MACERICH CO
Form 10-Q
May 07, 2015

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 March 31, 2015
Commission File No. 1-12504
THE MACERICH COMPANY
(Exact name of registrant as specified in its charter)

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

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401
(Address of principal executive office, including zip code)
(310) 394-6000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve (12) months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

Number of shares outstanding as of May 6, 2015 of the registrant's common stock, par value $0.01 per share:
158,262,276 shares

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THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS:		
Property, net	$11,110,841	$11,067,890
Cash and cash equivalents	118,161	84,907
Restricted cash	15,224	13,530
Tenant and other receivables, net	113,505	132,026
Deferred charges and other assets, net	752,702	759,061
Due from affiliates	79,582	80,232
Investments in unconsolidated joint ventures	1,006,652	984,132
Total assets	$13,196,667	$13,121,778
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	$286,849	$289,039
Others	5,200,053	5,115,482
Total	5,486,902	5,404,521
Bank and other notes payable	987,452	887,879
Accounts payable and accrued expenses	114,991	115,406
Other accrued liabilities	532,170	568,716
Distributions in excess of investments in unconsolidated joint ventures	28,723	29,957
Co-venture obligation	72,864	75,450
Total liabilities	7,223,102	7,081,929
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, $0.01 par value, 250,000,000 shares authorized, 158,492,995 and 158,201,996 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	1,585	1,582
Additional paid-in capital	5,064,446	5,041,797
Retained earnings	510,506	596,741
Total stockholders' equity	5,576,537	5,640,120
Noncontrolling interests	397,028	399,729
Total equity	5,973,565	6,039,849
Total liabilities and equity	$13,196,667	$13,121,778

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

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

	For the Three Months Ended March 31,	
	2015	2014
Revenues:		
Minimum rents	$190,761	$151,633
Percentage rents	3,248	2,853
Tenant recoveries	105,698	91,475
Management Companies	5,625	8,121
Other	13,003	10,430
Total revenues	318,335	264,512
Expenses:		
Shopping center and operating expenses	101,664	90,376
Management Companies' operating expenses	26,468	22,772
REIT general and administrative expenses	8,422	6,877
Costs related to unsolicited takeover offer	13,572	—
Depreciation and amortization	120,618	88,657
	270,744	208,682
Interest expense:		
Related parties	2,729	3,708
Other	50,557	42,630
	53,286	46,338
(Gain) loss on early extinguishment of debt, net	(2,245)	358
Total expenses	321,785	255,378
Equity in income of unconsolidated joint ventures	8,274	13,769
Co-venture expense	(2,130)	(1,820)
Income tax benefit	935	172
Gain (loss) on sale or write down of assets, net	935	(1,611)
Gain on remeasurement of assets	22,103	—
Net income	26,667	19,644
Less net income attributable to noncontrolling interests	2,056	1,825
Net income attributable to the Company	$24,611	$17,819
Earnings per common share—net income attributable to common stockholders:		
Basic	$0.15	$0.13
Diluted	$0.15	$0.13
Weighted average number of common shares outstanding:		
Basic	158,336,000	140,767,000
Diluted	158,544,000	140,817,000

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

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

	Stockholders' Equity Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	158,201,996	$1,582	$5,041,797	$596,741	$5,640,120	$399,729	$6,039,849
Net income	—	—	—	24,611	24,611	2,056	26,667
Amortization of share and unit-based plans	211,743	2	18,813	—	18,815	—	18,815
Distributions paid ($0.65) per share	—	—	—	(110,846)	(110,846)	—	(110,846)
Distributions to noncontrolling interests	—	—	—	—	—	(616)	(616)
Other	—	—	(304)	—	(304)	—	(304)
Conversion of noncontrolling interests to common shares	79,256	1	1,552	—	1,553	(1,553)	—
Adjustment of noncontrolling interests in Operating Partnership	—	—	2,588	—	2,588	(2,588)	—
Balance at March 31, 2015	158,492,995	$1,585	$5,064,446	$510,506	$5,576,537	$397,028	$5,973,565

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 Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	$ 26,667	$ 19,644
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on extinguishment of debt, net	(2,245)	358
(Gain) loss on sale or write down of assets, net	(935)	1,611
Gain on remeasurement of assets	(22,103)	—
Depreciation and amortization	122,418	90,569
Amortization of net premium on mortgage notes payable	(6,903)	(1,352)
Amortization of share and unit-based plans	14,468	16,505
Straight-line rent adjustment	(386)	(1,491)
Amortization of above and below-market leases	(4,666)	(1,497)
Provision for doubtful accounts	1,330	372
Income tax benefit	(935)	(172)
Equity in income of unconsolidated joint ventures	(8,274)	(13,769)
Co-venture expense	2,130	1,820
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	17,836	8,817
Other assets	4,310	(1,536)
Due from affiliates	650	1,573
Accounts payable and accrued expenses	18,318	8,049
Other accrued liabilities	450	(31,590)
Net cash provided by operating activities	162,130	97,911
Cash flows from investing activities:		
Acquisitions of property	(26,250)	—
Development, redevelopment, expansion and renovation of properties	(90,157)	(29,578)
Property improvements	(3,855)	(4,792)
Proceeds from notes receivable	452	—
Deferred leasing costs	(9,768)	(6,465)
Distributions from unconsolidated joint ventures	13,096	22,219
Contributions to unconsolidated joint ventures	(33,284)	(28,566)
Loans to unconsolidated joint ventures, net	—	(618)
Proceeds from sale of assets	1,440	24,514
Restricted cash	(1,694)	1,035
Net cash used in investing activities	(150,020)	(22,251)

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

	For the Three Months Ended March 31,	
	2015	2014
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	815,671	133,982
Payments on mortgages, bank and other notes payable	(674,569)	(104,225)
Deferred financing costs	(3,476)	(550)
Payment of stock issuance costs	(304)	—
Redemption of noncontrolling interests	—	(203)
Payment of contingent consideration	—	(9,000)
Dividends and distributions	(111,462)	(95,342)
Distributions to co-venture partner	(4,716)	(5,111)
Net cash provided by (used in) financing activities	21,144	(80,449)
Net increase (decrease) in cash and cash equivalents	33,254	(4,789)
Cash and cash equivalents, beginning of period	84,907	69,715
Cash and cash equivalents, end of period	$118,161	$64,926
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	$60,102	$47,958
Non-cash investing and financing transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$31,823	$37,852
Assumption of mortgage note payable from unconsolidated joint venture	$50,000	$—
Acquisition of property in exchange for investment in unconsolidated joint venture	$76,250	$—
Notes receivable issued in connection with sale of property	$—	$9,603
Conversion of Operating Partnership Units to common stock	$1,553	$627

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

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

1. Organization:

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

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of March 31, 2015, the Company was the sole general partner of and held a 94% ownership interest in The Macerich Partnership, L.P. (the "Operating Partnership"). The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

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

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

2. Summary of Significant Accounting Policies:

Basis of Presentation:

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

The accompanying consolidated financial statements include the accounts of the Company and the Operating Partnership. Investments in entities in which the Company has a controlling financial interest or entities that meet the definition of a variable interest entity in which the Company has, as a result of ownership, contractual or other financial interests, both the power to direct activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity are consolidated; otherwise they are accounted for under the equity method of accounting and are reflected as investments in unconsolidated joint ventures.

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

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for the interim periods have been made. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying consolidated balance sheet as of December 31, 2014 has been derived from the audited financial statements but does not include all disclosures required by GAAP.

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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)

Recent Accounting Pronouncements:
In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective for the Company beginning January 1, 2016. Early adoption is permitted. The Company does not expect the adoption of this standard to have a significant impact on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. ASU 2015-03 is effective for the Company beginning January 1, 2016. Early adoption is permitted. Upon adoption, the Company will apply the new standard on a retrospective basis and adjust the balance sheet of each individual period to reflect the period-specific effects of applying the new standard. The Company does not expect the adoption of this standard to have a significant impact on the consolidated financial statements.

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

3. Earnings per Share ("EPS"):

The following table reconciles the numerator and denominator used in the computation of earnings per share for the three months ended March 31, 2015 and 2014 (shares in thousands):

	For the Three Months Ended March 31,	
	2015	2014
Numerator		
Net income	$26,667	$19,644
Net income attributable to noncontrolling interests	(2,056)	(1,825)
Net income attributable to the Company	24,611	17,819
Allocation of earnings to participating securities	(148)	(128)
Numerator for basic and diluted earnings per share—net income attributable to common stockholders	$24,463	$17,691
Denominator		
Denominator for basic earnings per share—weighted average number of common shares outstanding	158,336	140,767
Effect of dilutive securities:(1)		
Share and unit-based compensation plans	208	50
Denominator for diluted earnings per share—weighted average number of common shares outstanding	158,544	140,817
Earnings per common share—net income attributable to common stockholders:		
Basic	$0.15	$0.13
Diluted	$0.15	$0.13

(1) Diluted EPS excludes 140,490 and 184,304 convertible preferred units for the three months ended March 31, 2015 and 2014, respectively, as their impact was antidilutive.

Diluted EPS excludes 10,068 unexercised stock options for the three months ended March 31, 2014 as their impact was antidilutive.

Diluted EPS excludes 10,516,523 and 9,991,438 Operating Partnership units ("OP Units") for the three months ended March 31, 2015 and 2014, respectively, as their impact was antidilutive.

4. Investments in Unconsolidated Joint Ventures:

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

On June 4, 2014, the Company acquired the remaining 49% ownership interest in Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington, that it did not previously own for a cash payment of $15,233. The Company purchased Cascade Mall from its joint venture partner in Pacific Premier Retail LP. The cash payment was funded by borrowings under the Company's line of credit. Prior to the acquisition, the Company had accounted for its investment in Cascade Mall under the equity method of accounting. Since the date of acquisition, the Company has included Cascade Mall in its consolidated financial statements (See Note 13—Acquisitions).

On July 30, 2014, the Company formed a joint venture to redevelop Fashion Outlets of Philadelphia at Market East, a 1,376,000 square foot regional shopping center in Philadelphia, Pennsylvania. The Company invested $106,800 for a 50% interest in the joint venture, which was funded by borrowings under its line of credit.

On August 28, 2014, the Company sold its 30% ownership interest in Wilshire Boulevard, a 40,000 square foot freestanding store in Santa Monica, California, for a total sales price of $17,100, resulting in a gain on the sale of assets of $9,033, which was included in gain (loss) on sale or write down of assets, net. The sales price was funded by a cash payment of $15,386 and the assumption of the Company's share of the mortgage note payable on the property of $1,714. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On November 13, 2014, the Company formed a joint venture to develop a 500,000 square foot outlet center at Candlestick Point in San Francisco, California. In connection with the formation of the joint venture, the Company issued a note receivable for $65,130 to its joint venture partner that bears interest at LIBOR plus 2.0% and matures upon the completion of certain milestones in connection with the development of Candlestick Point (See Note 16—Related Party Transactions).

On November 14, 2014, the Company acquired the remaining 49% ownership interest that it did not previously own in two separate joint ventures, Pacific Premier Retail LP and Queens JV LP, which together owned five Centers: Lakewood Center, a 2,066,000 square foot regional shopping center in Lakewood, California; Los Cerritos Center, a 1,284,000 square foot regional shopping center in Cerritos, California; Queens Center, a 962,000 square foot regional shopping center in Queens, New York; Stonewood Center, a 932,000 square foot regional shopping center in Downey, California; and Washington Square, a 1,444,000 square foot regional shopping center in Portland, Oregon (collectively referred to herein as the "PPRLP Queens Portfolio"). The total consideration of $1,838,886 was funded by the direct issuance of $1,166,777 of common stock of the Company (See Note 12—Stockholders' Equity) and the assumption of the third party's pro rata share of the mortgage notes payable on the properties of $672,109. Prior to the acquisition, the Company had accounted for its investment in these joint ventures under the equity method of accounting. Since the date of acquisition, the Company has included the PPRLP Queens Portfolio in its consolidated financial statements (See Note 13—Acquisitions).

On November 20, 2014, the Company purchased a 45% interest in 443 North Wabash Avenue, a 65,000 square foot undeveloped site adjacent to the Company's joint venture in The Shops at North Bridge in Chicago, Illinois, for a cash payment of $18,900. The cash payment was funded by borrowings under the Company's line of credit.

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center, a 933,000 square foot regional shopping center in San Bernardino, California, that it did not previously own for $51,250. The purchase price was funded by a cash payment of $26,250 and the assumption of the third party's share of the mortgage note payable on the property of $25,000. Concurrent with the purchase of the joint venture interest, the Company paid off the $50,000 mortgage note payable on the property. The cash payment was funded by borrowings under the Company's line of credit. Prior to the acquisition, the Company had accounted for its investment in Inland Center under the equity method of accounting. Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements (See Note 13—Acquisitions).

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

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

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	March 31, 2015	December 31, 2014
Assets(1):		
Properties, net	$2,939,033	$2,967,878
Other assets	210,689	208,726
Total assets	$3,149,722	$3,176,604
Liabilities and partners' capital(1):		
Mortgage notes payable(2)	$1,972,066	$2,038,379
Other liabilities	188,704	195,766
Company's capital	513,153	489,349
Outside partners' capital	475,799	453,110
Total liabilities and partners' capital	$3,149,722	$3,176,604
Investments in unconsolidated joint ventures:		
Company's capital	$513,153	$489,349
Basis adjustment(3)	464,776	464,826
	$977,929	$954,175
Assets—Investments in unconsolidated joint ventures	$1,006,652	$984,132
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(28,723)	(29,957)
	$977,929	$954,175

(1) These amounts include the assets of Tysons Corner Center of $338,546 and $341,931 as of March 31, 2015 and December 31, 2014, respectively, and liabilities of Tysons Corner Center of $866,832 and $871,933 as of March 31, 2015 and December 31, 2014, respectively.

(2) Certain mortgage notes payable could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of March 31, 2015 and December 31, 2014, a total of $6,500 and $33,540, respectively, could become recourse debt to the Company. As of March 31, 2015 and December 31, 2014, the Company had an indemnity agreement from a joint venture partner for $3,250 and $16,770, respectively, of the guaranteed amount.

Included in mortgage notes payable are amounts due to an affiliate of Northwestern Mutual Life ("NML") of $603,651 and $606,263 as of March 31, 2015 and December 31, 2014, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates—Broadway Plaza. Interest expense on these borrowings was $8,508 and $9,724 for the three months ended March 31, 2015 and 2014, respectively.

(3) The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was $420 and $1,424 for the three months ended March 31, 2015 and 2014, 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:

	Pacific Premier Retail LP	Tysons Corner LLC	Other Joint Ventures	Total
Three Months Ended March 31, 2015				
Revenues:				
Minimum rents	$—	$17,028	$50,494	$67,522
Percentage rents	—	329	1,294	1,623
Tenant recoveries	—	12,262	20,101	32,363
Other	—	593	6,997	7,590
Total revenues	—	30,212	78,886	109,098
Expenses:				
Shopping center and operating expenses	—	9,948	32,230	42,178
Interest expense	—	8,129	12,254	20,383
Depreciation and amortization	—	5,450	24,220	29,670
Total operating expenses	—	23,527	68,704	92,231
Net income	$—	$6,685	$10,182	$16,867
Company's equity in net income	$—	$3,006	$5,268	$8,274
Three Months Ended March 31, 2014				
Revenues:				
Minimum rents	$26,080	$16,278	$55,899	$98,257
Percentage rents	659	424	968	2,051
Tenant recoveries	11,740	11,894	25,111	48,745
Other	1,077	687	7,855	9,619
Total revenues	39,556	29,283	89,833	158,672
Expenses:				
Shopping center and operating expenses	11,131	10,159	33,880	55,170
Interest expense	10,098	7,830	19,571	37,499
Depreciation and amortization	8,798	4,602	21,523	34,923
Total operating expenses	30,027	22,591	74,974	127,592
Loss on sale or write down of assets, net	(86)	—	(18)	(104)
Net income	$9,443	$6,692	$14,841	$30,976
Company's equity in net income	$4,268	$1,758	$7,743	$13,769

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

(Dollars in thousands, except per share amounts)

5. Property:

Property consists of the following:

	March 31, 2015	December 31, 2014
Land	$ 2,259,288	$ 2,242,291
Buildings and improvements	9,545,712	9,479,337
Tenant improvements	612,411	600,436
Equipment and furnishings	155,285	152,554
Construction in progress	328,905	303,264
	12,901,601	12,777,882
Less accumulated depreciation	(1,790,760)	(1,709,992)
	$ 11,110,841	$ 11,067,890

Depreciation expense was $90,197 and $68,478 for the three months ended March 31, 2015 and 2014, respectively.

The gain on sale or write down of assets, net for the three months ended March 31, 2015 includes a gain of $1,056 on the sale of land offset in part by a loss of $121 on the sale of assets.

The loss on the sale or write down of assets, net for the three months ended March 31, 2014 is due to the loss of $1,611 from the sales of Rotterdam Square, Somersville Towne Center and Lake Square Mall (See Note 14—Dispositions).

6. Tenant and Other Receivables, net:

Included in tenant and other receivables, net, is an allowance for doubtful accounts of $3,529 and $3,234 at March 31, 2015 and December 31, 2014, respectively. Also included in tenant and other receivables, net, are accrued percentage rents of $2,839 and $13,436 at March 31, 2015 and December 31, 2014, respectively, and a deferred rent receivable due to straight-line rent adjustments of $57,666 and $57,278 at March 31, 2015 and December 31, 2014, respectively.

On March 17, 2014, in connection with the sale of Lake Square Mall (See Note 14—Dispositions), the Company issued a note receivable for $6,500 that bears interest at an effective rate of 6.5% and matures on March 17, 2018 ("LSM Note A") and a note receivable for $3,103 that bore interest at 5.0% and was to mature on December 31, 2014 ("LSM Note B"). On September 2, 2014, the balance of LSM Note B was paid in full. LSM Note A is collateralized by a trust deed on Lake Square Mall. At March 31, 2015 and December 31, 2014, LSM Note A had a balance of $6,411 and $6,436, respectively.

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

7. Deferred Charges and Other Assets, net:

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

	March 31, 2015	December 31, 2014
Leasing	$238,647	$239,955
Financing	50,054	47,171
Intangible assets:		
In-place lease values	287,215	298,825
Leasing commissions and legal costs	72,619	72,432
Above-market leases	260,930	250,810
Deferred tax assets	36,560	35,625
Deferred compensation plan assets	35,946	35,194
Other assets	54,605	66,246
	1,036,576	1,046,258
Less accumulated amortization(1)	(283,874)	(287,197)
	$752,702	$759,061

(1) Accumulated amortization includes $100,224 and $103,361 relating to in-place lease values, leasing commissions and legal costs at March 31, 2015 and December 31, 2014, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $21,678 and $12,739 for the three months ended March 31, 2015 and 2014, respectively.

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

	March 31, 2015	December 31, 2014
Above-Market Leases		
Original allocated value	$260,930	$250,810
Less accumulated amortization	(65,107)	(59,696)
	$195,823	$191,114
Below-Market Leases(1)		
Original allocated value	$372,253	$375,033
Less accumulated amortization	(96,176)	(93,511)
	$276,077	$281,522

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

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8. Mortgage Notes Payable:

Mortgage notes payable at March 31, 2015 and December 31, 2014 consist of the following:

	Carrying Amount of Mortgage Notes(1)							
	March 31, 2015		December 31, 2014					
Property Pledged as Collateral	Related Party	Other	Related Party	Other	Effective Interest Rate(2)		Monthly Debt Service(3)	Maturity Date(4)
Arrowhead Towne Center	$—	$226,844	$—	$228,703	2.76	%	$1,131	2018
Chandler Fashion Center(5)	—	200,000	—	200,000	3.77	%	625	2019
Danbury Fair Mall	113,526	113,526	114,265	114,264	5.53	%	1,538	2020
Deptford Mall	—	196,815	—	197,815	3.76	%	947	2023
Deptford Mall	—	14,212	—	14,285	6.46	%	101	2016
Eastland Mall	—	168,000	—	168,000	5.79	%	811	2016
Fashion Outlets of Chicago(6)	—	200,000	—	119,329	1.83	%	278	2020
Fashion Outlets of Niagara Falls USA	—	120,672	—	121,376	4.89	%	727	2020
Flagstaff Mall	—	37,000	—	37,000	5.03	%	151	2015
FlatIron Crossing	—	259,828	—	261,494	3.90	%	1,393	2021
Freehold Raceway Mall(5)	—	228,222	—	229,244	4.20	%	1,132	2018
Great Northern Mall(7)	—	34,232	—	34,494	6.54	%	234	2015
Green Acres Mall	—	311,859	—	313,514	3.61	%	1,447	2021
Kings Plaza Shopping Center	—	478,204	—	480,761	3.67	%	2,229	2019
Lakewood Center(8)	—	—	—	253,708	—		—	—
Los Cerritos Center	102,175	102,176	103,274	103,274	1.65	%	1,009	2018
Northgate Mall(9)	—	64,000	—	64,000	3.06	%	130	2017
Oaks, The	—	209,161	—	210,197	4.14	%	1,064	2022
Pacific View	—	132,525	—	133,200	4.08	%	668	2022
Queens Center	—	600,000	—	600,000	3.49	%	1,744	2025
Santa Monica Place	—	229,022	—	230,344	2.99	%	1,004	2018
SanTan Village Regional Center	—	133,073	—	133,807	3.14	%	589	2019
Stonewood Center	—	109,869	—	111,297	1.80	%	640	2017
Superstition Springs Center(10)	—	68,000	—	68,079	2.00	%	139	2016
Towne Mall	—	22,504	—	22,607	4.48	%	117	2022
Tucson La Encantada	71,148	—	71,500	—	4.23	%	368	2022
Valley Mall	—	41,155	—	41,368	5.85	%	280	2016
Valley River Center	—	120,000	—	120,000	5.59	%	558	2016
Victor Valley, Mall of	—	115,000	—	115,000	4.00	%	380	2024
Vintage Faire Mall(11)	—	280,000	—	—	3.55	%	1,256	2026
Washington Square	—	235,206	—	238,696	1.65	%	1,499	2016
Westside Pavilion	—	148,948	—	149,626	4.49	%	783	2022
	$286,849	$5,200,053	$289,039	$5,115,482				

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8. Mortgage Notes Payable: (Continued)

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

Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	March 31, 2015	December 31, 2014
Arrowhead Towne Center	$10,800	$11,568
Deptford Mall	(7)	(8)
Fashion Outlets of Niagara Falls USA	5,182	5,414
Lakewood Center	—	3,708
Los Cerritos Center	16,695	17,965
Stonewood Center	7,287	7,980
Superstition Springs Center	500	579
Valley Mall	(110)	(132)
Washington Square	7,426	9,847
	$47,773	$56,921

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

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

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

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

(6) On March 3, 2015, the Company amended the loan on the property. The amended $200,000 loan bears interest at LIBOR plus 1.50% and matures on March 31, 2020. At March 31, 2015 and December 31, 2014, the total interest rate was 1.83% and 2.97%, respectively.

(7) On January 1, 2015, this nonrecourse loan went into maturity default. As a result, the Company has accrued additional default interest at a rate of 4% since the default date. The Company is working with the loan servicer, which is expected to result in a transition of the property to the loan servicer or a receiver.

(8) On February 25, 2015, the Company paid off in full the loan on the property, which resulted in a gain of $2,245 on the early extinguishment of debt as a result of writing off the related debt premium.

(9) The loan bears interest at LIBOR plus 2.25% and matures on March 1, 2017. At March 31, 2015 and December 31, 2014, the total interest rate was 3.06% and 3.05%, respectively.

(10) The loan bears interest at LIBOR plus 2.30% and matures on October 28, 2016. At March 31, 2015 and December 31, 2014, the total interest rate was 2.00% and 1.98%, respectively.

(11) On February 19, 2015, the Company placed a $280,000 loan on the property that bears interest at an effective rate of 3.55% and matures on March 6, 2026.

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

Most of the Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company. As of March 31, 2015 and December 31, 2014, a total of $13,500 and $73,165,

respectively, of the mortgage notes payable could become recourse to the Company.
The Company expects that all loan maturities during the next twelve months, except Great Northern Mall, will be refinanced, restructured, extended and/or paid-off from the Company's line of credit or with cash on hand. The mortgage note payable on Great Northern Mall, which went into maturity default on January 1, 2015, is a non-recourse loan. The Company is working with the loan servicer and expects the property will be transferred to the loan servicer or a receiver.

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8. Mortgage Notes Payable: (Continued)

Total interest expense capitalized was $2,629 and $2,485 during the three months ended March 31, 2015 and 2014, respectively.

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

The estimated fair value (Level 2 measurement) of mortgage notes payable at March 31, 2015 and December 31, 2014 was $5,538,879 and $5,455,453, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

9. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Line of Credit:

The Company has a $1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage level, and matures on August 6, 2018. Based on the Company's leverage level as of March 31, 2015, the borrowing rate on the facility was LIBOR plus 1.50%. In addition, the line of credit can be expanded, depending on certain conditions, up to a total facility of $2,000,000.

As of March 31, 2015 and December 31, 2014, borrowings under the line of credit were $852,000 and $752,000, respectively, at an average interest rate of 1.85% and 1.89%, respectively. The estimated fair value (Level 2 measurement) of the line of credit at March 31, 2015 and December 31, 2014 was $819,238 and $713,989, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Term Loan:

On December 8, 2011, the Company obtained a $125,000 unsecured term loan under the line of credit that bears interest at LIBOR plus a spread of 1.95% to 3.20%, depending on the Company's overall leverage level, and matures on December 8, 2018. Based on the Company's current leverage level as of March 31, 2015, the borrowing rate was LIBOR plus 2.20%. As of March 31, 2015 and December 31, 2014, the total interest rate was 2.53% and 2.25%, respectively. The estimated fair value (Level 2 measurement) of the term loan at March 31, 2015 and December 31, 2014 was $122,683 and $119,780, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Prasada Note:

On March 29, 2013, the Company issued a $13,330 note payable that bears interest at 5.25% and matures on March 29, 2016. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At March 31, 2015 and December 31, 2014, the note had a balance of $10,452 and $10,879, respectively. The estimated fair value (Level 2 measurement) of the note at March 31, 2015 and December 31, 2014 was $10,684 and $11,178, respectively, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.

As of March 31, 2015 and December 31, 2014, the Company was in compliance with all applicable financial loan covenants.

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10. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Freehold Raceway Mall, a 1,668,000 square foot regional shopping center in Freehold, New Jersey, and Chandler Fashion Center, a 1,320,000 square foot regional shopping center in Chandler, Arizona.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the amount of $168,154, representing the net cash proceeds received from the third party. The co-venture obligation is increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner. The co-venture obligation was $72,864 and $75,450 at March 31, 2015 and December 31, 2014, respectively.

11. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect its ownership interest in the Company. The Company had a 94% ownership interest in the Operating Partnership as of March 31, 2015 and December 31, 2014. The remaining 6% limited partnership interest as of March 31, 2015 and December 31, 2014 was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value $0.01 per share, as reported on the New York Stock Exchange for the 10 trading days ending on the respective balance sheet date. Accordingly, as of March 31, 2015 and December 31, 2014, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $931,630 and $877,184, respectively.

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

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

12. Stockholders' Equity:

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

On August 17, 2012, the Company entered into an equity distribution agreement ("2012 Distribution Agreement") with a number of sales agents (the "2012 ATM Program") to issue and sell, from time to time, shares of common stock, par value $0.01 per share, having an aggregate offering price of up to $500,000 (the “2012 ATM Shares”). Sales of the 2012 ATM Shares, could have been made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at the market” offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company agreed to pay each sales agent a commission that was not to exceed, but could have been lower than, 2% of the gross proceeds of the 2012 ATM Shares sold through such sales agent under the 2012 Distribution Agreement.

On August 20, 2014, the Company terminated and replaced the 2012 ATM Program with a new ATM Program (the "2014 ATM Program") to sell, from time to time, shares of common stock, par value $0.01 per share, having an aggregate offering

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price of up to $500,000 (the "ATM Shares"). The terms of the 2014 ATM Program are substantially the same as the 2012 ATM Program. The unsold 2012 ATM Shares are no longer available for issuance.

The Company did not sell any shares under the 2014 ATM Program during the three months ended March 31, 2015.

As of March 31, 2015, $500,000 of the ATM Shares were available to be sold under the 2014 ATM Program. Actual future sales of the ATM Shares under the 2014 ATM Program will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. The Company has no obligation to sell the ATM Shares under the 2014 ATM Program.

Stock Issued to Acquire Property:

On November 14, 2014, the Company issued 17,140,845 shares of common stock in connection with the acquisition of the PPRLP Queens Portfolio (See Note 13—Acquisitions) for a value of $1,166,777, based on the closing price of the Company's common stock on the date of the transaction.

13. Acquisitions:

Cascade Mall:

On June 4, 2014, the Company acquired the remaining 49% ownership interest in Cascade Mall that it did not previously own for $15,233. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Cascade Mall. The acquisition was completed in order to obtain 100% ownership and control over this asset.

The following is a summary of the allocation of the fair value of Cascade Mall:

Property	$28,924
Deferred charges	6,660
Other assets	202
Total assets acquired	35,786
Other accrued liabilities	4,786
Total liabilities assumed	4,786
Fair value of acquired net assets (at 100% ownership)	$31,000

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

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

Purchase price	$15,233
Distributions in excess of investment	15,767
Fair value of acquired net assets (at 100% ownership)	$31,000

Since the date of acquisition, the Company has included Cascade Mall in its consolidated financial statements.

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13. Acquisitions: (Continued)

Fashion Outlets of Chicago:
On October 31, 2014, the Company purchased AWE/Talisman's ownership interest in its consolidated joint venture in Fashion Outlets of Chicago for $69,987. The purchase price was funded by a cash payment of $55,867 and the settlement of the balance on the Talisman Notes of $14,120 (See Note 16—Related Party Transactions). The cash payment was funded by borrowings under the Company's line of credit. The purchase agreement includes contingent consideration based on the financial performance of Fashion Outlets of Chicago at an agreed upon date in 2016. The Company estimated the fair value of the contingent consideration as of March 31, 2015 to be $10,336, which has been included in other accrued liabilities. As a result of this acquisition, the noncontrolling interest of $76,141 was reversed.
PPRLP Queens Portfolio:
On November 14, 2014, the Company acquired the remaining 49% ownership interest in the PPRLP Queens Portfolio that it did not previously own for $1,838,886. The acquisition was completed in order to gain 100% ownership and control over this portfolio of prominent shopping centers. The purchase price was funded by the assumption of the third party's pro rata share of the mortgage notes payable on the properties of $672,109 and the issuance of $1,166,777 in common stock of the Company. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of the PPRLP Queens Portfolio.
The following is a summary of the preliminary allocation of the estimated fair value of the PPRLP Queens Portfolio:

Property	$3,711,819
Deferred charges	155,892
Cash and cash equivalents	28,890
Restricted cash	5,113
Tenant receivables	5,438
Other assets	127,244
Total assets acquired	4,034,396
Mortgage notes payable	1,414,659
Accounts payable	5,669
Due to affiliates	2,680
Other accrued liabilities	230,210
Total liabilities assumed	1,653,218
Fair value of acquired net assets (at 100% ownership)	$2,381,178

The purchase price allocation for the PPRLP Queens Portfolio is based on a preliminary measurement of fair value that is subject to change. The allocation for the PPRLP Queens Portfolio represents the Company's current best estimate of fair value. The Company determined that the purchase price represented the estimated fair value of the additional ownership interest in the PPRLP Queens Portfolio that was acquired.

Fair value of existing ownership interest (at 51% ownership)	$1,214,401
Distributions in excess of investment	208,735
Gain on remeasurement of assets	$1,423,136

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13. Acquisitions: (Continued)

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

Purchase price	$1,838,886	
Less debt assumed	(672,109	)
Distributions in excess of investment	(208,735	)
Gain on remeasurement of assets	1,423,136	
Fair value of acquired net assets (at 100% ownership)	$2,381,178	

Since the date of acquisition, the Company has included the PPRLP Queens Portfolio in its consolidated financial statements.

Inland Center:

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center that it did not previously own for $51,250. The purchase price was funded by a cash payment of $26,250 and the assumption of the third party's share of the mortgage note payable on the property of $25,000. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Inland Center. The acquisition was completed in order to obtain 100% ownership and control over this asset.

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

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

The purchase price allocation for Inland Center is based on a preliminary measurement of fair value that is subject to change. The allocation for Inland Center represents the Company's current best estimate of fair value. The Company determined that the purchase price represented the estimated fair value of the additional ownership interest in Inland Center that was acquired.

Fair value of existing ownership interest (at 50% ownership)	$26,250	
Carrying value of investment	(4,147	)
Gain on remeasurement of assets	$22,103	

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13. Acquisitions: (Continued)

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

Purchase price	$51,250
Less debt assumed	(25,000)
Carrying value of investment	4,147
Gain on remeasurement of assets	22,103
Fair value of acquired net assets (at 100% ownership)	$52,500

Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements. The property has generated incremental revenue of $1,735 and incremental net loss of $231 during the three months ended March 31, 2015.

Pro Forma Results of Operations:

The following pro forma financial information for the three months ended March 31, 2015 and 2014 assumes all of the above transactions took place on January 1, 2014:

	For the Three Months Ended March 31,	
	2015	2014
Supplemental pro forma revenue(1)	$320,022	$329,271
Supplemental pro forma income from continuing operations(1)	$5,762	$19,523

(1) This pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had these transactions occurred on January 1, 2014, and may not be indicative of future operating results. The Company has excluded remeasurement gains and acquisition costs from these pro forma results as they are considered significant non-recurring adjustments directly attributable to these transactions.

14. Dispositions:

The following recent dispositions have been included in gain (loss) on sale or write down of assets, net:

On January 15, 2014, the Company sold Rotterdam Square, a 585,000 square foot regional shopping center in Schenectady, New York, for $8,500, resulting in a loss on the sale of assets of $472. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On February 14, 2014, the Company sold Somersville Towne Center, a 348,000 square foot regional shopping center in Antioch, California, for $12,337, resulting in a loss on the sale of assets of $263. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On March 17, 2014, the Company sold Lake Square Mall, a 559,000 square foot regional shopping center in Leesburg, Florida, for $13,280, resulting in a loss on the sale of assets of $876. The sales price was funded by a cash payment of $3,677 and the issuance of two notes receivable totaling $9,603 (See Note 6—Tenant and Other Receivables). The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes.

On July 7, 2014, the Company sold a former Mervyn's store in El Paso, Texas for $3,560, resulting in a loss on the sale of assets of $158. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On August 28, 2014, the Company sold a former Mervyn's store in Thousand Oaks, California for $3,500, resulting in a loss on the sale of assets of $80. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

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14. Dispositions: (Continued)

On September 11, 2014, the Company sold a leasehold interest in a former Mervyn's store in Laredo, Texas for $1,200, resulting in a gain on the sale of assets of $315. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 10, 2014, the Company sold a former Mervyn's store in Marysville, California for $1,900, resulting in a loss on the sale of assets of $3. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On October 31, 2014, the Company sold South Towne Center, a 1,278,000 square foot regional shopping center in Sandy, Utah, for $205,000, resulting in a gain on the sale of assets of $121,873. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On December 29, 2014, the Company sold its 67.5% ownership interest in its consolidated joint venture in Camelback Colonnade, a 619,000 square foot community center in Phoenix, Arizona, for $92,898, resulting in a gain on the sale of assets of $24,554. The sales price was funded by a cash payment of $61,173 and the assumption of the Company's share of the mortgage note payable on the property of $31,725. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. As a result of the sale, the $47,946 mortgage note payable on the property was discharged and the noncontrolling interest of $17,217 was reversed.

15. Commitments and Contingencies:

The Company has certain properties that are subject to non-cancelable operating ground leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Ground lease rent expense was $2,945 and $2,668 for the three months ended March 31, 2015 and 2014, respectively. No contingent rent was incurred during the three months ended March 31, 2015 or 2014.

As of March 31, 2015 and December 31, 2014, the Company was contingently liable for $18,388 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the agreements. At March 31, 2015, the Company had $36,825 in outstanding obligations which it believes will be settled in the next twelve months.

16. Related Party Transactions:

Certain unconsolidated joint ventures and third-parties have engaged the Management Companies to manage the operations of the Centers. Under these arrangements, the Management Companies are reimbursed for compensation paid to on-site employees, leasing agents and project managers at the Centers, as well as insurance costs and other administrative expenses.

The following are fees charged to unconsolidated joint ventures:

	For the Three Months Ended March 31,	
	2015	2014
Management fees	$2,701	$4,825
Development and leasing fees	2,072	2,496
	$4,773	$7,321

16. Related Party Transactions: (Continued)

Certain mortgage notes on the properties are held by NML (See Note 8—Mortgage Notes Payable). Interest expense in connection with these notes was $2,729 and $3,708 for the three months ended March 31, 2015 and 2014, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of $1,119 and $1,125 at March 31, 2015 and December 31, 2014, respectively.

The Company had loans to unconsolidated joint ventures during the three months ended March 31, 2014. There were no loans outstanding at March 31, 2015 and December 31, 2014. Interest income associated with these notes was $31 for the three months ended March 31, 2014. These loans represented initial funds advanced to development stage projects prior to construction loan funding. Accordingly, loan payables in the same amount were accrued as an obligation by the various joint ventures.

Due from affiliates includes $3,222 and $3,869 of unreimbursed costs and fees due from unconsolidated joint ventures under management agreements at March 31, 2015 and December 31, 2014, respectively.

Due from affiliates at March 31, 2014 also included two notes receivable from principals of AWE/Talisman ("Talisman Notes") that bore interest at 5.0% and were to mature based on the refinancing or sale of Fashion Outlets of Chicago, a 528,000 square foot outlet center in Rosemont, Illinois, or certain other specified events. AWE/Talisman was considered a related party because it had a 40% noncontrolling ownership interest in Fashion Outlets of Chicago. On October 31, 2014, in connection with the Company's acquisition of AWE/Talisman's ownership interest in Fashion Outlets of Chicago, the balance of the Talisman Notes was settled (See Note 13—Acquisitions). Interest income earned on these notes was $154 for the three months ended March 31, 2014.

In addition, due from affiliates at March 31, 2015 and December 31, 2014 includes a note receivable from RED/303 LLC ("RED") that bears interest at 5.25% and matures on March 29, 2016. Interest income earned on this note was $137 and $160 for the three months ended March 31, 2015 and 2014, respectively. The balance on this note was $10,591 and $11,027 at March 31, 2015 and Decemb