total interest rate on the loan was 2.96% and 4.07%, respectively. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 5.50% until June 1, 2010. See Note 5 Derivative Instruments and Hedging Activities.

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

The Company expects all 2009 loan maturities will be refinanced, extended and/or paid-off from the Company's line of credit.

Total interest expense capitalized was $5,400 and $10,421 for the three months ended September 30, 2009 and 2008, respectively, and $15,223 and $26,058 for the nine months ended September 30, 2009 and 2008, respectively.

Related party mortgage notes payable are amounts due to affiliates of NML. See Note 19 Related Party Transactions, for interest expense associated with loans from NML.

The fair value of mortgage notes payable at September 30, 2009 and December 31, 2008 was $2,927,402 and $3,529,762, respectively, based on current interest rates for comparable loans. The method for computing fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

11. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Convertible Senior Notes ("Senior Notes"):

The Senior Notes bear interest at 3.25%, payable semiannually, are senior unsecured debt of the Company and are guaranteed by the Operating Partnership. Prior to December 14, 2011, upon the occurrence of certain specified events, the Senior Notes will be convertible at the option of the holder into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the election of the Company, at an initial conversion rate of

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

11. Bank and Other Notes Payable: (Continued)

8.9702 shares per $1 principal amount. On and after December 15, 2011, the Senior Notes will be convertible at any time prior to the second business day preceding the maturity date at the option of the holder at the initial conversion rate. The initial conversion price of approximately $111.48 per share represented a 20% premium over the closing price of the Company's common stock on March 12, 2007, the date of issuance of the Senior Notes. The initial conversion rate is subject to adjustment under certain circumstances. Holders of the Senior Notes do not have the right to require the Company to repurchase the Senior Notes prior to maturity except in connection with the occurrence of certain fundamental change transactions.

The Company purchased two capped calls ("Capped Calls") from affiliates of the initial purchasers of the Senior Notes that effectively increased the conversion price to approximately $130.06 per common share, which represents a 40% premium to the March 12, 2007 closing price of $92.90 per common share of the Company. The Capped Calls are expected to generally reduce the potential dilution upon exchange of the Senior Notes in the event the market value per share of the Company's common stock, as measured under the terms of the relevant settlement date, is greater than the strike price of the Capped Calls. If, however, the market value per share of the Company's common stock exceeds $130.06 per common share, then the dilution mitigation under the Capped Calls will be capped, which means there would be dilution from exchange of the Senior Notes to the extent that the market value per share of the Company's common stock exceeds $130.06.

During the nine months ended September 30, 2009, the Company repurchased and retired $89,065 of the Senior Notes for $54,135 and recorded a gain on extinguishment of $29,801. The repurchase was funded by borrowings under the Company's line of credit.

The carrying value of the Senior Notes at September 30, 2009 and December 31, 2008 was $611,519 and $687,654, respectively, which included an unamortized discount of $26,581 and $39,511, respectively. As of September 30, 2009 and December 31, 2008, the effective interest rate was 5.41%. The fair value of the Senior Notes at September 30, 2009 and December 31, 2008 was $575,885 and $379,435, respectively, based on the quoted market price on each date.

Line of Credit:

The Company has a $1,500,000 revolving line of credit that matures on April 25, 2010 with a one-year extension option. The interest rate fluctuates from LIBOR plus 0.75% to LIBOR plus 1.10% depending on the Company's overall leverage. The Company has an existing interest rate swap agreement that effectively fixed the interest rate on $400,000 of the outstanding balance of the line of credit at 6.23% until April 25, 2011. Concurrent with the payoff of the Term Loan, the Company applied the interest payments associated with the interest rate swap agreement from that loan to a portion of the outstanding line of credit balance. As a result, the interest rate swap agreement from the Term Loan effectively fixed the interest rate on $450,000 of the outstanding balance of the line of credit at 6.30% until April 25, 2010. See Note 5 Derivative Instruments and Hedging Activities.

As of September 30, 2009 and December 31, 2008, borrowings outstanding were $1,095,000 and $1,099,500, at an average interest rate, excluding the $850,000 swapped portion, of 3.83% and 3.19%, respectively. The fair value of the Company's line of credit at September 30, 2009 and December 31,

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

11. Bank and Other Notes Payable: (Continued)

2008 was $1,084,388 and $1,067,631, respectively, based on a present value model using current interest rate spreads offered to the Company for comparable debt.

Term Loan:

The Company had a five-year term loan that bore interest at LIBOR plus 1.50%. The loan had a balance of $446,250 at December 31, 2008. Concurrent with the payoff of this loan during the three months ended September 30, 2009, the Company applied the interest payments associated with the interest rate swap agreement from this loan to a portion of the outstanding line of credit balance.

Greeley Note:

On July 27, 2006, concurrent with the sale of Greeley Mall, the Company provided marketable securities to replace Greeley Mall as collateral for the mortgage note payable on the property (See Note 8 Marketable Securities). As a result of this transaction, the debt was reclassified to bank and other notes payable. This note bears interest at an effective rate of 6.34% and matures in September 2013. As of September 30, 2009 and December 31, 2008, the note had a balance outstanding of $26,529 and $27,038, respectively. The fair value of the note at September 30, 2009 and December 31, 2008 was $19,794 and $19,074, respectively, based on current interest rates for comparable loans. The method for computing 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.

As of September 30, 2009 and December 31, 2008, the Company was in compliance with all applicable loan covenants under its debt agreements.

12. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture with Heitman, a Chicago-based real estate management firm, whereby Heitman acquired a 49.9% interest in Freehold Raceway Mall and Chandler Fashion Center. As part of this transaction, the Company issued a warrant in favor of a Heitman entity to purchase 935,358 shares of common stock of the Company at an exercise price of $46.68 per share. See "Warrants" in Note 15 Stockholders' Equity. The Company received approximately $174,650 in cash proceeds for the overall transaction, of which $6,496 was attributed to the warrants. The Company used the proceeds from this transaction to pay down the line of credit.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation has been established for the amount of $168,154, representing the net cash proceeds received from Heitman less costs allocated to the warrant.

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

13. Noncontrolling Interests:

The Company allocates net income to the Operating Partnership based on the weighted average ownership interest during the period. The 13% limited partnership interest of the Operating Partnership not owned by the Company at September 30, 2009 is reflected in these consolidated financial statements as permanent equity.

The interests in the Operating Partnership are known as OP Units. OP Units not held by the Company are redeemable at the election of the holder, and the Company may redeem them for the Company's 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 September 30, 2009 and December 31, 2008, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $384,162 and $227,091, respectively.

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