MACERICH CO
Form 10-Q
May 09, 2006

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 March 31, 2006

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 such shorter period that the Registrant was required to file such report) 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý Accelerated filer o Non-accelerated filer 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 of the registrant s common stock, as of May 8, 2006 Common Stock, par value $.01 per share: 71,787,675 shares

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THE MACERICH COMPANY

FORM 10-Q

INDEX

Part I	**Financial Information**
Item 1.	Financial Statements
	Consolidated Balance Sheets of the Company as of March 31, 2006 and December 31, 2005
	Consolidated Statements of Operations of the Company for the three months ended March 31, 2006 and 2005
	Consolidated Statement of Common Stockholders Equity of the Company for the three months ended March 31, 2006
	Consolidated Statements of Cash Flows of the Company for three months ended March 31, 2006 and 2005
	Notes to Consolidated Financial Statements
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures
Part II	**Other Information**
Item 1.	Legal Proceedings
Item 1A.	Risk Factors
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds
Item 3.	Defaults Upon Senior Securities
Item 4.	Submission of Matters to a Vote of Security Holders
Item 5.	Other Information
Item 6.	Exhibits
Signature	

THE MACERICH COMPANY

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS:		
Property, net	$ 5,671,809	$ 5,438,496
Cash and cash equivalents	66,808	155,113
Restricted cash	58,515	54,659
Tenant receivables, net	80,851	89,165
Deferred charges and other assets, net	346,152	360,217
Loans to unconsolidated joint ventures	1,187	1,415
Due from affiliates	4,454	4,258
Investments in unconsolidated joint ventures	1,074,590	1,075,621
Total assets	$ 7,304,366	$ 7,178,944
LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS EQUITY:		
Mortgage notes payable:		
Related parties	$ 153,716	$ 154,531
Others	3,184,682	3,088,199
Total	3,338,398	3,242,730
Bank notes payable	1,524,000	2,182,000
Accounts payable and accrued expenses	71,030	75,121
Other accrued liabilities	202,915	226,985
Preferred stock dividend payable	5,970	5,970
Total liabilities	5,142,313	5,732,806
Minority interest	366,779	284,809
Commitments and contingencies		
Class A participating convertible preferred units	213,786	213,786
Class A non-participating convertible preferred units	21,501	21,501
Series A cumulative convertible redeemable preferred stock, $.01 par value, 3,627,131 shares authorized, issued and outstanding at March 31, 2006 and December 31, 2005	98,934	98,934
Common stockholders equity:		
Common stock, $.01 par value, 145,000,000 shares authorized, 71,357,903 and 59,941,552 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	716	599
Additional paid-in capital	1,703,391	1,050,891
Accumulated deficit	(250,057)	(209,005)
Accumulated other comprehensive income	7,003	87
Unamortized restricted stock		(15,464)
Total common stockholders equity	1,461,053	827,108
Total liabilities, preferred stock and common stockholders equity	$ 7,304,366	$ 7,178,944

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended March 31,	
	2006	**2005**
Revenues:		
Minimum rents	$ 129,763	$ 91,273
Percentage rents	2,929	2,770
Tenant recoveries	65,912	44,827
Management Companies	7,257	5,277
Other	6,795	5,026
Total revenues	212,656	149,173
Expenses:		
Shopping center and operating expenses	66,461	47,012
Management Companies operating expenses	14,714	11,047
REIT general and administrative expenses	3,698	2,652
	84,873	60,711
Interest expense:		
Related parties	2,698	2,032
Others	68,452	39,925
Total interest expense	71,150	41,957
Depreciation and amortization	61,949	36,159
Equity in income of unconsolidated joint ventures	21,016	11,246
Income tax benefit	533	509
(Loss) gain on sale of assets	(502)	1,308
Loss on early extinguishment of debt	(1,782)	
Income from continuing operations	13,949	23,409
Discontinued operations:		
Gain on sale of assets		297
Income from discontinued operations	934	991
Total from discontinued operations	934	1,288
Income before minority interest	14,883	24,697
Less: Minority interest	1,460	4,199
Net income	13,423	20,498
Less: preferred dividends	5,970	2,358
Net income available to common stockholders	$ 7,453	$ 18,140
Earnings per common share - basic:		
Income from continuing operations	$ 0.10	$ 0.29
Discontinued operations	0.01	0.02
Net income per share available to common stockholders	$ 0.11	$ 0.31
Earnings per common share - diluted:		
Income from continuing operations	$ 0.10	$ 0.28
Discontinued operations	0.01	0.02
Net income per share available to common stockholders	$ 0.11	$ 0.30
Weighted average number of common shares outstanding:		
Basic	68,738,000	58,865,000
Diluted	82,518,000	73,284,000

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS EQUITY

(Dollars in thousands, except per share data)

(Unaudited)

	Common Stock		Additional		Accumulated Other	Unamortized	Total Common
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Comprehensive Income	Restricted Stock	Stockholders Equity
Balance December 31, 2005	59,941,552	$ 599	$ 1,050,891	$ (209,005)	$ 87	$ (15,464)	$ 827,108
Comprehensive income:							
Net income				13,423			13,423
Reclassification of deferred losses					332		332
Interest rate swap/cap agreements					6,584		6,584
Total comprehensive income				13,423	6,916		20,339
Amortization of share-based plans	279,904	4	3,328				3,332
Exercise of stock options	4,277		26				26
Common stock offering, gross	10,952,381	110	761,080				761,190
Underwriting and offering costs			(14,702)				(14,702)
Distributions paid ($0.68) per share				(48,505)			(48,505)
Preferred dividends				(5,970)			(5,970)
Conversion of Operating Partnership Units	179,789	3	7,051				7,054
Change in accounting principle due to adoption of SFAS No. 123 (R)			(15,464)			15,464	
Reclassification upon adoption of SFAS No. 123 (R)			6,000				6,000
Adjustment to reflect minority interest on a pro rata basis per period end ownership percentage of Operating Partnership units			(94,819)				(94,819)
Balance March 31, 2006	71,357,903	$ 716	$ 1,703,391	$ (250,057)	$ 7,003	$	$ 1,461,053

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

THE MACERICH COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	For the three months ended March 31,	
	2006	**2005**
Cash flows from operating activities:		
Net income available to common stockholders	$ 7,453	$ 18,140
Preferred dividends	5,970	2,358
Net income	13,423	20,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	1,782	
Loss (gain) on sale of assets	502	(1,308)
Discontinued operations gain on sale of assets		(297)
Depreciation and amortization	63,537	37,653
Amortization of net premium on mortgage notes payable	(3,333)	(681)
Amortization of share-based plans	2,479	1,625
Minority interest	1,460	4,199
Equity in income of unconsolidated joint ventures	(21,016)	(11,246)
Distributions of income from unconsolidated joint ventures	772	630
Changes in assets and liabilities, net of acquisitions:		
Tenant receivables, net	8,337	6,044
Other assets	4,102	5,176
Accounts payable and accrued expenses	(10,203)	2,538
Due from affiliates	(196)	(2,633)
Other accrued liabilities	(10,055)	(2,145)
Net cash provided by operating activities	51,591	60,053
Cash flows from investing activities:		
Acquisitions of property and property improvements	(262,672)	(30,831)
Issuance of note receivable	(10,000)	
Deferred leasing charges	(6,533)	(3,691)
Distributions from unconsolidated joint ventures	24,199	13,598
Contributions to unconsolidated joint ventures	(2,871)	(26,472)
Acquisitions of unconsolidated joint ventures		(32,479)
Repayments from (loans to) unconsolidated joint ventures	228	(154)
Proceeds from sale of assets	155	6,945
Restricted cash	(3,856)	(4,134)
Net cash used in investing activities	(261,350)	(77,218)
Cash flows from financing activities:		
Proceeds from mortgages and bank notes payable	312,845	234,300
Payments on mortgages and bank notes payable	(871,844)	(186,574)
Deferred financing costs	(900)	(77)
Proceeds from exercise of common stock options	26	
Net proceeds from stock offering	746,809	
Dividends and distributions	(59,512)	(47,152)
Dividends to preferred stockholders / preferred unitholders	(5,970)	(2,358)
Net cash provided by (used in) financing activities	121,454	(1,861)
Net decrease in cash	(88,305)	(19,026)
Cash and cash equivalents, beginning of period	155,113	72,114
Cash and cash equivalents, end of period	$ 66,808	$ 53,088
Supplemental cash flow information:		

Cash payments for interest, net of amounts capitalized	$	79,215	$	41,663
Non-cash transactions:				
Reclassification from other accrued liabilities to additional paid-in capital upon adoption of SFAS No. 123 (R)	$	6,000	$	

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

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Organization:

The Macerich Company (Company) is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company was organized as a Maryland corporation in September 1993.

The Company is the sole general partner of, and owns or has a majority of the ownership interests in The Macerich Partnership, L.P., a Delaware limited partnership (the Operating Partnership). As of March 31, 2006, the Operating Partnership owned or had an ownership interest in 76 regional shopping centers, 20 community shopping centers and two development properties aggregating approximately 80 million square feet of gross leasable area (GLA). These 98 regional, community and development shopping centers are referred to hereinafter as the Centers , unless the context otherwise requires.

The Company is a self-administered and self-managed real estate investment trust (REIT) and conducts all of its operations through the Operating Partnership and the Company s management companies, Macerich Property Management Company, LLC, a Delaware limited liability company, Macerich Management Company, a California corporation (MMC), Westcor Partners, LLC, a Arizona limited liability company, Macerich Westcor Management LLC, a Delaware limited liability company and Westcor Partners of Colorado, LLC, a Colorado limited liability company. As part of the Wilmorite closing (See Note 11- Acquisitions), the Company acquired MACW Mall Management, Inc., a New York corporation and MACW Property Management, LLC, a New York limited liability company. These 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 .

The Company was organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended. As of March 31, 2006, the 16% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these financial statements as minority interest.

2. 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. The interests in the Operating Partnership are known as OP units. OP units not held by the Company are redeemable, subject to certain restrictions, on a one-for-one basis for the Company s common stock or cash at the Company s option. Investments in entities that 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 audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. 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. The accompanying consolidated balance sheet as of December 31, 2005 has been derived from the audited financial statements, but does not include all disclosures required by GAAP.

A reclassification has been made to the Consolidated Statements of Cash Flows for the three months ended March 31, 2005 to reclassify $630 of distributions from unconsolidated joint ventures from net cash used in investing activities to net cash provided by operating activities as distributions of income from unconsolidated joint ventures.

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

Accounting for the Impairment or Disposal of Long-Lived Assets:

On January 5, 2005, the Company sold Arizona Lifestyle Galleries for $4,300. The sale of this property resulted in a gain on sale of $297 and the impact on the results for the three months ended March 31, 2005 was insignificant.

The results of Crossroads Mall in Oklahoma for the three months ended March 31, 2006 and 2005 have been reclassified to discontinued operations. The Company has identified this asset for disposition. Total revenues associated with Crossroads Mall were approximately $2,910 and $2,836 for the three months ended March 31, 2006 and 2005, respectively.

The results of Scottsdale/101 Associates for the three months ended March 31, 2006 and 2005 have been reclassified to discontinued operations. During the three months ended March 31, 2006, the Company identified this asset for disposition. Total revenues associated with Scottsdale/101 Associates were approximately $2,597 and $2,208 for the three months ended March 31, 2006 and 2005, respectively.

Recent Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised), Share-Based Payment SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. The Company adopted this statement at January 1, 2006. See Note 14 Share-Based Plans, for the impact of the adoption of SFAS No. 123 (R) on the results of operations.

In March 2005, FASB issued FIN No. 47, Accounting for Conditional Asset Retirement Obligations - an interpretation of SFAS No. 143. FIN No. 47, requires that a liability be recognized for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. As a result of the Company s evaluation of FIN No. 47, the Company recorded an additional liability of $615 in 2005. As of March 31, 2006 and December 31, 2005, the Company s liability for retirement obligations was $535 and $1,163, respectively.

In June 2005, a consensus was reached by FASB related to Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, controls a Limited Partnership or Similar Entity When the Limited Partners have Certain Rights. Effective for general partners of all new limited partnerships and for existing limited partnerships for which the partnership agreements are modified, the guidance in this Issue became effective after June 29, 2005. For general partners in all other limited partnerships, the guidance in this Issue will become effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005, and provides that application of either one of two transition methods described in the Issue would be acceptable. The adoption of this Issue did not have a material effect on the

Company s results of operations or financial condition.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments An Amendment of FASB Statements No. 133 and 140. This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The Company is required to adopt SFAS No. 155 for fiscal year 2007 and does not expect its adoption to have a material effect on the Company s results of operations or financial condition.

Fair Value of Financial Instruments

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 estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Derivative Instruments and Hedging Activities

In accordance with SFAS No. 133, Accounting for 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 derivative financial instruments in the normal course of business to manage or hedge interest rate risk. The Company requires that hedging derivative instruments are effective in reducing the risk exposure that they are designated to hedge. For derivative instruments associated with the hedge of an anticipated transaction, hedge effectiveness criteria also requires that it be probable that the underlying transaction occurs. Any instrument that meets these cash flow hedging criteria, and other criteria required by SFAS No. 133, is formally designated as a hedge at the inception of the derivative contract. The Company designs its hedges to be perfectly effective. When the terms of an underlying transaction are modified resulting in some ineffectiveness, the portion of the change in the derivative fair value related to the ineffectiveness from period to period will be included in net income. 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 March 31, 2006, four of the Company s seven derivative instruments were designated as cash flow hedges.

On an ongoing quarterly basis, the Company adjusts its balance sheet to reflect the current fair value of its derivatives. Changes in the fair value of derivatives are recorded each period in income or comprehensive income, depending on whether the derivative is designated and effective as part of a hedged transaction. To the extent that the change in value of a derivative does not perfectly offset the change in value of the instrument being hedged, the ineffective portion of the hedge is immediately recognized in income. There were no ineffective portions during the three months ended March 31, 2006 and 2005. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified to income. This reclassification occurs when the hedged items are also recognized in income. The Company has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors.

To determine the fair value of derivative instruments, the Company uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models, and termination cost at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

As of March 31, 2006 and December 31, 2005, the Company had $2,430 and $2,762, respectively, reflected in other comprehensive income related to treasury rate locks settled in prior years. The Company reclassified $332 and $330 for the three months ended March 31, 2006 and 2005, respectively, related to treasury rate lock transactions settled in prior years from accumulated other comprehensive income to earnings. It is anticipated that an additional $996 will be reclassified during the remainder of 2006.

Interest rate swap and cap agreements are purchased by the Company from third parties to hedge the risk of interest rate increases on some of the Company s floating rate debt. Payments received as a result of these agreements are recorded as a reduction of interest expense. The fair value of these agreements are included in deferred charges and other assets. The fair value of these agreements will vary with fluctuations in interest rates and will either be recorded in income or other comprehensive income depending on its effectiveness. The Company will be exposed to credit loss in the event of nonperformance by the counter parties to the financial instruments; however, management does not anticipate nonperformance by the counter parties. Additionally, the Company recorded other comprehensive income of $6,584 and $268 related to the marking-to-market of interest rate swap/cap agreements for the three months ended March 31, 2006 and 2005, respectively. The interest rate caps and interest rate swap transactions are described below.

The $450,000 term loan (See Note 7 Bank Notes Payable) has an interest rate swap agreement which effectively fixes the interest rate at 6.30% from December 1, 2005 to April 15, 2010. The fair value of the swap at March 31, 2006 and December 31, 2005 was $5,555 and ($927), respectively.

The Company has an interest rate cap from July 9, 2004 to August 9, 2007 with a notional amount of $30,000 on its loan at La Cumbre Plaza (See Note 6 Mortgage Notes Payable). This interest rate cap prevents the LIBOR rate from exceeding 7.12%. The fair value of this cap agreement at March 31, 2006 and December 31, 2005 was zero.

The Company has an interest cap agreement from September 9, 2005 to December 15, 2007 with a notional amount of $72,000 on its Greece Ridge loan (See Note 6 Mortgage Notes Payable). This interest rate cap prevents the LIBOR rate from exceeding 6.625% through September 15, 2006 and 7.95% through December 15, 2007. The fair value of the cap agreement at March 31, 2006 and December 31, 2005 was zero.

The Company has an interest cap agreement from February 2, 2006 to March 1, 2008 with a notional amount of $50,000 on its Panorama loan (See Note 6 Mortgage Notes Payable). This interest rate cap prevents the LIBOR rate from exceeding 6.65%. The fair value of the cap agreement at March 31, 2006 was $9.

The Company has three interest rate cap agreements that are stand-alone derivative instruments and do not qualify for hedge accounting under SFAS No. 133.

Earnings per Share (EPS):

The computation of basic earnings per share is based on net income and the weighted average number of common shares outstanding for the three months ended March 31, 2006 and 2005. The computation of diluted earnings per share includes the effect of dilutive securities calculated using the treasury stock method. The OP units not held by the Company have been included in the diluted EPS since they may be redeemable on a one-for-one basis, at the Company s option.

The following table computes the basic and diluted earnings per share calculation (dollars and shares in thousands):

	For the Three Months Ended March 31,					
	2006			2005		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Net income	$ 13,423			$ 20,498		
Less: Preferred dividends (1)	5,970			2,358		
Basic EPS:						
Net income available to common stockholders	7,453	68,738	$ 0.11	18,140	58,865	$ 0.31
Diluted EPS:						
Conversion of OP units	1,460	13,485		4,199	14,075	
Employee stock options		295			344	
Net income available to common stockholders	$ 8,913	82,518	$ 0.11	$ 22,339	73,284	$ 0.30

(1) During the three months ended March 31, 2006, the preferred dividends include $3,503 of convertible preferred units (See Note 11 Acquisitions).

The minority interest as reflected in the Company s consolidated statements of operations has been allocated for EPS calculations as follows:

	For the Three Months Ended	
	2006	2005
Income from continuing operations	$ 1,307	$ 3,953
Discontinued operations:		
Gain on sale of assets		57
Income from discontinued operations	153	189
	$ 1,460	$ 4,199

3. Investments in Unconsolidated Joint Ventures:

The following are the Company s investments in unconsolidated joint ventures. The Operating Partnership s interest in each joint venture property as of March 31, 2006 is as follows:

Joint Venture	Partnership s Ownership %
SDG Macerich Properties, L.P.	50.0%
Pacific Premier Retail Trust	51.0%
Westcor Joint Ventures:	
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%
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%
Jaren Associates #4	12.5%
New River Associates Arrowhead Towne Center	33.3%
Propcor Associates	25.0%
Propcor II Associates, LLC Boulevard Shops	50.0%
Russ Lyon Realty/Westcor Venture I	50.0%
SanTan Village Phase 2 LLC	37.5%
Scottsdale Fashion Square Partnership	50.0%
Westcor/Gilbert, L.L.C.	50.0%
Westcor/Goodyear, L.L.C.	50.0%
Westcor/Queen Creek LLC	37.5%
Westcor/Queen Creek Commercial LLC	37.5%
Westcor/Queen Creek Medical LLC	37.5%
Westcor/Queen Creek Residential LLC	37.5%
Westcor/Surprise LLC	33.3%
Westlinc Associates Hilton Village	50.0%
Westpen Associates	50.0%
Other Joint Ventures:	
Biltmore Shopping Center Partners LLC	50.0%
Corte Madera Village, LLC	50.1%
Macerich Northwestern Associates	50.0%
MetroRising AMS Holding LLC	15.0%
NorthPark Land Partners, LP	50.0%
NorthPark Partners, LP	50.0%
PHXAZ/Kierland Commons, L.L.C.	24.5%
Tysons Corner Holdings LLC	50.0%
Tysons Corner Property Holdings LLC	50.0%
Tysons Corner LLC	50.0%
Tysons Corner Property Holdings II LLC	50.0%
Tysons Corner Property LLC	50.0%
West Acres Development, LLP	19.0%
W.M. Inland, L.L.C.	50.0%
WM Ridgmar, L.P.	50.0%

The Company accounts for unconsolidated joint ventures using the equity method of accounting.

Although the Company has a greater than 50% interest in Pacific Premier Retail Trust, Camelback Colonnade SPE LLC and Corte Madera Village, LLC, the Company shares management control with these joint venture partners and accounts for these joint ventures using the equity method of accounting.

On January 11, 2005, the Company became a 15% owner in a joint venture that acquired Metrocenter, a 1.3 million square foot super-regional mall in Phoenix, Arizona. The total purchase price was $160,000 and concurrently with the acquisition, the joint venture placed a $112,000 floating rate loan on the property. The Company s share of the purchase price, net of the debt, was $7,200 which was funded by cash and borrowings under the Company s line of credit. The results of Metrocenter are included below for the period subsequent to its date of acquisition.

On January 21, 2005, the Company formed a 50/50 joint venture with a private investment company. The joint venture acquired a 49% interest in Kierland Commons, a 437,000 square foot mixed use center in Phoenix, Arizona. The joint venture s purchase price for the interest in the center was $49,000. The Company assumed its share of the underlying property debt and funded the remainder of its share of the purchase price with cash and borrowings under the Company s line of credit. The results of Kierland Commons are included below for the period subsequent to its date of acquisition.

On April 8, 2005, the Company in a 50/50 joint venture with an affiliate of Walton Street Capital, LLC, acquired Ridgmar Mall, a 1.3 million square foot super-regional mall in Fort Worth, Texas. The total purchase price was $71,075 and concurrently with the transaction, the joint venture placed a $57,400 fixed rate loan of 6.0725% on the property. The balance of the Company s pro rata share, $6,838, of the purchase price was funded by borrowings under the Company s line of credit. The results of Ridgmar Mall are included below for the period subsequent to its date of acquisition.

On April 25, 2005, as part of the Wilmorite acquisition (See Note 11 Acquisitions), the Company became a 50% joint venture partner in Tysons Corner, a 2.2 million super-regional mall in McLean, Virginia. The results of Tysons Corner below are included for the period subsequent to its date of acquisition.

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

		March 31, 2006		**December 31, 2005**
Assets:				
Properties, net	$	4,090,096	$	4,127,540
Other assets		412,675		333,022
Total assets	$	4,502,771	$	4,460,562
Liabilities and partners capital:				
Mortgage notes payable(1)	$	3,125,225	$	3,077,018
Other liabilities		159,527		169,253
The Company s capital(2)		618,947		618,803
Outside partners capital		599,072		595,488

Total liabilities and partners capital	$ 4,502,771	$ 4,460,562

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(1) 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 March 31, 2006 and December 31, 2005, the total amount of debt that could recourse to the Company was $10,189 and $21,630, respectively.

(2) The Company s investment in unconsolidated joint ventures was $455,643 and $456,818 more than the underlying equity as reflected in the joint ventures financial statements as of March 31, 2006 and December 31, 2005, respectively. This represents the difference between the cost of the 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 depreciable lives on property. The depreciation and amortization was $3,583 and $3,436 for the three months ended March 31, 2006 and 2005, respectively.

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures

	SDG Macerich Properties	Pacific Premier Retail Trust	Westcor Joint Ventures	Other Joint Ventures	Total
Three Months Ended March 31, 2006					
Revenues:					
Minimum rents	$ 24,024	$ 31,377	$ 24,822	$ 39,563	$ 119,786
Percentage rents	1,109	1,637	922	1,728	5,396
Tenant recoveries	11,620	11,509	10,510	23,908	57,547
Other	797	862	1,561	4,228	7,448
Total revenues	37,550	45,385	37,815	69,427	190,177
Expenses:					
Shopping center and operating expenses	14,616	12,071	11,152	24,317	62,156
Interest expense	9,170	12,824	8,664	12,169	42,827
Depreciation and amortization	7,367	7,157	7,241	14,557	36,322
Total operating expenses	31,153	32,052	27,057	51,043	141,305
Net income	$ 6,397	$ 13,333	$ 10,758	$ 18,384	$ 48,872
Company s equity in net income	$ 3,198	$ 6,713	$ 3,996	$ 7,109	$ 21,016
Three Months Ended March 31, 2005					
Revenues:					
Minimum rents	$ 22,956	$ 28,570	$ 21,616	$ 20,051	$ 93,193
Percentage rents	1,205	1,279	553	884	3,921
Tenant recoveries	11,091	10,419	9,303	9,504	40,317
Other	1,420	925	1,034	2,503	5,882
Total revenues	36,672	41,193	32,506	32,942	143,313
Expenses:					
Shopping center and operating expenses	14,635	11,736	10,480	13,438	50,289
Interest expense	8,604	11,296	8,392	8,256	36,548
Depreciation and amortization	7,189	6,814	9,606	6,115	29,724
Total operating expenses	30,428	29,846	28,478	27,809	116,561
Gain on sale of assets			880		880
Net income	$ 6,244	$ 11,347	$ 4,908	$ 5,133	$ 27,632
Company s equity in net income	$ 3,122	$ 5,786	$ 109	$ 2,229	$ 11,246

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company. Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life (NML) of $136,514 and $137,954 as of March 31, 2006 and December 31, 2005, respectively. NML is considered a related party because they are a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $2,276 and $2,348 for the three months ended March 31, 2006 and 2005 respectively.

4. Property:

Property consists of the following:

	March 31, 2006	December 31, 2005

Land	$	1,181,079	$	1,095,180
Building improvements		4,765,373		4,604,803
Tenant improvements		225,020		222,619
Equipment and furnishings		78,274		75,836
Construction in progress		186,214		162,157
		6,435,960		6,160,595
Less accumulated depreciation		(764,151)		(722,099)
	$	5,671,809	$	5,438,496

The Company had a loss of $623 from the sale of assets and a $121 gain from the sale of land, during the three months ended March 31, 2006 and a gain on sale of land of $1,308 for the three months ended March 31, 2005.

5. Deferred Charges And Other Assets:

Deferred charges and other assets are summarized as follows:

	March 31, 2006	December 31, 2005
Leasing	$ 123,915	$ 117,060
Financing	37,527	39,323
Intangible assets resulting from SFAS No. 141 allocations:		
In-place lease values	214,723	218,488
Leasing commissions and legal costs	35,896	36,732
	412,061	411,603
Less accumulated amortization	(160,217)	(142,747)
	251,844	268,856
Other assets	94,308	91,361
	$ 346,152	$ 360,217

Additionally, as it relates to SFAS No. 141, a deferred credit representing the allocated value to below market leases of $77,858 and $84,241 is recorded in Other accrued liabilities of the Company, as of March 31, 2006 and December 31, 2005, respectively. Included in Other assets of the Company is an allocated value of above market leases of $29,845 and $28,660, as of March 31, 2006 and December 31, 2005, respectively. Accordingly, the allocated values of below and above market leases will be amortized into minimum rents on a straight-line basis over the individual remaining lease terms.

6. Mortgage Notes Payable:

Mortgage notes payable consist of the following:

	Carrying Amount of Mortgage Notes (a)						
	March 31, 2006		December 31, 2005		Interest	Monthly Payment	Maturity
Property Pledged as Collateral	**Other**	**Related Party**	**Other**	**Related Party**	**Rate**	**Term (b)**	**Date**
Borgata	$ 15,284	$	$ 15,422	$	5.39%	$ 115	2007
Capitola Mall		42,180		42,573	7.13%	380	2011
Carmel Plaza	26,963		27,064		8.18%	202	2009
Chandler Fashion Center	175,131		175,853		5.48%	1,043	2012
Chesterfield Towne Center (c)	58,162		58,483		9.07%	548	2024
Citadel, The	63,587		64,069		7.20%	544	2008
Danbury Fair Mall	187,557		189,137		4.64%	1,225	2011
Eastview Commons	9,336		9,411		5.46%	66	2010
Eastview Mall	104,198		104,654		5.10%	592	2014
Fiesta Mall	84,000		84,000		4.88%	346	2015
Flagstaff Mall	37,000		37,000		4.97%	155	2015
FlatIron Crossing	193,417		194,188		5.23%	1,102	2013
Freehold Raceway Mall	187,721		189,161		4.68%	1,184	2011
Fresno Fashion Fair	65,291		65,535		6.52%	437	2008
Great Northern Mall	41,414		41,575		5.19%	224	2013
Greece Ridge Center (d)	72,000		72,012		5.40%	305	2007
Greeley Mall	28,704		28,849		6.18%	197	2013
La Cumbre Plaza (e)	30,000		30,000		5.45%	133	2007
La Encantada (f)	51,000		45,905		6.29%	248	2008
Marketplace Mall	41,282		41,545		5.30%	267	2017
Northridge Mall (g)	83,515		83,840		4.84%	453	2009
Northwest Arkansas Mall	54,052		54,442		7.33%	434	2009
Oaks, The (h)	108,000		108,000		5.60%	487	2006
Pacific View	91,200		91,512		7.16%	648	2011
Panorama Mall (i)	50,000		32,250		5.48%	228	2010
Paradise Valley Mall	76,452		76,930		5.39%	506	2007
Paradise Valley Mall	22,817		23,033		5.89%	183	2009
Pittsford Plaza	25,769		25,930		5.02%	160	2013
Prescott Gateway (j)	35,280		35,280		6.46%	177	2007
Paradise Village Ground Leases			7,190		5.39%		(k)
Queens Center	93,093		93,461		6.88%	633	2009
Queens Center							