

GGP Inc.
Form 10-Q
July 31, 2018

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 June 30, 2018

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____

COMMISSION FILE NUMBER 1-34948

GGP INC.
(Exact name of registrant as specified in its charter)
Delaware 27-2963337
(State or other jurisdiction of incorporating or organization) (I.R.S. Employer Identification Number)

350 N. Orleans St., Suite 300, Chicago, IL 60654
(Address of principal executive offices) (Zip Code)

(312) 960-5000
(Registrant's telephone number, including area code)

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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.

☒ Large accelerated filer ☐ Accelerated filer
☐ Non-accelerated filer ☐ Smaller reporting company
☐ (Do not check if a smaller reporting company) ☐ Emerging growth company

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

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

☐ Yes ☒ No

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☒ Yes ☐ No

The number of shares of Common Stock, \$.01 par value, outstanding on July 27, 2018 was 962,460,117.

Table of Contents

GGP INC.
INDEX

PAGE
NUMBER

Part I FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements (Unaudited)

<u>Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017</u>	3
<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2018 and 2017</u>	4
<u>Consolidated Statements of Equity for the six months ended June 30, 2018 and 2017</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	9
<u>Note 1: Organization</u>	9
<u>Note 2: Summary of Significant Accounting Policies</u>	10
<u>Note 3: Acquisitions, Sales and Joint Venture Activity</u>	17
<u>Note 4: Fair Value</u>	18
<u>Note 5: Unconsolidated Real Estate Affiliates</u>	20
<u>Note 6: Mortgages, Notes and Loans Payable</u>	23
<u>Note 7: Income Taxes</u>	25
<u>Note 8: Equity and Redeemable Noncontrolling Interests</u>	25
<u>Note 9: Earnings Per Share</u>	29
<u>Note 10: Stock-Based Compensation Plans</u>	30
<u>Note 11: Accounts Receivable, net</u>	31
<u>Note 12: Notes Receivable</u>	32
<u>Note 13: Prepaid Expenses and Other Assets</u>	32
<u>Note 14: Accounts Payable and Accrued Expenses</u>	33
<u>Note 15: Litigation</u>	33

<u>Note 16: Commitments and Contingencies</u>	<u>34</u>
<u>Note 17: Subsequent Events</u>	<u>34</u>
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
<u>Liquidity and Capital Resources</u>	<u>38</u>
<u>Item 3: Quantitative and Qualitative Disclosures about Market Risk</u>	<u>47</u>
<u>Item 4: Controls and Procedures</u>	<u>48</u>
<u>Part II OTHER INFORMATION</u>	
<u>Item 1: Legal Proceedings</u>	<u>48</u>
<u>Item 1A: Risk Factors</u>	<u>48</u>
<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>50</u>
<u>Item 3: Defaults Upon Senior Securities</u>	<u>50</u>
<u>Item 4: Mine Safety Disclosures</u>	<u>50</u>
<u>Item 5: Other Information</u>	<u>50</u>
<u>Item 6: Exhibits</u>	<u>50</u>
<u>EXHIBIT INDEX</u>	<u>51</u>
<u>SIGNATURE</u>	<u>52</u>

Table of Contents

GGP INC.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2018	December 31, 2017
	(Dollars in thousands, except share and per share amounts)	
Assets:		
Investment in real estate:		
Land	\$ 3,887,771	\$ 4,013,874
Buildings and equipment	17,086,107	16,957,720
Less accumulated depreciation	(3,389,587)	(3,188,481)
Construction in progress	484,835	473,118
Net property and equipment	18,069,126	18,256,231
Investment in Unconsolidated Real Estate Affiliates	3,360,839	3,377,112
Net investment in real estate	21,429,965	21,633,343
Cash and cash equivalents	194,675	164,604
Accounts receivable, net	311,660	334,081
Notes receivable	351,422	417,558
Deferred expenses, net	281,570	284,512
Prepaid expenses and other assets	442,574	515,856
Assets held for disposition	120,732	—
Total assets	\$ 23,132,598	\$ 23,349,954
Liabilities:		
Mortgages, notes and loans payable	\$ 12,847,635	\$ 12,832,459
Investment in Unconsolidated Real Estate Affiliates	22,400	21,393
Accounts payable and accrued expenses	878,526	919,432
Dividend payable	217,480	219,508
Deferred tax liabilities	2,245	2,428
Junior subordinated notes	206,200	206,200
Liabilities held for disposition	100,711	—
Total liabilities	14,275,197	14,201,420
Redeemable noncontrolling interests:		
Preferred	52,256	52,256
Common	171,083	195,870
Total redeemable noncontrolling interests	223,339	248,126
Commitments and Contingencies	—	—
Equity:		
Common stock:		
11,000,000,000 shares authorized, \$0.01 par value, 1,041,821,913 issued, 958,391,012 outstanding as of June 30, 2018, and 1,040,382,900 issued, 956,982,536 outstanding as of December 31, 2017	10,144	10,130
Preferred Stock:		
500,000,000 shares authorized, \$0.01 par value, 10,000,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017	242,042	242,042
Additional paid-in capital	11,880,450	11,845,532
Retained earnings (accumulated deficit)	(2,396,371)	(2,107,498)

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Accumulated other comprehensive loss	(82,229) (71,906)
Common stock in treasury, at cost, 55,969,390 shares as of June 30, 2018 and December 31, 2017	(1,122,640) (1,122,640)
Total stockholders' equity	8,531,396	8,795,660	
Noncontrolling interests in consolidated real estate affiliates	48,340	55,379	
Noncontrolling interests related to long-term incentive plan common units	54,326	49,369	
Total equity	8,634,062	8,900,408	
Total liabilities, redeemable noncontrolling interests and equity	\$ 23,132,598	\$ 23,349,954	

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

Table of Contents

GGP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except per share amounts)			
Revenues:				
Minimum rents	\$379,312	\$349,205	\$747,835	\$698,218
Tenant recoveries	156,155	161,926	313,157	324,982
Overage rents	3,927	3,280	10,171	9,217
Management fees and other corporate revenues	26,030	20,847	51,795	48,990
Other	17,720	20,538	34,351	40,722
Total revenues	583,144	555,796	1,157,309	1,122,129
Expenses:				
Real estate taxes	62,604	59,042	122,337	116,536
Property maintenance costs	10,976	10,724	25,690	25,699
Marketing	1,744	1,296	3,160	3,441
Other property operating costs	71,752	69,590	143,504	138,893
Provision for doubtful accounts	2,234	3,166	5,662	6,617
Property management and other costs	36,595	39,025	76,169	80,139
General and administrative	12,041	15,862	24,288	30,546
Provision for impairment	—	—	38,379	—
Depreciation and amortization	173,642	174,298	359,035	344,596
Total expenses	371,588	373,003	798,224	746,467
Operating income	211,556	182,793	359,085	375,662
Interest and dividend income	9,518	17,452	18,667	35,388
Interest expense	(140,562)	(134,209)	(278,488)	(266,532)
Loss on foreign currency	—	(3,877)	—	(694)
Gain on extinguishment of debt	—	55,112	—	55,112
Gain (loss) from changes in control of investment properties and other, net	—	(15,841)	12,664	(15,841)
Income before income taxes, equity in income of Unconsolidated Real Estate Affiliates and allocation to noncontrolling interests	80,512	101,430	111,928	183,095
Benefit from (provision for) income taxes	22	(3,844)	302	(8,354)
Equity in income of Unconsolidated Real Estate Affiliates	15,030	30,732	38,869	63,946
Unconsolidated Real Estate Affiliates - gain on investment, net	—	—	10,361	—
Net income	95,564	128,318	161,460	238,687
Allocation to noncontrolling interests	(1,949)	(2,455)	(3,809)	(5,665)
Net income attributable to GGP Inc.	93,615	125,863	157,651	233,022
Preferred Stock dividends	(3,984)	(3,984)	(7,968)	(7,968)
Net income attributable to common stockholders	\$89,631	\$121,879	\$149,683	\$225,054
Earnings Per Share:				
Basic	\$0.09	\$0.14	\$0.16	\$0.25
Diluted	\$0.09	\$0.13	\$0.16	\$0.24
Dividends declared per share	\$0.22	\$0.22	\$0.44	\$0.44
Comprehensive Income, Net:				

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Net income	\$95,564	\$128,318	\$161,460	\$238,687
Other comprehensive income (loss)				
Foreign currency translation	(10,038)	(4,030)	(10,417)	(1,463)
Net unrealized gains (losses) on other financial instruments	(43)	(3)	8	10
Other comprehensive income (loss)	(10,081)	(4,033)	(10,409)	(1,453)
Comprehensive income	85,483	124,285	151,051	237,234
Comprehensive income allocated to noncontrolling interests	(1,865)	(2,135)	(3,723)	(5,350)
Comprehensive income attributable to GGP Inc.	83,618	122,150	147,328	231,884
Preferred Stock dividends	(3,984)	(3,984)	(7,968)	(7,968)
Comprehensive income, net, attributable to common stockholders	\$79,634	\$118,166	\$139,360	\$223,916

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

Table of Contents

GGP INC.

CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Noncontrolling Interests in Consolidated Real Estate Affiliates and Long Term Incentive Plan Common Units	Total Equity
(Dollars in thousands, except for per share and share amounts)								
Balance at January 1, 2017	\$9,407	\$242,042	\$11,419,939	\$(1,827,866)	\$(70,456)	\$(1,137,960)	\$65,623	\$8,700,729
Net income				233,022			1,399	234,421
Distributions to noncontrolling interests in consolidated Real Estate Affiliates							(3,569)	(3,569)
Acquisition/disposition of partner's noncontrolling interests in consolidated Real Estate Affiliates							(11,943)	(11,943)
Contributions from noncontrolling interest in consolidated Real Estate Affiliates			—				15,258	15,258
Long Term Incentive Plan Common Unit grants, net (528,617 LTIP Units)			795	(743)			10,707	10,759
Restricted stock grants, net (738,687 common shares)	8	—	4,883					4,891
Employee stock purchase program (103,177 common shares)	1		2,547					2,548
	4		13,837					13,841

Stock options exercised (406,383 common shares)									
Cancellation of repurchased common shares (3,993,237 common shares)	(40)		(52,054)	(40,258)		92,352		—	
Treasury stock purchase (3,365,976 common shares)						(77,032)		(77,032)	
Cash dividends reinvested (DRIP) in stock (28,693 common shares)	—	—	696	—				696	
Other comprehensive loss						(1,137)		(1,137)	
Cash distributions declared (\$0.44 per share)					(388,280)			(388,280)	
Cash distributions on Preferred Stock					(7,968)			(7,968)	
Fair value adjustment for noncontrolling interest in Operating Partnership			10,346					10,346	
Balance at June 30, 2017	\$9,380	\$242,042	\$11,400,989	\$(2,032,093)	\$(71,593)	\$(1,122,640)	\$77,475	\$8,503,560	

Table of Contents

GGP INC.

CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(UNAUDITED)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Noncontrolling Interests in Consolidated Real Estate Affiliates and Long Term Incentive Plan Common Units	Total Equity
(Dollars in thousands, except for per share and share amounts)								
Balance at January 1, 2018	\$ 10,130	\$ 242,042	\$ 11,845,532	\$ (2,107,498)	\$ (71,906)	\$ (1,122,640)	\$ 104,748	\$ 8,900,408
Cumulative effect of accounting changes (Note 2)				(16,864))			(16,864)
Net income				157,651			1,170	158,821
Distributions to noncontrolling interests in consolidated Real Estate Affiliates							(2,888)	(2,888)
Acquisition/disposition of partner's noncontrolling interests in consolidated Real Estate Affiliates							(4,998)	(4,998)
Long Term Incentive Plan Common Unit forfeitures (238,655 LTIP Units)							4,634	4,634
Restricted stock grants, net (1,000,143 common shares)			4,997					5,007
Employee stock purchase program (80,522 common shares)	1		1,797					1,798
Stock options exercised (249,508)	2		4,116					4,118

common shares)									
OP Unit Conversion to									
Common Stock	1	1,368						1,369	
(67,064 common									
shares)									
Cash dividends									
reinvested (DRIP) in		245	(245)				—	
stock (11,239 common									
shares)									
Other comprehensive					(10,323)		(10,323)
loss									
Cash distributions									
declared (\$0.44 per					(421,447)		(421,447)
share)									
Cash distributions on					(7,968)		(7,968)
Preferred Stock									
Fair value adjustment									
for noncontrolling		22,395						22,395	
interest in Operating									
Partnership									
Balance at June 30,	\$10,144	\$242,042	\$11,880,450	\$(2,396,371)	\$(82,229)	\$(1,122,640)	\$102,666	\$8,634,062	
2018									

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

Table of Contents

GGP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2018	2017
	(Dollars in thousands)	
Cash Flows provided by Operating Activities:		
Net income	\$ 161,460	\$ 238,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of Unconsolidated Real Estate Affiliates	(38,869)	(63,946)
Distributions received from Unconsolidated Real Estate Affiliates	46,256	52,876
Provision for doubtful accounts	5,662	6,617
Depreciation and amortization	359,035	344,596
Amortization/write-off of deferred finance costs	5,544	5,972
Accretion/write-off of debt market rate adjustments	(2,230)	(2,181)
Amortization of intangibles other than in-place leases	7,150	18,857
Straight-line rent amortization	(594)	(493)
Deferred income taxes	(1,692)	4,817
Gain on dispositions, net	—	(2,515)
Unconsolidated Real Estate Affiliates - gain on investment, net	(10,361)	—
Gain (loss) from changes in control of investment properties and other, net	(12,664)	15,841
Provision for impairment	38,379	—
Gain on extinguishment of debt	—	(55,112)
Loss on foreign currency	—	694
Net changes:		
Accounts and notes receivable, net	5,963	(259)
Prepaid expenses and other assets	32,811	(38,556)
Deferred expenses, net	(21,577)	(22,010)
Accounts payable and accrued expenses	(50,045)	(45,441)
Other, net	13,803	24,008
Net cash provided by operating activities	538,031	482,452
Cash Flows (used in) provided by Investing Activities:		
Acquisition of real estate and property additions	—	(49,062)
Development of real estate and property improvements	(361,966)	(269,820)
Loans to joint venture partners	(5,772)	(47,205)
Proceeds from repayment of loans to joint venture partners	80,000	47,076
Proceeds from sales of investment properties and Unconsolidated Real Estate Affiliates	60,960	39,622
Contributions to Unconsolidated Real Estate Affiliates	(82,637)	(44,755)
Distributions received from Unconsolidated Real Estate Affiliates in excess of income	124,792	62,792
Net cash (used in) provided by investing activities	(184,623)	(261,352)
Cash Flows used in Financing Activities:		
Proceeds from refinancing/issuance of mortgages, notes and loans payable	790,000	575,000
Principal payments on mortgages, notes and loans payable	(677,926)	(368,669)
Deferred finance costs	(213)	(965)
Treasury stock purchases	—	(77,032)
Cash contributions from noncontrolling interests in consolidated real estate affiliates	—	15,258
Cash distributions to noncontrolling interests in consolidated real estate affiliates	(2,888)	(3,569)

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Cash distributions paid to common stockholders	(421,374)	(618,830)
Cash distributions reinvested (DRIP) in common stock	245	696
Cash distributions paid to preferred stockholders	(7,968)	(7,968)
Cash distributions and redemptions paid to unit holders	(6,361)	(10,515)
Other, net	5,705	9,799
Net cash used in financing activities	(320,780)	(486,795)
Effect of foreign exchange rates on cash and cash equivalents	—	(694)
Net change in cash, cash equivalents and restricted cash	32,628	(266,389)
Cash, cash equivalents and restricted cash at beginning of period	231,939	531,705
Cash, cash equivalents and restricted cash at end of period	\$264,567	\$265,316

Table of Contents

	Six Months Ended June 30,	
	2018	2017
	(Dollars in thousands)	
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 284,668	\$ 273,321
Interest capitalized	9,385	3,457
Income taxes paid	2,358	6,362
Accrued capital expenditures included in accounts payable and accrued expenses	243,924	105,416

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

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 1 ORGANIZATION

Readers of this Quarterly Report should refer to the Company's (as defined below) audited consolidated financial statements for the year ended December 31, 2017 which are included in the Company's Annual Report on Form 10-K (our "Annual Report") for the fiscal year ended December 31, 2017 (Commission File No. 1-34948), as certain footnote disclosures which would substantially duplicate those contained in our Annual Report have been omitted from this Quarterly Report. In the opinion of management, all adjustments necessary for a fair presentation (which include only normal recurring adjustments) have been included in this Quarterly Report. Unless context otherwise requires, capitalized terms used, but not defined in this Quarterly Report, have the same meanings as in our Annual Report.

General

GGP Inc. ("GGP" or the "Company"), a Delaware corporation, was organized in July 2010 and is a self-administered and self-managed real estate investment trust, referred to as a "REIT". In these notes, the terms "we", "us" and "our" refer to GGP and its subsidiaries.

GGP, through its subsidiaries and affiliates, is an owner and operator of retail properties. As of June 30, 2018, we are the owner, either entirely or with joint venture partners, of 125 retail properties.

Substantially all of our business is conducted through GGP Operating Partnership, LP ("GGPOP"), GGP Nimbus, LP ("GGPN") and GGP Limited Partnership ("GGPLP", and together with GGPN and GGPOP, the "Operating Partnerships"), subsidiaries of GGP. The Operating Partnerships own an interest in the properties that are part of the consolidated financial statements of GGP. As of June 30, 2018, GGP held approximately a 99% common equity ownership (without giving effect to the potential conversion of the Preferred Units and LTIP Units, each as defined below) of GGPLP and GGPN, while the remaining 1% was held by limited partners and certain previous contributors of properties to GGPOP.

GGPOP is the general partner of, and owns a 1.5% equity interest in GGPN and GGPLP. GGPOP has common units of limited partnership ("Common Units"), which are redeemable for cash or, at our option, shares of GGP common stock. It also has preferred units of limited partnership interest ("Preferred Units"), of which, certain Preferred Units can be converted into Common Units and then redeemed for cash or, at our option, shares of GGP common stock (Note 8). GGPOP also has full value long term incentive plan units and appreciation only long term incentive plan units (collectively "LTIP Units"), which are redeemable for cash or, at our option, shares of GGP common stock (Note 10).

In addition to holding ownership interests in various joint ventures, the Operating Partnerships generally conduct their operations through General Growth Management, Inc. ("GGMI"), General Growth Services, Inc. ("GGSi") and GGPLP REIT Services, LLC ("GGPRS"). GGMI and GGSi are taxable REIT subsidiaries ("TRS"s), which provide management, leasing, tenant coordination, business development, marketing, strategic partnership and other services for a majority of our Unconsolidated Real Estate Affiliates (defined below) and for substantially all of our Consolidated Properties, as defined below. GGSi also serves as a contractor to GGMI for these services. GGPRS

generally provides financial, accounting, tax, legal, development, and other services to our Consolidated Properties.

We refer to our ownership interests in properties in which we own a majority or controlling interest and are consolidated under accounting principles generally accepted in the United States of America ("GAAP") as the "Consolidated Properties." We also own interests in certain properties through joint venture entities in which we own a noncontrolling interest ("Unconsolidated Real Estate Affiliates") and we refer to those properties as the "Unconsolidated Properties".

As previously announced, we had reached an agreement with Brookfield Property Partners L.P. ("BPY"), pursuant to which, among other things, BPY will acquire all of our outstanding shares of common stock, other than those that BPY and its affiliates already own. The transactions provide for distribution and consideration per GGP share of up to \$23.50 in cash or a choice of either one BPY limited partnership unit or one newly created BPY U.S. REIT share of Brookfield Property REIT Inc. ("BPR"), the successor to GGP, subject to proration in each case, based on aggregate cash amount of \$9.25 billion. The BPR shares were structured with the intention of providing an economic return equivalent to BPY units, including identical distributions. BPR shareholders will have the right to exchange each BPR share for one BPY unit or the cash equivalent of one BPY unit at the election of BPY. On

Table of Contents

July 26, 2018, the company held a special meeting of its common stockholders. At the special meeting, holders of record of GGP common stock on June 22, 2018, the record date for the special meeting, voted upon and approved the transactions. The completion of the transactions remains subject to certain customary closing conditions. The company expects that the transactions will be completed by the end of August this year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of GGP, our subsidiaries and joint ventures in which we have a controlling interest. For consolidated joint ventures, the noncontrolling partner's share of the assets, liabilities and operations of the joint ventures (generally computed as the joint venture partner's ownership percentage) is included in noncontrolling interests in consolidated real estate affiliates as permanent equity of the Company. Intercompany balances and transactions have been eliminated. Noncontrolling interests are included on our Consolidated Balance Sheets related to the Common, Preferred, and LTIP Units of GGPOP and are presented either as redeemable noncontrolling interests or as noncontrolling interests in our permanent equity. Each of the Operating Partnerships and our consolidated joint ventures are variable interest entities as the limited partners do not have substantive kick-out rights or substantive participating rights. However, as the Company holds a majority voting interest in the Operating Partnerships and our consolidated joint ventures, it qualifies for the exemption from providing certain of the disclosure requirements associated with variable interest entities.

We operate in a single reportable segment, which includes the operation, development and management of retail and other rental properties. Our portfolio is targeted to a range of market sizes and consumer tastes. Each of our operating properties is considered a separate operating segment, as each property earns revenues and incurs expenses, individual operating results are reviewed and discrete financial information is available. The Company's chief operating decision maker is comprised of a team of several members of executive management who use Company NOI in assessing segment operating performance. We do not distinguish or group our consolidated operations based on geography, size or type for purposes of making property operating decisions. Our operating properties have similar economic characteristics and provide similar products and services to our tenants. There are no individual operating segments that are greater than 10% of combined revenue, Company NOI or combined assets. Company NOI excludes certain non-cash and non-comparable items such as straight-line rent, depreciation expense and intangible asset and liability amortization, which are a result of our emergence from bankruptcy, acquisition accounting and other capital contribution or restructuring events. Further, all material operations are within the United States and no customer or tenant comprises more than 10% of consolidated revenues. As a result, the Company's operating properties are aggregated into a single reportable segment.

Properties

Real estate assets are stated at cost less any provisions for impairments. Expenditures for significant betterments and improvements are capitalized. Maintenance and repairs are charged to expense when incurred. Construction and improvement costs incurred in connection with the development of new properties or the redevelopment of existing properties are capitalized. Real estate taxes, interest costs, and internal costs associated with leasing and development overhead incurred during construction periods are capitalized. Capitalization is based on qualified expenditures and interest rates. Capitalized real estate taxes, interest costs, and internal costs associated with leasing and development overhead are amortized over lives which are consistent with the related assets.

Pre-development costs, which generally include legal and professional fees and other third-party costs directly related to the construction assets, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable of occurring, the capitalized costs are expensed (see also our impairment policies in this

note below).

We periodically review the estimated useful lives of our properties, and may adjust them as necessary. The estimated useful lives of our properties range from 10-45 years.

Depreciation or amortization expense is computed using the straight-line method based upon the following estimated useful lives:

	Years
Buildings and improvements	10 - 45
Equipment and fixtures	3 - 20
Tenant improvements	Shorter of useful life or applicable lease term

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Reclassifications

In November 2016, the FASB issued ASU 2016-18 which requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents and restricted cash or restricted cash equivalents. The Company adopted this guidance on December 31, 2017, which changes our statements of cash flows and related disclosures for all periods presented. The following is a summary of our cash, cash equivalents and restricted cash total as presented in our statements of cash flows for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
Cash and cash equivalents	\$ 194,675	\$ 227,626
Restricted cash	69,892	37,690
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 264,567	\$ 265,316

For the six months ended June 30, 2017 the changes in restricted cash related to cash flows provided by operating activities of \$16.0 million, restricted cash related to cash flows used in investing activities of \$0.4 million and restricted cash related to cash flows used in financing activities of \$2.8 million were reclassified.

Acquisitions of Operating Properties (Note 3)

Acquisitions of properties are typically accounted for as acquisitions of assets rather than acquisitions of a business. Accordingly, the results of operations of acquired properties have been included in the results of operations from the respective dates of acquisition and acquisition costs are capitalized. Estimates of future cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, buildings and improvements, equipment, assumed debt liabilities and identifiable intangible assets and liabilities such as amounts related to in-place tenant leases, acquired above and below-market tenant and ground leases, and tenant relationships.

Identifiable intangible assets and liabilities are calculated for above-market and below-market tenant and ground leases where we are either the lessor or the lessee. The difference between the contractual rental rates and our estimate of market rental rates is measured over a period equal to the remaining non-cancelable term of the leases, including significantly below-market renewal options for which exercise of the renewal option appears to be reasonably assured. The remaining term of leases with renewal options at terms significantly below market reflect the assumed exercise of such below-market renewal options and assume the amortization period would coincide with the extended lease term.

The gross asset balances of the in-place value of tenant leases are included in buildings and equipment in our Consolidated Balance Sheets.

	Gross Asset	Accumulated Amortization	Net Carrying Amount
As of June 30, 2018			
Tenant leases:			
In-place value	\$ 285,145	\$ (145,194)	\$ 139,951

As of December 31, 2017

Tenant leases:

In-place value	\$ 347,232	\$ (181,088)	\$ 166,144
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The above-market tenant leases and below-market ground leases are included in prepaid expenses and other assets (Note 13); the below-market tenant leases, above-market ground leases and above-market headquarters office lease are included in accounts payable and accrued expenses (Note 14) in our Consolidated Balance Sheets.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Amortization/accretion of all intangibles, including the intangibles in Note 13 and Note 14, had the following effects on our income from continuing operations:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Amortization/accretion effect on continuing operations	\$(14,826)	\$(16,399)	\$(30,866)	\$(41,318)

Future amortization/accretion of all intangibles, including the intangibles in Note 13 and Note 14, is estimated to decrease results from continuing operations as follows:

Year	Amount
2018 Remaining	\$20,497
2019	28,966
2020	19,567
2021	13,908
2022	12,579

Investments in Unconsolidated Real Estate Affiliates (Note 5)

We account for investments in joint ventures where we own a non-controlling joint interest using either the equity method or the cost method. If we have significant influence but not control over the investment, we utilize the equity method. If we have neither control nor significant influence, we utilize the cost method. Under the equity method, the cost of our investment is adjusted for our share of the earnings of such Unconsolidated Real Estate Affiliates from the date of acquisition, increased by our contributions and reduced by distributions received. Under the cost method, the cost of our investment is not adjusted for our share of the earnings of such Unconsolidated Real Estate Affiliates from the date of acquisition and distributions are treated as earnings when received.

To determine the method of accounting for partially owned joint ventures, we evaluate the characteristics of associated entities and determine whether an entity is a variable interest entity ("VIE"). A limited partnership or other similar entity is considered a VIE unless a simple majority of limited partners (excluding limited partners that are under common control with the general partner) have substantive kick-out rights or participating rights. Accounting guidance amended the following: (i) modified the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminated the presumption that a general partner should consolidate a limited partnership, (iii) affected the consolidation analysis of reporting entities that are involved with VIEs, and (iv) provided a scope exception for certain entities. If an entity is determined to be a VIE, we determine which party is the primary beneficiary by analyzing whether we have both the power to direct the entity's significant economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. Significant judgments and assumptions inherent in this analysis include the nature of the entity's operations, future cash flow projections, the entity's financing and capital structure, and contractual relationship and terms.

Primary risks associated with our VIEs include the potential of funding the entities' debt obligations or making additional contributions to fund the entities' operations.

Generally, the operating agreements with respect to our Unconsolidated Real Estate Affiliates provide that assets, liabilities and funding obligations are shared in accordance with our ownership percentages. Therefore, we generally also share in the profit and losses, cash flows and other matters relating to our Unconsolidated Real Estate Affiliates in accordance with our respective ownership percentages. Except for Retained Debt (as described in Note 5), differences between the carrying amount of our investment in the Unconsolidated Real Estate Affiliates and our share of the underlying equity of our Unconsolidated Real Estate Affiliates are typically amortized over lives ranging from 5 to 45 years. When cumulative distributions exceed our investment in the joint venture, the investment is reported as a liability in our consolidated financial statements. The liability is limited to our maximum potential obligation to fund contractual obligations, including recourse related to certain debt obligations.

Partially owned, joint ventures over which we have controlling financial interest are consolidated in our consolidated financial statements. In determining if we have a controlling financial interest, we consider factors such as ownership interest, authority to

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

make decisions, kick-out rights and substantive participating rights. Partially owned joint ventures where we do not have a controlling financial interest, but have the ability to exercise significant influence, are accounted for using the equity method.

To the extent that we contribute assets to a joint venture accounted for using the equity method, our investment in the joint venture is recorded at the fair value of the consideration of the assets that were contributed to the joint venture. We will recognize gains and losses on the contribution of our real estate to joint ventures, relating to our entire investment in the property, to the extent the buyer is independent of the Company, the collection of the sales price is reasonably assured, and we will not be required to support the operations of the property or its related obligations to an extent greater than our proportionate interest.

The combined summarized financial information of unconsolidated joint ventures is disclosed in Note 5 to the Consolidated Financial Statements.

We continually analyze and assess reconsideration events, including changes in the factors mentioned above, to determine if the consolidation treatment remains appropriate. Decisions regarding consolidation of partially owned entities frequently require significant judgment by our management.

Revenue Recognition and Related Matters

Minimum rents are recognized on a straight-line basis over the terms of the related operating leases, including the effect of any free rent periods. Minimum rents also include lease termination income collected from tenants to allow for the tenant to vacate their space prior to their scheduled termination dates, as well as accretion related to above-market and below-market tenant leases on acquired properties and properties that were recorded at fair value at the emergence from bankruptcy.

Overage rent is paid by a tenant when the tenant's sales exceed an agreed upon minimum amount and is recognized on an accrual basis once tenant sales exceed contractual tenant lease thresholds and is calculated by multiplying the sales in excess of the minimum amount by a percentage defined in the lease.

Tenant recoveries are established in the leases or computed based upon a formula related to real estate taxes, insurance and other property operating expenses and are generally recognized as revenues in the period the related costs are incurred.

Accounting for real estate sales distinguishes between sales to a customer or non-customer for purposes of revenue recognition. Once we, as the seller, determine that we have a contract, we will identify each distinct non-financial asset promised to the counter-party and whether the counter-party obtains control and transfers risks and rewards of ownership of each non-financial asset to determine if we should derecognize the asset.

We provide an allowance for doubtful accounts against the portion of accounts receivable including straight-line rents, which is estimated to be uncollectible. Such allowances are reviewed each period based upon our recovery experience and the specific facts of each outstanding amount.

Management Fees and Other Corporate Revenues

Management fees and other corporate revenues primarily represent management and leasing fees, development fees, financing fees and fees for other ancillary services performed for the benefit of certain of the Unconsolidated Real Estate Affiliates. Management fees are reported at 100% of the revenue earned from the joint venture in management fees and other corporate revenues on our Consolidated Statements of Comprehensive Income. Our share of the management fee expense incurred by the Unconsolidated Real Estate Affiliates is reported within equity in income of Unconsolidated Real Estate Affiliates on our Consolidated Statements of Comprehensive Income and in property management and other costs in the Condensed Combined Statements of Income in Note 5. The following table summarizes the management fees from affiliates and our share of the management fee expense:

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Management fees from affiliates	\$26,030	\$20,847	\$51,795	\$48,990
Management fee expense	(10,287)	(8,443)	(20,779)	(17,246)
Net management fees from affiliates	\$15,743	\$12,404	\$31,016	\$31,744

Based upon the new revenue recognition guidance, we determined that typical management fees including property and asset management, construction and development management services, leasing services, property acquisition and disposition services and financing services, needed to be evaluated for each separate performance obligation included in the contract in order to determine timing of revenue recognition. Revenues from contracts within the scope of the new revenue recognition guidance were \$50.6 million for the six months ended June 30, 2018. Management determined that property and asset management and construction and development management services each represent a series of stand-ready performance obligations satisfied over time with each day of service being a distinct performance obligation. For property and asset management services, we are compensated for our services through a monthly management fee earned based on a specified percentage of the monthly rental income or rental receipts generated from the property under management. For construction and development services, we are compensated for planning, administering and monitoring the design and construction of projects at our joint venture properties typically based on a percentage of project costs, hourly rate of development staff or a fixed fee. Revenues from such contracts were \$43.7 million for the six months ended June 30, 2018 and are recognized over the life of the applicable contract.

Conversely, leasing services, property acquisition and disposition services and financing services are each considered to be a single performance obligation, satisfied as of a point in time. Our fee is paid upon the occurrence of certain contractual event(s) that may be contingent and pattern of revenue recognition may differ from the timing of payment. For these services, the obligation is the execution of the lease, closing of the sale or acquisition, or closing of the financing or refinancing. As such, revenues are recognized at the point in time when the respective obligation has been satisfied. Revenues from such contracts were \$6.9 million for the six months ended June 30, 2018.

Impairment

Operating properties

We regularly review our consolidated properties for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment indicators are assessed separately for each property and include, but are not limited to, significant decreases in real estate property net operating income, significant decreases in occupancy percentage, debt maturities, changes in management's intent with respect to the properties and prevailing market conditions.

If an indicator of potential impairment exists, the property is tested for recoverability by comparing its carrying amount to the estimated future undiscounted cash flows. Although the carrying amount may exceed the estimated fair value of certain properties, a real estate asset is only considered to be impaired when its carrying amount cannot be recovered through estimated future undiscounted cash flows. To the extent an impairment provision is determined to be necessary, the excess of the carrying amount of the property over its estimated fair value is expensed to operations.

In addition, the impairment provision is allocated proportionately to adjust the carrying amount of the asset group. The adjusted carrying amount, which represents the new cost basis of the property, is depreciated over the remaining useful life of the property.

Although we may market a property for sale, there can be no assurance that the transaction will be complete until the sale is finalized. However, GAAP requires us to utilize the Company's expected holding period of our properties when assessing recoverability. If we cannot recover the carrying value of these properties within the planned holding period, we will estimate the fair values of the assets and record impairment charges for properties when the estimated fair value is less than their carrying value.

Impairment indicators for pre-development costs, which are typically costs incurred during the beginning stages of a potential development and construction in progress, are assessed by project and include, but are not limited to, significant changes in the Company's plans with respect to the project, significant changes in projected completion dates, tenant demand, anticipated revenues or cash flows, development costs, market factors and sustainability of development projects.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Impairment charges are recorded in the Consolidated Statements of Comprehensive Income when the carrying value of a property is not recoverable and it exceeds the estimated fair value of the property, which can occur in accounting periods preceding disposition and/or in the period of disposition.

During the six months ended June 30, 2018, we recorded a \$38.4 million impairment charge on our Consolidated Statements of Comprehensive Income related to one operating property that has non-recourse debt maturing during 2019 that exceeds the fair value of the operating property. No provisions for impairment were recognized for the three months ended June 30, 2018.

No provisions for impairment were recognized for the three and six months ended June 30, 2017.

Changes in economic and operating conditions that occur subsequent to our review of recoverability of our properties could impact the assumptions used in that assessment and could result in future impairment if assumptions regarding those properties differ from actual results.

Investment in Unconsolidated Real Estate Affiliates

A series of operating losses of an investee or other factors may indicate that an other-than-temporary decline in value of our investment in an Unconsolidated Real Estate Affiliate has occurred. The investment in each of the Unconsolidated Real Estate Affiliates is evaluated for valuation declines below the carrying amount. Accordingly, in addition to the property-specific impairment analysis that we performed for such joint ventures (as part of our operating property impairment process described above), we also considered whether there were other-than-temporary declines with respect to the carrying values of our Unconsolidated Real Estate Affiliates.

No impairments related to our investments in Unconsolidated Real Estate Affiliates were recognized for the three and six months ended June 30, 2018 and 2017.

Changes in economic and operating conditions that occur subsequent to our review of recoverability of our investments in Unconsolidated Real Estate Affiliates could impact the assumptions used in that assessment and could result in future impairment if assumptions regarding those investments differ from actual results.

Notes Receivable

Notes receivable are evaluated for impairment at least quarterly. Impairment occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we record an allowance through the provision for loan losses to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral.

No impairments related to our notes receivable were recognized for the three and six months ended June 30, 2018 and 2017.

Held for Disposition

As of June 30, 2018, a non-refundable deposit of significance was received from the buyer for one property, making the sale probable. Therefore, the property was considered held for disposition as of June 30, 2018. Total assets held for disposition were \$120.7 million, which included \$119.4 million of net investment in real estate, and total liabilities held for disposition were \$100.7 million, which included \$100.0 million of mortgages, notes and loans payable. The property was subsequently sold on July 13, 2018 (Note 17).

Fair Value Measurements (Note 4)

The accounting principles for fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - defined as observable inputs such as quoted prices for identical assets or liabilities in active markets;

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

• Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

• Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Note 4 includes a discussion of properties measured at fair value on a non-recurring basis using Level 2 and Level 3 inputs and the fair value of debt, which is estimated on a recurring basis using Level 2 and Level 3 inputs. Note 8 includes a discussion of certain redeemable noncontrolling interests that are measured at fair value using Level 1 inputs.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We are exposed to credit risk with respect to cash held at various financial institutions and access to our credit facility. Our credit risk exposure with regard to our cash and the \$1.5 billion, including the uncommitted accordion feature, available under our credit facility is spread among a diversified group of investment grade financial institutions. We had \$260.0 million outstanding and no amount outstanding under our credit facility as of June 30, 2018 and December 31, 2017, respectively.

Recently Issued Accounting Pronouncements

Based upon the new revenue recognition guidance, revenue recognized for the three and six months ended June 30, 2018 is not significantly different as compared to what would have been recognized in the same period under guidance that was in effect before the change. Effective January 1, 2018, companies are required to apply a five-step model in accounting for revenue. The core principle of the revenue model is that a company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Lease contracts are excluded from this revenue recognition criteria; however, the sale of real estate is required to follow the new model. Expanded quantitative and qualitative disclosures regarding revenue recognition are required for contracts that are subject to this pronouncement. The new standard can be adopted either retrospectively to each prior reporting period presented or on a modified retrospective approach as a cumulative effect adjustment as of the date of adoption. The Company adopted the model effective January 1, 2018 using the modified retrospective approach for implementation. We elected to use the practical expedient to apply the model only to contracts not yet completed as of the date of adoption. The adoption resulted in a cumulative-effect adjustment to increase equity as of January 1, 2018 of approximately \$1.90 million related to changes in the revenue recognition pattern of lease commissions earned by the Company from our joint ventures and the sale of condos in our Unconsolidated Real Estate Affiliates (Note 5).

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02 which will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Lessor accounting remains substantially similar to current GAAP. However, leasing costs that are currently eligible to be capitalized as initial direct costs are limited by ASU 2016-02. In addition, disclosures of leasing activities are to be expanded to include qualitative along with specific quantitative information.

For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 mandates a modified retrospective transition method. The Company expects to adopt this guidance on January 1, 2019 and will continue to evaluate the potential impact of this pronouncement on its consolidated financial statements until the guidance becomes effective.

In June 2016, the FASB issued ASU 2016-13 which changes the model for the measurement of credit losses on financial instruments. Specifically, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this ASU will be effective for the Company January 1, 2020 with early adoption permitted on January 1, 2019. The Company is evaluating the potential impact of this pronouncement on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16 which changed the current income tax accounting for intra-entity asset sales to be only for inventory. The Company adopted this standard effective January 1, 2018. For those companies that did not recognize the income tax impact of a sale other than inventory before the adoption date, the new ASU was applied on a modified retrospective

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

basis, with a cumulative-effect adjustment directly to retained earnings as of January 1, 2018. This resulted in a cumulative-effect adjustment to decrease retained earnings by the unamortized balance of the \$18.8 million prepaid asset established in December 2016.

In November 2016, the FASB issued ASU 2016-18 which requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents and restricted cash or restricted cash equivalents. This standard is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company adopted this guidance on December 31, 2017, which changes our statements of cash flows and related disclosures for all periods presented.

In February 2017, the FASB issued ASU 2017-05 which clarifies the accounting for the derecognition of nonfinancial assets by eliminating the exception in current GAAP for transfers of investments in real estate entities (including equity method investments). The amendments in this update provide guidance on the accounting of partial sales of nonfinancial assets and contributions of nonfinancial assets to a joint venture or other noncontrolling investee. Once this guidance is adopted, an entity would use the guidance in the new revenue recognition standard (discussed above) to determine whether it is transferring multiple, distinct assets and would recognize a gain or loss for each distinct asset transferred. When an entity transfers nonfinancial assets included in a subsidiary and retains or receives an equity interest, it first determines whether it has retained a controlling financial interest in the subsidiary. If so, the entity does not derecognize the assets and accounts for the sale of noncontrolling interest in the subsidiary under the consolidation guidance covering decreases in ownership which would result in recognizing a gain or loss. If an entity retains or receives a noncontrolling interest in the entity that owns the asset post-sale, that noncontrolling interest is considered noncash consideration and is included in the transaction price at its fair value. The retained noncontrolling interest is included at its fair value and results in an entity recognizing 100% of the gain on sale of the asset. The Company adopted this standard as of January 1, 2018 using the modified retrospective approach for implementation. We elected to use the practical expedient to apply the standard only to contracts not yet completed as of the date of adoption. The adoption will result in higher gains on future sales of partial real estate interests due to recognizing 100% of the gain on the sale of the partial interest and recording the retained noncontrolling interest at fair value. As of the adoption date, January 1, 2018, there was no cumulative-effect adjustment recorded to retained earnings.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, estimates and assumptions have been made with respect to allocating the purchase price of real estate acquisitions, the useful lives of assets, capitalization of development and leasing costs, provision for income taxes, recoverable amounts of receivables and deferred taxes, provision for loan loss, initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to acquisitions, impairment of long-lived assets, litigation related accruals and disclosures and fair value of debt. Actual results could differ from these and other estimates.

NOTE 3 ACQUISITIONS, SALES AND JOINT VENTURE ACTIVITY

On January 29, 2018, we completed the sale of a 49.49% joint venture interest in the Sears Box at Oakbrook Center for a sales price of \$44.7 million, which resulted in a gain of \$12.7 million recognized in gain from changes in control of investment properties and other for the six months ended June 30, 2018.

On September 15, 2016, joint ventures we formed with Simon Property Group and Authentic Brands Group LLC ("ABG") acquired Aeropostale, Inc. ("Aeropostale") for \$80.0 million in total cash which included cash for working capital requirements of the retail business. The intellectual property and brand related assets were assigned to the Aero IpCo, LLC venture ("IPCO") and the assets and liabilities necessary to run the stores were assigned to the Aero OpCo, LLC venture ("OPCO"). In connection with the transaction, our total investment was \$20.4 million of cash contributed to the ventures for an effective ownership of approximately 26% in the two joint ventures. Aeropostale is a tenant at certain properties for which we receive rental income included in minimum rents on the Consolidated Statements of Operations and Comprehensive Income.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

On December 29, 2017, we sold approximately 54% of our interest in IPCO to ABG for a sales price of \$16.6 million, which resulted in a gain of \$12.0 million recognized in Unconsolidated Real Estate Affiliates - gain on investment on our Consolidated Statements of Comprehensive Income for the year ended December 31, 2017. On March 30, 2018, ABG exercised their call right to purchase our remaining 46% interest in IPCO for a sales price of \$13.9 million, which resulted in a gain of \$10.4 million recognized in Unconsolidated Real Estate Affiliates - gain on investment on our Consolidated Statements of Comprehensive Income for the six months ended June 30, 2018. In addition, we invested \$30.5 million in ABG units on December 29, 2017. The investment is considered a cost method investment and is included in investment in Unconsolidated Real Estate Affiliates on the Consolidated Balance Sheets.

On June 30, 2017, we conveyed Lakeside Mall to the lender in full satisfaction of \$144.5 million in outstanding debt. This transaction resulted in a \$55.1 million gain on extinguishment of debt for the three and six months ended June 30, 2017.

On June 9, 2017, we closed on the acquisition of our joint venture partner's 50% interest in Neshaminy Mall located in Bensalem, Pennsylvania for a gross purchase price of \$65.0 million. Post acquisition, we own 100% of the mall. Prior to the acquisition of the remaining interest, the carrying value for our investment was \$55.2 million. As a result of this acquisition, the implied fair value of our previous investment in Neshaminy Mall is \$33.7 million, resulting in a loss of \$21.5 million, recognized in loss from changes in control of investment properties and other for the three and six months ended June 30, 2017.

On May 12, 2017, we closed on the sale of Red Cliffs Mall in St. George, Utah for \$39.1 million. The transaction netted proceeds of approximately \$36.3 million and resulted in a gain on sale of \$5.6 million recognized in gain from changes in control of investment properties and other for the three and six months ended June 30, 2017.

NOTE 4 FAIR VALUE

Nonrecurring Fair Value Measurements

We estimate fair value relating to impairment assessments based upon discounted cash flow and direct capitalization models that include all projected cash inflows and outflows over a specific holding period, or the negotiated sales price, if applicable. Such projected cash flows are comprised of contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectations for growth. Capitalization rates and discount rates utilized in these models are based on a reasonable range of current market rates for each property analyzed. Based upon these inputs, we determined that our valuations of properties using a discounted cash flow or a direct capitalization model were classified within Level 3 of the fair value hierarchy. For our properties for which the estimated fair value was based on negotiated sales prices, we determined that our valuation was classified within Level 2 of the fair value hierarchy.

The following table summarizes certain of our assets that are measured at fair value on a nonrecurring basis as a result of impairment charges recorded during the six months ended June 30, 2018. No impairment charges were recognized during the six months ended June 30, 2017.

Total Fair Value	Quoted Prices in	Significant Other	Significant Unobservable	Provisions for
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	Measurement	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Inputs (Level 3)	Impairment
Six Months Ended June 30, 2018					
Investments in real estate (1)	\$ 71,181	\$ —	\$ —	\$ 71,181	\$ 38,379

(1) Refer to Note 2 for more information regarding impairment. Investments in real estate includes consolidated properties and Unconsolidated Real Estate Affiliates.

Unobservable Quantitative Input	Rate
Discount rates	9.75%
Terminal capitalization rates	10.25%

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Disclosure of Fair Value of Financial Instruments

The fair values of our financial instruments approximate their carrying amount in our consolidated financial statements except for debt. Management's estimates of fair value are presented below for our debt as of June 30, 2018 and December 31, 2017.

	June 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(1)	(2)	(1)	(2)
Fixed-rate debt	\$10,618,364	\$10,441,443	\$10,420,252	\$10,467,262
Variable-rate debt	2,229,271	2,244,670	2,412,207	2,415,457
	\$12,847,635	\$12,686,113	\$12,832,459	\$12,882,719

(1) Includes net market rate adjustments of \$21.3 million and deferred financing costs of \$25.0 million, net.

(2) Includes net market rate adjustments of \$23.5 million and deferred financing costs of \$30.3 million, net.

The fair value of our Junior Subordinated Notes approximates their carrying amount as of June 30, 2018 and December 31, 2017. We estimated the fair value of mortgages, notes and other loans payable using Level 2 and Level 3 inputs based on recent financing transactions, estimates of the fair value of the property that serves as collateral for such debt, historical risk premiums for loans of comparable quality, current LIBOR, U.S. treasury obligation interest rates and on the discounted estimated future cash payments to be made on such debt. The discount rates estimated reflect our judgment as to what the approximate current lending rates for loans or groups of loans with similar maturities and assume that the debt is outstanding through maturity. We have utilized market information as available or present value techniques to estimate the amounts required to be disclosed. Since such amounts are estimates that are based on limited available market information for similar transactions and do not acknowledge transfer or other repayment restrictions that may exist in specific loans, it is unlikely that the estimated fair value of any such debt could be realized by immediate settlement of the obligation.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 5 UNCONSOLIDATED REAL ESTATE AFFILIATES

Following is summarized financial information for all of our real estate related Unconsolidated Real Estate Affiliates accounted for using the equity method and a reconciliation to our total investment in Unconsolidated Real Estate Affiliates. The reconciliation to our total investment in Unconsolidated Real Estate Affiliates is inclusive of investments accounted for using the cost method (Note 2).

	June 30, 2018	December 31, 2017
Condensed Combined Balance Sheets - Unconsolidated Real Estate Affiliates		
Assets:		
Land	\$2,949,758	\$2,908,181
Buildings and equipment	14,247,590	14,014,665
Less accumulated depreciation	(3,992,067)	(3,794,792)
Construction in progress	509,603	545,305
Net property and equipment	13,714,884	13,673,359
Investment in unconsolidated joint ventures	613,853	613,136
Net investment in real estate	14,328,737	14,286,495
Cash and cash equivalents	426,027	438,664
Accounts receivable, net	324,445	386,634
Notes receivable	18,725	15,058
Deferred expenses, net	350,576	339,327
Prepaid expenses and other assets	209,034	381,980
Total assets	\$15,657,544	\$15,848,158
Liabilities and Owners' Equity:		
Mortgages, notes and loans payable	\$10,539,041	\$10,504,799
Accounts payable, accrued expenses and other liabilities	555,692	1,115,549
Cumulative effect of foreign currency translation ("CFCT")	(21,258)	(38,013)
Owners' equity, excluding CFCT	4,584,069	4,265,823
Total liabilities and owners' equity	\$15,657,544	\$15,848,158
Investment in Unconsolidated Real Estate Affiliates, Net:		
Owners' equity	\$4,562,811	\$4,227,810
Less: joint venture partners' equity	(2,629,508)	(2,413,822)
Plus: excess investment/basis differences	1,421,497	1,547,462
Investment in Unconsolidated Real Estate Affiliates, net (equity method)	3,354,800	3,361,450
Investment in Unconsolidated Real Estate Affiliates, net (cost method)	30,483	30,483
Elimination of consolidated real estate investment interest through joint venture	(47,323)	(52,305)
Retail investment, net	479	16,091
Investment in Unconsolidated Real Estate Affiliates, net	\$3,338,439	\$3,355,719
Reconciliation - Investment in Unconsolidated Real Estate Affiliates:		
Asset - Investment in Unconsolidated Real Estate Affiliates	\$3,360,839	\$3,377,112
Liability - Investment in Unconsolidated Real Estate Affiliates	(22,400)	(21,393)
Investment in Unconsolidated Real Estate Affiliates, net	\$3,338,439	\$3,355,719

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Condensed Combined Statements of Income - Unconsolidated Real Estate Affiliates (1)				
Revenues:				
Minimum rents	\$ 303,103	\$ 289,606	\$ 594,575	\$ 585,473
Tenant recoveries	119,108	119,923	241,750	241,942
Overage rents	5,325	4,085	11,629	10,192
Condominium sales	12,384	83,402	49,273	180,389
Other	12,732	12,763	31,002	25,842
Total revenues	452,652	509,779	928,229	1,043,838
Expenses:				
Real estate taxes	38,221	32,408	74,357	67,465
Property maintenance costs	945	9,575	12,608	21,064
Marketing	3,326	3,916	8,917	8,478
Other property operating costs	56,686	56,299	112,991	109,930
Condominium cost of sales	9,029	60,809	35,924	131,524
Provision for doubtful accounts	1,361	2,059	3,921	4,023
Property management and other costs (2)	22,453	19,910	45,863	38,370
General and administrative	1,109	490	1,667	1,063
Depreciation and amortization	159,243	127,240	284,323	249,732
Total expenses	292,373	312,706	580,571	631,649
Operating income	160,279	197,073	347,658	412,189
Interest income	1,583	2,815	3,424	5,543
Interest expense	(116,083)	(114,193)	(220,647)	(225,181)
Provision for income taxes	(198)	(268)	(402)	(545)
Equity in loss of unconsolidated joint ventures	(10,107)	(6,357)	(17,672)	(10,711)
Income from continuing operations	35,474	79,070	112,361	181,295
Allocation to noncontrolling interests	(19)	(20)	(37)	(44)
Net income attributable to the ventures	\$ 35,455	\$ 79,050	\$ 112,324	\$ 181,251
Equity In Income of Unconsolidated Real Estate Affiliates:				
Net income attributable to the ventures	\$ 35,455	\$ 79,050	\$ 112,324	\$ 181,251
Joint venture partners' share of income	(12,639)	(37,093)	(48,240)	(86,322)
Elimination of loss from consolidated real estate investment with interest owned through joint venture	714	388	626	1,440
Loss on retail investment	(1,243)	(575)	(7,099)	(10,787)
Amortization of capital or basis differences	(7,257)	(11,038)	(18,742)	(21,636)
Equity in income of Unconsolidated Real Estate Affiliates	\$ 15,030	\$ 30,732	\$ 38,869	\$ 63,946

(1) The Condensed Combined Statements of Income - Unconsolidated Real Estate Affiliates include income from Miami Design District subsequent to June 1, 2017.

(2) Includes management fees charged to the unconsolidated joint ventures by GGMI and GGSI.

The Unconsolidated Real Estate Affiliates represent our investments in real estate joint ventures that are not consolidated. We hold interests in 22 domestic joint ventures, comprising 38 U.S. retail properties and one joint venture in Brazil. Generally, we share in the profits and losses, cash flows and other matters relating to our investments in Unconsolidated Real Estate Affiliates in

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

accordance with our respective ownership percentages. We manage most of the properties owned by these joint ventures. We account for investments in joint ventures where we own a non-controlling joint interest using either the equity method or the cost method. If we have significant influence but not control over the investment, we utilize the equity method. If we have neither control nor significant influence, we utilize the cost method. If we control the joint venture, we account for the venture as a consolidated investment.

On June 1, 2017, we received an additional 7.3% of our joint venture partner's membership interests in Miami Design District in full satisfaction of two promissory notes for \$57.6 million and \$40.4 million, respectively, resulting in a total ownership of 22.3%. We determined that we had significant influence over the investment subsequent to the acquisition of the additional interest, and therefore we changed our method of accounting for this joint venture from the cost method to the equity method (Note 2).

On July 12, 2017, we closed on the acquisition of the remaining 50% interest in 8 anchor boxes included in the GSPH joint venture with Seritage. We had previously owned a 50% interest in the joint venture and accounted for the joint venture using the equity method of accounting, but as a result of the transaction we now account for this joint venture using the consolidation method of accounting. Simultaneously, we distributed the 4 remaining anchor boxes in GSPH to a newly formed joint venture, GSPHII, between GGP and Seritage in which the ownership interest remains at 50% for both joint venture partners, and we continue to account for this joint venture using the equity method of accounting. Finally, we acquired a 50% interest in 5 anchor boxes through a newly formed joint venture, GSPH2017, which we account for using the equity method of accounting.

On September 19, 2017, we entered into three transactions with affiliates of Thor related to joint ventures between GGP and Thor at 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue. As a result of these transactions, we changed our method of accounting for these three joint ventures from the equity method of accounting. We now consolidate the joint ventures with our joint venture partner's share of equity included in noncontrolling interest.

Condominium Sales and Condominium Cost of Sales

On March 7, 2014, GGP formed a joint venture, AMX Partners, LLC, with Kahikolu Partners, LLC, for the purpose of constructing a luxury residential condominium tower (the Park Lane condominium project) on a site located within the Ala Moana Shopping Center. Under the previous revenue recognition guidance, the percentage of completion method was used to account for the sales revenue of the Park Lane condominium project. Upon adoption of the new revenue recognition standard (Note 2), risks and rewards of ownership and control over the condominium unit transfers upon the closing of the sale to the customer, and as such, the joint venture will recognize revenue for the condominium unit upon closing.

Unconsolidated Mortgages, Notes and Loans Payable, and Retained Debt

Our proportionate share of the mortgages, notes and loans payable of the unconsolidated joint ventures was \$5.1 billion as of June 30, 2018 and December 31, 2017, including Retained Debt (as defined below). There can be no assurance that the Unconsolidated Properties will be able to refinance or restructure such debt on acceptable terms or otherwise, or that joint venture operations or contributions by us and/or our partners will be sufficient to repay such loans.

We have debt obligations in excess of our pro rata share of the debt for one of our Unconsolidated Real Estate Affiliates ("Retained Debt"). This Retained Debt represents distributed debt proceeds of the Unconsolidated Real Estate Affiliates in excess of our pro rata share of the non-recourse mortgage indebtedness. The proceeds of the Retained Debt which were distributed to us are included as a reduction in our investment in Unconsolidated Real Estate Affiliates. We had retained debt of \$84.1 million at one property as of June 30, 2018, and \$85.2 million as of December 31, 2017. We are obligated to contribute funds on an ongoing basis, as needed, to our Unconsolidated Real Estate Affiliates in amounts sufficient to pay debt service on such Retained Debt. If we do not contribute such funds, our distributions from such Unconsolidated Real Estate Affiliates, or our interest in, could be reduced to the extent of such deficiencies. As of June 30, 2018, we do not anticipate an inability to perform on our obligations with respect to Retained Debt.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 6 MORTGAGES, NOTES AND LOANS PAYABLE

Mortgages, notes and loans payable and the weighted-average interest rates are summarized as follows:

	June 30, 2018 (1)	Weighted-Average Interest Rate (2)	December 31, 2017 (3)	Weighted-Average Interest Rate (2)
Fixed-rate debt:				
Collateralized mortgages, notes and loans payable	\$ 10,618,364	4.41 %	\$ 10,420,252	4.41 %
Total fixed-rate debt	10,618,364	4.41 %	10,420,252	4.41 %
Variable-rate debt:				
Collateralized mortgages, notes and loans payable (4)	2,074,540	3.87 %	2,418,628	3.39 %
Revolving credit facility (5)	154,731	3.34 %	(6,421)	—
Total variable-rate debt	2,229,271	3.83 %	2,412,207	3.39 %
Total Mortgages, notes and loans payable	\$ 12,847,635	4.31 %	\$ 12,832,459	4.22 %
Junior subordinated notes	\$ 206,200	3.81 %	\$ 206,200	2.83 %

(1) Includes \$21.3 million of market rate adjustments and \$25.0 million of deferred financing costs, net.

(2) Represents the weighted-average interest rates on our principal balances, excluding the effects of market rate adjustments and deferred financing costs.

(3) Includes \$23.5 million of market rate adjustments and \$30.3 million of deferred financing costs, net.

(4) \$1.4 billion of the variable-rate balance is cross-collateralized.

Includes deferred financing costs, which are shown as a reduction to the debt balance. See table below for the

(5) balance excluding deferred financing costs. Excludes \$100.0 million categorized as held for disposition as of June 30, 2018 (Note 2).

Collateralized Mortgages, Notes and Loans Payable

As of June 30, 2018, \$18.2 billion of land, buildings and equipment (before accumulated depreciation) and construction in progress have been pledged as collateral for our mortgages, notes and loans payable. Certain of these consolidated secured loans, representing \$1.4 billion of debt, are cross-collateralized. Although a majority of the \$12.7 billion of fixed and variable rate collateralized mortgages, notes and loans payable are non-recourse, \$808.4 million of such mortgages, notes and loans payable are recourse to the Company as guarantees on secured financings. In addition, certain mortgage loans contain other credit enhancement provisions which have been provided by GGP. Certain mortgages, notes and loans payable may be prepaid but are generally subject to a prepayment penalty equal to a yield-maintenance premium, defeasance or a percentage of the loan balance.

During the six months ended June 30, 2018, we refinanced a consolidated mortgage note at 685 Fifth Avenue. The prior \$340.0 million variable-rate consolidated mortgage note matured on July 1, 2018 and had an interest rate of LIBOR plus 2.75%. In connection with the refinancing, \$100.0 million remained related to the commercial office unit and a new \$275.0 million fixed-rate consolidated mortgage note with a term-to-maturity of 10.0 years and an interest rate of 4.53% was obtained on the retail unit. The \$100.0 million was paid down in full in conjunction with the sale of the commercial office unit on July 13, 2018 (Note 17).

During the year ended December 31, 2017, we paid down a \$73.4 million consolidated mortgage note at Four Seasons Town Centre. The prior loan had a term-to-maturity of 0.2 years and an interest rate of 5.6%. Four Seasons Town Centre subsequently replaced a property that was sold during the year ended December 31, 2017 as collateral in our \$1.4 billion loan secured by cross-collateralized mortgages on 14 properties. In addition, we obtained a new consolidated mortgage note at Mall of Louisiana for \$325.0 million with an interest rate of 3.98%. Finally, as a result of the three transactions at 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue, we now consolidate a total of \$450.0 million consolidated mortgage notes with interest rates of LIBOR plus 2.75% and LIBOR plus 3.25%. Finally, we refinanced a \$190.0 million consolidated mortgage note with a \$110.0 million consolidated mortgage note at 530 Fifth Avenue. Both notes had an interest rate of LIBOR plus 3.25%. We manage our exposure to interest rate fluctuations related to this debt using interest rate cap agreements. However, our efforts to manage risks associated with interest rate volatility may not be successful.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Our \$1.4 billion loan is secured by cross-collateralized mortgages on 14 properties. The interest rate is LIBOR plus 1.75% and the recourse is 50%. The loan matures on April 25, 2019, with two one year extension options.

Corporate and Other Unsecured Loans

We have certain unsecured debt obligations, the terms of which are described below:

	June 30, 2018 (1)	Weighted-Average Interest Rate		December 31, 2017 (2)	Weighted-Average Interest Rate
Unsecured debt:					
Revolving credit facility	\$ 160,000	3.34	%	\$	—
Total unsecured debt	\$ 160,000	3.34	%	\$	—

Excludes deferred financing costs of \$5.4 million in 2018 that decrease the total amount that appears outstanding in (1) our Consolidated Balance Sheets and \$100.0 million categorized as held for disposition as of June 30, 2018 (Note 2).

(2) Excludes deferred financing costs of \$6.4 million in 2017 that decrease the total amount that appears outstanding in our Consolidated Balance Sheets.

Our revolving credit facility (the "Facility") as amended on October 30, 2015, provides for revolving loans of up to \$1.1 billion. The Facility has an uncommitted accordion feature for a total facility of up to \$1.5 billion. The Facility is scheduled to mature in October 2020 and is unsecured. Borrowings under the Facility bear interest at a rate equal to LIBOR plus 130 to 190 basis points or at a base rate plus 30 to 90 basis points, which is determined by the Company's leverage level. The Facility contains certain restrictive covenants which limit material changes in the nature of our business conducted, including, but not limited to, mergers, dissolutions or liquidations, dispositions of assets, liens, incurrence of additional indebtedness, dividends, transactions with affiliates, prepayment of subordinated debt, negative pledges and changes in fiscal periods. In addition, we are required not to exceed a maximum net debt-to-value ratio, a maximum leverage ratio and a minimum net cash interest coverage ratio; we are not aware of any instances of non-compliance with such covenants as of June 30, 2018. As of June 30, 2018, \$260.0 million was outstanding on the Facility, including \$100.0 million categorized as held for disposition as of June 30, 2018 (Note 2).

Junior Subordinated Notes

GGP Capital Trust I, a Delaware statutory trust (the "Trust") and a wholly-owned subsidiary of GGPN, completed a private placement of \$200.0 million of trust preferred securities ("TRUPS") in 2006. The Trust also issued \$6.2 million of Common Securities to GGPOP. The Trust used the proceeds from the sale of the TRUPS and Common Securities to purchase \$206.2 million of floating rate Junior Subordinated Notes of GGPOP due 2036. Distributions on the TRUPS are equal to LIBOR plus 1.45%. Distributions are cumulative and accrue from the date of original issuance. The TRUPS mature on April 30, 2036, but may be redeemed beginning on April 30, 2011 if the Trust exercises its right to redeem a like amount of Junior Subordinated Notes. The Junior Subordinated Notes bear interest at LIBOR plus 1.45% and are fully recourse to the Company. We have recorded the Junior Subordinated Notes as a liability and our common equity interest in the Trust as prepaid expenses and other assets in our Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017.

Letters of Credit and Surety Bonds

We had outstanding letters of credit and surety bonds of \$42.4 million as of June 30, 2018 and \$51.3 million as of December 31, 2017. These letters of credit and bonds were issued primarily in connection with insurance requirements, special real estate assessments and construction obligations.

We are not aware of any instances of non-compliance with our financial covenants related to our mortgages, notes and loans payable as of June 30, 2018.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 7 INCOME TAXES

We have elected to be taxed as a REIT under the Internal Revenue Code. We intend to maintain REIT status. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable ordinary income. In addition, the Company is required to meet certain asset and income tests.

As a REIT, we will generally not be subject to corporate level Federal income tax on taxable income we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property, and to Federal income and excise taxes on our undistributed taxable income and capital gains. We are currently statutorily open to audit by the Internal Revenue Service for the years ended December 31, 2014 through 2017 and are statutorily open to audit by state taxing authorities for the years ended December 31, 2013 through 2017. We have one TRS that has extended the statute of limitations for the year ended December 31, 2013 until September 30, 2018 for purposes of reviewing a carryback claim.

We have no unrecognized tax benefits recorded pursuant to uncertain tax positions as of June 30, 2018.

NOTE 8 EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

Allocation to Noncontrolling Interests

Noncontrolling interests consists of the redeemable interests related to GGPOP Common, Preferred, and LTIP Units and the noncontrolling interest in our consolidated joint ventures. The following table reflects the activity included in the allocation to noncontrolling interests.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Distributions to preferred GGPOP units	\$(628)	\$(882)	\$(1,261)	\$(3,014)
Net income allocation to noncontrolling interests in GGPOP from continuing operations (Common units)	(818)	(676)	(1,378)	(1,251)
Net income allocation to noncontrolling interests in GGPOP from continuing operations (LTIP units)	(190)	(299)	(324)	(553)
Net income allocated to noncontrolling interest in consolidated real estate affiliates	(313)	(598)	(846)	(847)
Allocation to noncontrolling interests	(1,949)	(2,455)	(3,809)	(5,665)
Other comprehensive (income) loss allocated to noncontrolling interests	84	320	86	315
Comprehensive income allocated to noncontrolling interests	\$(1,865)	\$(2,135)	\$(3,723)	\$(5,350)

Noncontrolling Interests

The noncontrolling interest related to the Common, Preferred, and LTIP Units of GGPOP are presented either as redeemable noncontrolling interests in mezzanine equity or as noncontrolling interests in our permanent equity on our Consolidated Balance Sheets. Classification as redeemable or permanent equity is considered on a tranche-by-tranche basis and is dependent on whether we could be required, under certain events outside of our control, to redeem the securities for cash by the holders of the securities. Those tranches for which we could be required to redeem the security for cash are included in redeemable equity. If we control the decision to redeem the securities for cash, the securities are classified as permanent equity.

The redeemable Common and Preferred Units of GGPOP are recorded at the greater of the carrying amount adjusted for the noncontrolling interest's share of the allocation of income or loss (and its share of other comprehensive income or loss) and dividends or their redemption value (i.e. fair value) as of each measurement date. The excess of the fair value over the carrying amount from period to period is recorded within additional paid-in capital in our Consolidated Balance Sheets. Allocation to noncontrolling interests is presented as an adjustment to net income to arrive at net income (loss) attributable to GGP Inc.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

The common redeemable noncontrolling interests have been recorded at fair value for all periods presented. The preferred redeemable noncontrolling interests have been recorded at carrying value.

Generally, the holders of the Common Units share in any distributions by GGPOP with our common stockholders. However, the GGPOP operating partnership agreement permits distributions solely to GGP if such distributions were required to allow GGP to comply with the REIT distribution requirements or to avoid the imposition of excise tax. Under certain circumstances, the conversion rate for each Common Unit is required to be adjusted to give effect to stock distributions. If the holders had requested redemption of the Common and Preferred Units as of June 30, 2018, the aggregate amount of cash we would have paid would have been \$171.1 million and \$52.3 million, respectively.

GGPOP issued Preferred Units that are, or were, convertible into Common Units of GGPOP at the rates below (subject to adjustment). The holder may convert the Series D and Series E Preferred Units into Common Units of GGPOP at any time, subject to certain restrictions. The Common Units are convertible into common stock at approximately a one-to-one ratio at the current stock price.

	Number of Common Units for each Preferred Unit	Number of Contractual Preferred Units Outstanding as of June 30, 2018 (in thousands)	Converted Basis to Common Units Outstanding as of June 30, 2018 (in thousands)	Conversion Price	Redemption Value (1) (in thousands)
Series B	3.00000	10	—	\$16.66670	\$ 486
Series D	1.50821	533	835	33.15188	26,637
Series E	1.29836	503	679	38.51000	25,133
					\$ 52,256

(1) As of July 10, 2017, the Series B preferred unit conversion option expired and now has a fixed cash redemption value of \$50 per unit.

The following table reflects the activity of the common redeemable noncontrolling interests for the six months ended June 30, 2018, and 2017.

Balance at January 1, 2017	\$262,727
Net income	1,251
Distributions	(2,887)
Redemption of GGPOP units	(651)
Other comprehensive loss	(315)
Fair value adjustment for noncontrolling interests in Operating Partnership	(10,346)
Balance at June 30, 2017	\$249,779

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Balance at January 1, 2018	\$248,126
Net income	1,378
Distributions	(3,684)
Other comprehensive loss	(86)
Fair value adjustment for noncontrolling interests in Operating Partnership	(22,395)
Balance at June 30, 2018	\$223,339

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Common Stock Dividend

Our Board of Directors declared common stock dividends during 2018 and 2017 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per Share
2018			
May 3	July 13, 2018	July 31, 2018	\$ 0.22
February 7	April 13, 2018	April 30, 2018	0.22
2017			
October 31	December 15, 2017	January 5, 2018	\$ 0.22
August 2	October 13, 2017	October 31, 2017	0.22
May 1	July 13, 2017	July 28, 2017	0.22
January 30	April 13, 2017	April 28, 2017	0.22

Our Dividend Reinvestment Plan ("DRIP") provides eligible holders of GGP's common stock with a convenient method of increasing their investment in the Company by reinvesting all or a portion of cash dividends in additional shares of common stock. Eligible stockholders who enroll in the DRIP on or before the fourth business day preceding the record date for a dividend payment will be able to have that dividend reinvested. As a result of the DRIP elections, 11,239 shares were issued during the six months ended June 30, 2018 and 28,693 shares were issued during the six months ended June 30, 2017.

Preferred Stock

On February 13, 2013, we issued, in a public offering, 10,000,000 shares of 6.375% Series A Cumulative Perpetual Preferred Stock (the "Preferred Stock") at a price of \$25.00 per share, resulting in net proceeds of \$242.0 million after issuance costs. The Preferred Stock is recorded net of issuance costs within equity on our Consolidated Balance Sheets, and accrues a quarterly dividend at an annual rate of 6.375%. The dividend is paid in arrears in preference to dividends on our common stock, and reduces net income available to common stockholders, and therefore, earnings per share.

The Preferred Stock does not have a stated maturity date but we may redeem the Preferred Stock after February 12, 2018, for \$25.00 per share plus all accrued and unpaid dividends. We may redeem the Preferred Stock prior to February 12, 2018, in limited circumstances that preserve ownership limits and/or our status as a REIT, as well as during certain circumstances surrounding a change of control. Upon certain circumstances surrounding a change of control, holders of Preferred Stock may elect to convert each share of their Preferred Stock into a number of shares of GGP common stock equivalent to \$25.00 plus accrued and unpaid dividends, but not to exceed a cap of 2.4679 common shares (subject to certain adjustments related to GGP common share splits, subdivisions, or combinations).

Our Board of Directors declared preferred stock dividends during 2018 and 2017 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per
------------------	-------------	--------------	-----------------

	Share		
2018			
July 31	September 17, 2018	October 1, 2018	\$0.3984
May 3	June 15, 2018	July 2, 2018	0.3984
February 7	March 15, 2018	April 2, 2018	0.3984
2017			
October 31	December 15, 2017	January 2, 2018	\$0.3984
August 2	September 15, 2017	October 2, 2017	0.3984
May 1	June 15, 2017	July 3, 2017	0.3984
January 30	March 15, 2017	April 3, 2017	0.3984

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

Accumulated Other Comprehensive Loss

The following table reflects the activity of the components of accumulated other comprehensive loss for the three months ended June 30, 2018, and 2017:

	Foreign currency translation	Net unrealized gains (losses) on other financial instruments	Total
Balance at April 1, 2017	\$(67,998)	\$ 117	\$(67,881)
Other comprehensive income (loss)	(3,709)	(3)	(3,712)
Balance at June 30, 2017	\$(71,707)	\$ 114	\$(71,593)
Balance at April 1, 2018	\$(72,398)	\$ 167	\$(72,231)
Other comprehensive income (loss)	(9,954)	(44)	(9,998)
Balance at June 30, 2018	\$(82,352)	\$ 123	\$(82,229)

The following table reflects the activity of the components of accumulated other comprehensive loss for the six months ended June 30, 2018, and 2017:

	Foreign currency translation	Net unrealized gains (losses) on other financial instruments	Total
Balance at January 1, 2017	\$(70,560)	\$ 104	\$(70,456)
Other comprehensive income (loss)	(1,147)	10	(1,137)
Balance at June 30, 2017	\$(71,707)	\$ 114	\$(71,593)
Balance at January 1, 2018	\$(72,022)	\$ 116	\$(71,906)
Other comprehensive income (loss)	(10,330)	7	(10,323)
Balance at June 30, 2018	\$(82,352)	\$ 123	\$(82,229)

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 9 EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed after adjusting the numerator and denominator of the basic EPS computation for the effects of all potentially dilutive common shares. The dilutive effect of the warrants and the dilutive effect of options and their equivalents (including fixed awards and nonvested stock issued under stock-based compensation plans), are computed using the "treasury" method.

Information related to our EPS calculations is summarized as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Numerators - Basic and Diluted:				
Net income	95,564	128,318	161,460	238,687
Preferred Stock dividends	(3,984)	(3,984)	(7,968)	(7,968)
Allocation to noncontrolling interests	(1,949)	(2,455)	(3,809)	(5,665)
Net income attributable to common stockholders	\$89,631	\$121,879	\$149,683	\$225,054
Denominators:				
Weighted-average number of common shares outstanding - basic	958,387	882,255	957,921	883,374
Effect of dilutive securities	1,808	63,070	2,321	64,038
Weighted-average number of common shares outstanding - diluted	960,195	945,325	960,242	947,412
Anti-dilutive Securities:				
Effect of Preferred Units	1,514	1,544	1,514	1,544
Effect of Common Units	8,374	4,809	8,374	4,780
Effect of LTIP Units	1,725	1,879	1,756	1,885
Weighted-average number of anti-dilutive securities	11,613	8,232	11,644	8,209

For the three and six months ended June 30, 2017, dilutive options and dilutive shares related to the warrants are included in the denominator of diluted EPS.

Outstanding Common Units and LTIP Units have also been excluded from the diluted earnings per share calculation because including such units would also require that the share of GGPOP income attributable to such units be added back to net income therefore resulting in no effect on EPS. Outstanding Preferred Units have been excluded from the diluted EPS calculation for all periods presented because including the Preferred Units would also require that the Preferred Units dividend be added back to the net income, resulting in anti-dilution.

During the year ended December 31, 2017, Brookfield, Abu Dhabi Investment Authority and Future Fund Board of Guardians exercised warrants for 83,866,187 shares of common stock using both full and net share settlement.

GGP owned 55,969,390 shares of treasury stock as of June 30, 2018 and 2017. These shares are presented as common stock in treasury, at cost, on our Consolidated Balance Sheets. Additionally, GGPN holds 27,459,195 shares of stock as a result of warrants purchased during the year ended December 31, 2013. These shares are presented as issued, but

not outstanding on our Consolidated Balance Sheets. Accordingly, these shares have been excluded from the calculation of EPS.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 10 STOCK-BASED COMPENSATION PLANS

The GGP Inc. 2010 Equity Plan (the "Equity Plan") reserved for issuance of 4% of outstanding shares on a fully diluted basis. The Equity Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, other stock-based awards and performance-based compensation (collectively, the "Awards"). Directors, officers and other employees of GGP and its subsidiaries and affiliates are eligible for the Awards. The Equity Plan is not subject to the Employee Retirement Income Security Act of 1974, as amended. No participant may be granted more than 4,000,000 shares, or the equivalent dollar value of such shares, in any year. Options granted under the Equity Plan will be designated as either nonqualified stock options or incentive stock options. An option granted as an incentive stock option will, to the extent it fails to qualify as an incentive stock option, be treated as a nonqualified option. The exercise price of an option may not be less than the fair value of a share of GGP's common stock on the date of grant. The term of each option will be determined prior to the date of grant, but may not exceed 10 years.

On November 12, 2014, the Company's Equity Plan was amended to allow for the grant of LTIP Units to certain officers, directors, and employees of the Company as an alternative to the Company's stock options or restricted stock. LTIP Units are classes of partnership interests that under certain conditions, including vesting, are convertible by the holder into common units, which are redeemable by the holder for common shares on a one-to-one ratio (subject to adjustment for changes to GGP's capital structure) or for the cash value of such shares at the option of the Company.

On February 17, 2016, the Company's Equity Plan was amended to allow for the grant of restricted stock or LTIP Units to certain officers, directors, and employees of the Company that vest based on the achievement of certain established metrics that are based on the performance of the Company.

On January 1, 2017, the Company adopted ASU 2016-09, Compensation - Stock Compensation. This new guidance allowed us to make the election to account for share-based payment forfeitures when they occur versus estimating a forfeiture rate. This resulted in a cumulative effect of accounting change adjustment of \$3.0 million to additional paid-in capital, noncontrolling interests related to LTIP Units and accumulated distributions in excess of earnings as of January 1, 2017.

Compensation expense related to stock-based compensation plans for the three and six months ended June 30, 2018, and 2017 is summarized in the following table in thousands:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Stock options - Property management and other costs	\$59	\$981	\$147	\$1,954
Stock options - General and administrative	10	2,449	74	4,635
Restricted stock - Property management and other costs	2,002	1,546	3,105	3,058
Restricted stock - General and administrative	1,284	1,308	1,894	1,827
LTIP Units - Property management and other costs	272	393	635	792
LTIP Units - General and administrative	3,793	6,333	7,962	10,942
Total	\$7,420	\$13,010	\$13,817	\$23,208

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

The following tables summarize stock option, LTIP Unit and restricted stock activity for the Equity Plan for GGP for the six months ended June 30, 2018 and 2017:

	2018		2017	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Stock options Outstanding at January 1,	14,427,103	\$ 17.84	15,277,189	\$ 17.90
Granted	—	—	—	—
Exercised	(249,508)	15.66	(406,383)	17.84
Forfeited	(1,082)	28.86	(108,554)	22.75
Expired	(48,919)	22.96	(4,107)	28.86
Stock options Outstanding at June 30,	14,127,594	\$ 17.86	14,758,145	\$ 17.86

	2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
LTIP Units Outstanding at January 1,	4,747,664	\$ 26.98	4,345,912	\$ 27.27
Granted	—	—	553,526	25.38
Exercised	(64,499)	29.15	(32,680)	29.15
Forfeited	(179,824)	25.82	(58,894)	26.77
Expired	—	—	—	—
LTIP Units Outstanding at June 30,	4,503,341	\$ 26.99	4,807,864	\$ 27.05

	2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Restricted stock Outstanding at January 1,	1,089,364	\$ 25.29	476,686	\$ 27.11
Granted	1,074,137	21.52	808,448	25.30
Vested	(230,147)	26.18	(166,852)	26.81
Canceled	(73,994)	25.74	(69,761)	25.92
Restricted stock Outstanding at June 30,	1,859,360	22.98	1,048,521	25.84

NOTE 11 ACCOUNTS RECEIVABLE, NET

The following table summarizes the significant components of accounts receivable, net.

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	June 30, 2018	December 31, 2017
Trade receivables	\$90,628	\$ 109,968
Short-term tenant receivables	4,785	4,776
Straight-line rent receivable	233,884	233,630
Other accounts receivable	5,117	5,165
Total accounts receivable	334,414	353,539
Provision for doubtful accounts	(22,754)	(19,458)
Total accounts receivable, net	\$311,660	\$ 334,081

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 12 NOTES RECEIVABLE

The following table summarizes the significant components of notes receivable.

	June 30, 2018	December 31, 2017
Notes receivable	\$342,253	\$ 404,129
Accrued interest	9,169	13,429
Total notes receivable	351,422	417,558

On July 12, 2017, we entered into a promissory note with our joint venture GS Portfolio Holdings II, LLC ("GSPHII"), in which we lent GSPHII \$127.4 million that bears interest at 6.3% from January 1, 2018 until the note matures on December 31, 2018. Interest payments occur a month in arrears, commencing on the first day of the second calendar month with a final payment on the maturity date. The note is collateralized by GSPHII's interest in four anchor boxes.

On May 23, 2017, we entered into a promissory note with our joint venture partner, Bayside Equities, LLC ("Bayside Equities"), a subsidiary of AHC, in which we lent Bayside Equities \$19.1 million that bears interest at 12.2% per annum. The note is collateralized by Bayside Equities' economic interest in Riverchase Galleria and the Tysons Galleria anchor box and matures on May 23, 2021.

Notes receivable includes \$204.3 million of notes receivable from our joint venture partners related to the acquisition of 730 Fifth Avenue in New York, New York. The first note was issued for \$104.3 million to our joint venture partner in the retail portion and bears interest at 8.0% compounded annually and matures on February 12, 2025. The second note was issued for \$100.0 million to the joint venture partner acquiring the office portion of the property and bears interest at 8.0% subject to terms and conditions in the loan agreement and matures on April 17, 2025. As of June 30, 2018, there was \$175.8 million outstanding on the first note. The \$80.0 million outstanding on the second note was paid down in full during the second quarter of 2018.

NOTE 13 PREPAID EXPENSES AND OTHER ASSETS

The following table summarizes the significant components of prepaid expenses and other assets.

	June 30, 2018			December 31, 2017		
	Gross Asset	Accumulated Amortization	Balance	Gross Asset	Accumulated Amortization	Balance
Intangible assets:						
Above-market tenant leases, net	\$306,701	\$(230,532)	\$76,169	\$411,789	\$(313,228)	\$98,561
Below-market ground leases, net	118,994	(15,910)	103,084	118,994	(14,870)	104,124
Real estate tax stabilization agreement, net	111,506	(48,237)	63,269	111,506	(45,081)	66,425
Total intangible assets	\$537,201	\$(294,679)	\$242,522	\$642,289	\$(373,179)	\$269,110
Remaining prepaid expenses and other assets:						
Restricted cash			69,892			67,335
Security and escrow deposits			2,294			2,308
Prepaid expenses			52,435			54,987

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Other non-tenant receivables	29,957	31,265
Deferred tax, net of valuation allowances	22,570	21,061
Other	22,904	69,790
Total remaining prepaid expenses and other assets	200,052	246,746
Total prepaid expenses and other assets	\$442,574	\$515,856

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 14 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table summarizes the significant components of accounts payable and accrued expenses.

	June 30, 2018			December 31, 2017		
	Gross Liability	Accumulated Accretion	Balance	Gross Liability	Accumulated Accretion	Balance
Intangible liabilities:						
Below-market tenant leases, net	304,092	(142,874)	\$ 161,218	348,984	(162,228)	\$ 186,756
Above-market headquarters office leases, net	—	—	—	4,342	(3,860)	482
Above-market ground leases, net	9,880	(2,857)	7,023	9,880	(2,648)	7,232
Total intangible liabilities	\$ 313,972	\$ (145,731)	\$ 168,241	\$ 363,206	\$ (168,736)	\$ 194,470
Remaining accounts payable and accrued expenses:						
Accrued interest			43,282			43,874
Accounts payable and accrued expenses			48,902			77,405
Accrued real estate taxes			81,075			78,213
Deferred gains/income			84,308			90,379
Accrued payroll and other employee liabilities			34,786			54,520
Construction payable			246,639			221,172
Tenant and other deposits			26,195			32,106
Insurance reserve liability			12,862			12,035
Capital lease obligations			5,385			5,385
Conditional asset retirement obligation liability			6,201			6,149
Other			120,650			103,724
Total remaining Accounts payable and accrued expenses			710,285			724,962
Total Accounts payable and accrued expenses			\$ 878,526			\$ 919,432

NOTE 15 LITIGATION

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on our consolidated financial position, results of operations or liquidity.

GGP is subject to litigation related to the agreements with BPY (Note 1). GGP cannot predict the outcome of pending litigation, nor can it predict the amount of time and expense that will be required to resolve such litigation.

Table of Contents

GGP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

NOTE 16 COMMITMENTS AND CONTINGENCIES

We lease land or buildings at certain properties from third parties. The leases generally provide us with a right of first refusal in the event of a proposed sale of the property by the landlord. Rental payments are expensed as incurred and have, to the extent applicable, been straight-lined over the term of the lease. The following is a summary of our contractual rental expense as presented in our Consolidated Statements of Comprehensive Income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Contractual rent expense, including participation rent	\$2,191	\$2,187	\$4,341	\$4,385
Contractual rent expense, including participation rent and excluding amortization of above and below-market ground leases and straight-line rent	1,639	1,615	3,237	3,241

NOTE 17 SUBSEQUENT EVENTS

On July 2, 2018, the company obtained a new fixed-rate loan at Plaza Frontenac for \$100.0 million with an interest rate of 4.43%. The loan replaced a fixed-rate loan of \$52.0 million with an interest rate of 3.04%.

On July 12, 2018, the company obtained a new fixed-rate subordinate loan at The Woodlands Mall for \$62.4 million with an interest rate of 4.05%.

On July 12, 2018, the company obtained a new fixed-rate loan at Christiana Mall for \$550.0 million with an interest rate of 4.28%. The loan replaced a fixed-rate loan of \$225.0 million with an interest rate of 5.10%.

On July 13, 2018, the company completed the sale of the commercial office unit at 685 Fifth Avenue for a gross sales price of \$135.0 million. In conjunction with the sale, we paid down a \$100.0 million loan. The assets and liabilities related to the 685 Fifth Avenue office property were classified as held for sale on the Consolidated Balance Sheets as of June 30, 2018.

On July 26, 2018, the company held a special meeting of its common stockholders. At the special meeting, holders of record of GGP common stock on June 22, 2018, the record date for the special meeting, voted upon and approved the transactions. The completion of the transactions remains subject to certain customary closing conditions. The company expects that the transactions will be completed by the end of August this year.

Table of Contents

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All references to numbered Notes are to specific footnotes to our consolidated financial statements included in this Quarterly Report and whose descriptions are incorporated into the applicable response by reference. The following discussion should be read in conjunction with such consolidated financial statements and related Notes. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") have the same meanings as in such Notes.

Overview

Our primary business is owning and operating best-in-class retail properties that provide an outstanding environment and experience for our communities, retailers, employees, consumers and stockholders. We are an S&P 500 real estate company with a property portfolio comprised primarily of Class A retail properties (defined primarily by sales per square foot) and urban retail properties. GGP Inc. defines best-in-class retail and modern luxury through curated merchandising and elegant culinary experiences set against the backdrop of refined ambiance across this distinguished collection of destinations. Our retail properties are the core centers of retail, dining and entertainment within their trade areas and, therefore, represent hubs of daily life. As of June 30, 2018, we own, either entirely or with joint venture partners, 125 retail properties located throughout the United States comprising approximately 122 million square feet of gross leasable area ("GLA").

We provide management and other services to substantially all of our properties, including properties which we own through joint venture arrangements and which are unconsolidated for GAAP purposes. Our management operating philosophies and strategies are the same whether the properties are consolidated or unconsolidated.

We seek to increase long-term Company NOI and Company EBITDA (as defined below) growth through proactive management and leasing of our properties. We also recycle capital through strategic dispositions in order to opportunistically invest in high quality retail properties. We believe that the most significant operating factor affecting incremental cash flow and Company EBITDA growth is increased rents earned from tenants at our properties. This growth is primarily achieved by:

- contractual rent increases;
- occupancy growth;
- positive leasing spreads;
- income from redevelopment projects; and
- controlling operating expenses.

As of June 30, 2018 the portfolio was 95.6% leased, compared to 95.7% leased at June 30, 2017. On a suite-to-suite basis, the leases commencing occupancy in the trailing 12 months exhibited initial rents that were 11.8% higher than the final rents paid on expiring leases.

We have identified approximately \$1.5 billion of development and redevelopment projects within our portfolio, including re-development of anchor box spaces, over 80% of which is being invested into Class A retail properties. We currently expect to achieve stabilized returns of approximately 7-9% for all projects.

We believe our long-term strategy can provide our stockholders with a competitive risk-adjusted total return comprised of dividends and share price appreciation.

As previously announced, we had reached an agreement with BPY, pursuant to which, among other things, BPY will acquire all of our outstanding shares of common stock, other than those that BPY and its affiliates already own. The transactions provide for distribution and consideration per GGP share of up to \$23.50 in cash or a choice of either one BPY limited partnership unit or one newly created share of BPR, subject to proration in each case, based on aggregate cash amount of \$9.25 billion. The BPR shares were structured with the intention of providing an economic return equivalent to BPY units, including identical distributions. BPR shareholders will have the right to exchange each BPR share for one BPY unit or the cash equivalent of one BPY unit at the election of BPY. On July 26, 2018, the company held a special meeting of its common stockholders. At the special meeting, holders of record of GGP common stock on June 22, 2018, the record date for the special meeting, voted upon and approved the transactions. The completion of the transactions remains subject to certain customary closing conditions. The company expects that the transactions will be completed by the end of August this year.

Table of Contents

Financial Overview

Net income attributable to GGP decreased from \$233.0 million for the six months ended June 30, 2017 to \$157.7 million for the six months ended June 30, 2018 primarily due to a one-time gain on debt extinguishment in the prior year. Our Company NOI (as defined below) increased 0.6% from \$1.1 billion for the six months ended June 30, 2017 to \$1.1 billion for the six months ended June 30, 2018. Our Company FFO (as defined below) increased 0.6% from \$680.9 million for the six months ended June 30, 2017 to \$685.3 million for the six months ended June 30, 2018.

See Non-GAAP Supplemental Financial Measures below for a discussion of Company NOI, Company EBITDA and Company FFO, along with a reconciliation to the comparable GAAP measures, Operating income and Net income attributable to GGP.

Operating Metrics

The following table summarizes selected operating metrics for our portfolio.

	June 30, 2018 (1)	June 30, 2017 (1)
In-Place Rents Per Square Foot for Total Retail Properties (2)	\$78.37	\$78.22
Percentage Leased for Total Retail Properties	95.6 %	95.7 %

- (1) Metrics exclude properties acquired in the year ended December 31, 2017 and the six months ended June 30, 2018, reductions in ownership as a result of sales or other transactions, and certain redevelopments and other properties.
 (2) Rent is presented on a cash basis and consists of base minimum rent and common area costs.

Lease Spread Metrics

The following table summarizes signed leases compared to expiring leases in the same suite, for leases where (1) the downtime between new and previous tenant was less than 24 months, (2) the occupied space between the previous tenant and new tenant did not change by more than 10,000 square feet and (3) the new lease is at least a year.

	# of Leases	SF	Term (in years)	Initial Rent PSF (1)	Expiring Rent PSF (2)	Initial Rent Spread	% Change
Trailing 12 Month Commencements	1,266	4,085,587	6.7	\$59.23	\$52.98	\$6.26	11.8 %

- (1) Represents initial annual rent over the lease consisting of base minimum rent and common area maintenance.
 (2) Represents expiring rent at end of lease consisting of base minimum rent and common area maintenance.

Results of Operations

Three months ended June 30, 2018 and 2017

The following table is a breakout of the components of minimum rents:

Three Months Ended June 30,			
2018	2017	\$ Change	% Change
(Dollars in thousands)			

Components of Minimum rents:

Base minimum rents	\$362,649	\$350,787	\$11,862	3.4	%
Lease termination income	20,306	3,373	16,933	502.0	%
Straight-line rent	(667)	1,385	(2,052)	(148.2)	%
Above and below-market tenant leases, net	(2,976)	(6,340)	3,364	(53.1)	%
Total Minimum rents	\$379,312	\$349,205	\$30,107	8.6	%

Base minimum rents increased \$11.9 million primarily due to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$7.2 million increase in base minimum rents during the second quarter of 2018 compared to the second quarter of 2017. In addition, the acquisition of our joint venture partner's interest in Neshaminy during the second quarter of 2017 resulted in a \$2.1 million increase in base minimum rents. Rents from new developments and contractual rent steps between 2017 and 2018 also increased base minimum rents. The disposition of three operating properties during 2017 resulted in an offsetting \$4.2 million decrease in base minimum rents.

Lease termination income increased \$16.9 million from one tenant at multiple operating properties.

Tenant recoveries decreased \$5.8 million due in part to the disposition of three operating properties during 2017. These dispositions resulted in a \$2.5 million decrease in tenant recoveries during the second quarter of 2018 compared to the second quarter of 2017.

Management fees and other corporate revenues increased \$5.2 million primarily due to a \$4.8 million increase in property and asset management fees related to the Seritage joint venture (Note 5).

Other revenue decreased \$2.8 million primarily due to the disposition of three operating properties during 2017, resulting in a \$5.8 million decrease in other revenue. The sale of a land parcel at one property during 2017 resulted in an offsetting \$2.3 million in other revenue.

Real estate taxes increased \$3.6 million due in part to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$1.8 million increase in real estate taxes during the second quarter of 2018 compared to the second quarter of 2017.

General and administrative expense decreased \$3.8 million primarily due to a decrease in compensation expense (Note 10).

Interest and dividend income decreased \$7.9 million primarily due to the settlement of notes receivable with our joint venture partners during 2017.

Interest expense increased \$6.4 million primarily due to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$6.9 million increase in interest expense during the second quarter of 2018 compared to the second quarter of 2017. In addition, we obtained a new consolidated mortgage note at Mall of Louisiana during the third quarter of 2017, resulting in a \$3.3 million increase in interest expense. The disposition of three operating properties during 2017 resulted in an offsetting \$2.9 million decrease in interest expense.

The loss on foreign currency during the three months ended June 30, 2017 is related to the impact of changes in the exchange rate on the proceeds from the settlement of a note receivable denominated in Brazilian Reais and received in conjunction with the sale of Aliansce in the third quarter of 2013.

The gain on extinguishment of debt during the three months ended June 30, 2017 relates to Lakeside Mall, which was conveyed to the lender in full satisfaction of the debt.

Table of Contents

The loss from changes in control of investment properties and other of \$15.8 million during the three months ended June 30, 2017 relates to the acquisition of the remaining interest in Neshaminy Mall and our sale of our interest in Red Cliffs Mall.

Provision for income taxes decreased \$3.9 million primarily due to a decrease in taxable income recognized by our taxable REIT subsidiary for the sale of condominiums.

Equity in income of Unconsolidated Real Estate Affiliates decreased \$15.7 million primarily due to a decrease in income recognition on condominiums and demolition work at one property.

Six months ended June 30, 2018 and 2017

The following table is a breakout of the components of minimum rents:

	Six Months Ended June 30,		\$	%	
	2018	2017	Change	Change	
	(Dollars in thousands)				
Components of Minimum rents:					
Base minimum rents	\$724,561	\$704,437	\$20,124	2.9	%
Lease termination income	25,909	9,308	16,601	178.4	%
Straight-line rent	593	493	100	20.3	%
Above and below-market tenant leases, net	(3,228)	(16,020)	12,792	(79.9)	%
Total Minimum rents	\$747,835	\$698,218	\$49,617	7.1	%

Base minimum rents increased \$20.1 million primarily due to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$14.2 million increase in base minimum rents during the first six months of 2018 compared to the first six months of 2017. In addition, the acquisition of our joint venture partner's interest in Neshaminy during the second quarter of 2017 resulted in a \$5.1 million increase in base minimum rents. Rents from new developments and contractual rent steps between 2017 and 2018 also increased base minimum rents. The disposition of three operating properties during 2017 resulted in an offsetting \$9.0 million decrease in base minimum rents.

Lease termination income increased \$16.6 million from one tenant at multiple operating properties.

Tenant recoveries decreased \$11.8 million primarily due to the disposition of three operating properties during 2017. This resulted in a \$5.0 million decrease in tenant recoveries during the first six months of 2018 compared to the first six months of 2017. The acquisition of our joint venture partner's interest in Neshaminy during the second quarter of 2017 resulted in an offsetting \$1.9 million increase in tenant recoveries.

Management fees and other corporate revenues increased \$2.8 million primarily due to \$9.4 million increase in property and asset management fees related to the Seritage joint venture (Note 5). This is partially offset by a \$4.3 million one-time profit participation payment received during 2017 related to our Aeropostale joint venture (Note 3).

Other revenue decreased \$6.4 million primarily due to the disposition of three operating properties during 2017, resulting in a \$6.0 million decrease in other revenue, and a contract termination fee of \$3.2 million received during 2017. The sale of a land parcel at one property during 2017 resulted in an offsetting \$2.3 million in other revenue.

Real estate taxes increased \$5.8 million primarily due to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$3.7 million increase in real estate taxes during the first six months of 2018 compared to the first six months of 2017.

General and administrative expense decreased \$6.3 million primarily due to a decrease in compensation expense (Note 10).

The provision for impairment during the six months ended June 30, 2018 is related to an impairment charge recorded on one operating property (Note 2).

Depreciation and amortization increased \$14.4 million primarily due to the write-off of \$9.4 million of corporate assets in 2018. In addition, the consolidation of 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue during the third quarter of 2017 resulted in a \$10.6 million increase in depreciation and amortization and the acquisition of our joint venture partner's interest in

Table of Contents

Neshaminy during the second quarter of 2017 resulted in a \$3.7 million increase in depreciation and amortization. The disposition of three operating properties during 2017 resulted in an offsetting \$5.1 million decrease in depreciation and amortization.

Interest and dividend income decreased \$16.7 million primarily due to the settlement of notes receivable with our joint venture partners during 2017.

Interest expense increased \$12.0 million primarily due to 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue becoming consolidated properties during the third quarter of 2017. This resulted in a \$13.3 million increase in interest expense during the first six months of 2018 compared to the first six months of 2017. In addition, we obtained a new consolidated mortgage note at Mall of Louisiana during the third quarter of 2017, resulting in a \$6.6 million increase in interest expense. The disposition of three operating properties during 2017 resulted in an offsetting \$5.9 million decrease in interest expense.

The loss on foreign currency during the six months ended June 30, 2017 is related to the impact of changes in the exchange rate on the proceeds from the settlement of a note receivable denominated in Brazilian Reais and received in conjunction with the sale of Aliansce in the third quarter of 2013.

The gain from changes in control of investment properties and other of \$12.7 million during the six months ended June 30, 2018 relates to the sale of a 49.9% joint venture interest in the Sears Box at Oakbrook Center (Note 3). The loss from changes in control of investment properties and other of \$15.8 million during the six months ended June 30, 2017 relates to the acquisition of the remaining interest in Neshaminy Mall and our sale of our interest in Red Cliffs Mall.

Provision for income taxes decreased \$8.7 million primarily due to a decrease in taxable income recognized by our taxable REIT subsidiary for the sale of condominiums.

Equity in income of Unconsolidated Real Estate Affiliates decreased \$25.1 million primarily due to a decrease in income recognition on condominiums and demolition work at one property.

The Unconsolidated Real Estate Affiliates - gain on investment during the six months ended June 30, 2018 is related to the sale of a portion of our interest in Aeropostale (Note 3).

Liquidity and Capital Resources

Our primary source of cash is from the ownership and management of our properties and strategic dispositions. We may generate cash from refinancings or borrowings under our revolving credit facility. Our primary uses of cash include payment of operating expenses, debt service, reinvestment in and redevelopment of properties, tenant allowances, dividends, share repurchases and acquisitions.

We anticipate maintaining financial flexibility by managing our future maturities, amortization of debt, and minimizing cross collateralizations and corporate guarantees. We believe that we currently have sufficient liquidity to satisfy all of our commitments in the form of \$194.7 million of consolidated unrestricted cash and \$790.0 million of available credit under our credit facility as of June 30, 2018, as well as anticipated cash provided by operations.

Our key financing objectives include:

- to obtain property-secured debt with laddered maturities;
- to strategically leverage unencumbered retail properties; and

- to minimize the amount of debt that is cross-collateralized and/or recourse to us.

We may raise capital through public or private issuances of debt securities, preferred stock, common stock, common units of the Operating Partnerships (as defined in Note 1), share repurchases or other capital raising activities.

During the six months ended June 30, 2018, we refinanced a consolidated mortgage note at 685 Fifth Avenue. The prior \$340.0 million variable-rate consolidated mortgage note matured on July 1, 2018 and had an interest rate of LIBOR plus 2.75%. In connection with the refinancing, \$100.0 million remained related to the commercial office unit and a new \$275.0 million fixed-rate consolidated mortgage note with a term-to-maturity of 10.0 years and an interest rate of 4.53% was obtained on the retail unit. The \$100.0 million was paid down in full in conjunction with the sale of the commercial office unit on July 13, 2018 (Note 17).

Table of Contents

During the year ended December 31, 2017, we paid down a \$73.4 million consolidated mortgage note at Four Seasons Town Centre. The prior loan had a term-to-maturity of 0.2 years and an interest rate of 5.6%. Four Seasons Town Centre subsequently replaced a property that was sold during the year ended December 31, 2017 as collateral in our \$1.4 billion loan secured by cross-collateralized mortgages on 14 properties. In addition, we obtained a new consolidated mortgage note at Mall of Louisiana for \$325.0 million with an interest rate of 3.98%. We also obtained a new unconsolidated mortgage note at one property for \$74.2 million with an interest rate of 3.77% and paid down a \$60.0 million unconsolidated mortgage note at that property with an interest rate of LIBOR plus 1.75%. Finally, we refinanced a \$190.0 million consolidated mortgage note with a \$110.0 million consolidated mortgage note at 530 Fifth Avenue. Both notes had an interest rate of LIBOR plus 3.25%. Additional financing activity is related to draws and repayments on the corporate revolver.

As of June 30, 2018, we had \$2.8 billion of debt pre-payable at our proportionate share without penalty. We may pursue opportunities to refinance this debt at lower interest rates and longer maturities.

As of June 30, 2018, our proportionate share of total debt aggregated \$18.6 billion. Our total debt includes our consolidated debt of \$13.1 billion and our share of Unconsolidated Real Estate Affiliates debt of \$5.6 billion. Of our proportionate share of total debt, \$1.3 billion is recourse to the Company or its subsidiaries (including the facility) due to guarantees or other security provisions for the benefit of the note holder.

The amount of debt due in the next three years represents 27.8% of our total debt at maturity. The maximum amount due in any one of the next ten years is no more than \$3.2 billion at our proportionate share or approximately 18.1% of our total debt at maturity.

The following table illustrates the scheduled payments for our proportionate share of total debt as of June 30, 2018. The \$206.2 million of Junior Subordinated Notes are due in 2036, but we may redeem them any time after April 30, 2011 (Note 6). As we do not expect to redeem the notes prior to maturity, they are included in the consolidated debt maturing subsequent to 2022.

	Consolidated	Unconsolidated
	(Dollars in thousands)	
2018	\$ 332,766	\$ 195,593
2019	1,178,353	1,076,494
2020	1,660,913	1,102,336
2021	2,936,891	318,502
2022	1,426,337	1,130,247
Subsequent	5,518,575	1,762,393
Total	\$ 13,053,835	\$ 5,585,565

We believe we will be able to extend the maturity date, repay under our available line of credit or refinance the consolidated debt that is scheduled to mature in 2018. We also believe that the joint ventures will be able to refinance the debt of our Unconsolidated Real Estate Affiliates upon maturity; however, there can be no assurance that we will be able to refinance or restructure such debt on acceptable terms or otherwise, or that joint venture operations or contributions by us and/or our partners will be sufficient to repay such loans.

Acquisitions and Joint Venture Activity

From time-to-time we may acquire whole or partial interests in high-quality retail properties or make strategic dispositions. Refer to Note 3 for more information.

Table of Contents

Developments and Redevelopments

We are currently redeveloping several consolidated and unconsolidated properties primarily to improve the productivity and value of the property, convert large-scale anchor boxes into smaller leasable areas and to create new in-line retail space and new restaurant venues. The execution of these redevelopment projects within our portfolio was identified as providing compelling risk-adjusted returns on investment.

We have development and redevelopment activities totaling approximately \$1.4 billion under construction and \$72 million in the pipeline. We continue to evaluate a number of other redevelopment projects to further enhance the quality of our assets. Expected returns are based on the completion of current and future redevelopment projects, and the success of the leasing and asset management plans in place for each project. Expected returns are subject to a number of variables, risks, and uncertainties including those disclosed within Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 (our "Annual Report"). We also refer the reader to our disclosure related to forward-looking statements, below. The following table illustrates our planned redevelopments:

Property	Description	GGP's Total Projected Share of Cost	GGP's Investment to Date (1)	Expected Return on Investment (2)	Stabilized Year
Major Development Summary (in millions, at share unless otherwise noted)					
Under Construction					
New					
Development	Ground up development	525	206	7-9%	2020
Norwalk, CT					
Staten Island					
Mall	Expansion	231	185	7-9%	2019
Staten Island, NY					
Other Projects	Redevelopment projects at various properties	689	527	6-8%	2018
	Total Projects Under Construction	\$ 1,445	\$ 919		
Projects in Pipeline					
Other Projects	Redevelopment projects at various properties	72	25	7-9%	TBD
	Total Projects in Pipeline	\$ 72	\$ 25		

(1) Projected costs and investments to date exclude capitalized interest and internal overhead.

(2) Return on investment represents first year stabilized cash on cost return, based upon budgeted assumptions. Actual costs may vary.

Our investment in these projects for the six months ended June 30, 2018 increased from December 31, 2017 in conjunction with the applicable development plan and as projects near completion. The continued progression of redevelopment projects resulted in increases to GGP's investment to date.

Capital Expenditures, Capitalized Interest and Overhead (at share)

The following table illustrates our capital expenditures, capitalized interest, and internal costs associated with leasing and development overhead, which primarily relate to ordinary capital projects at our operating properties. In addition, we incurred tenant allowances and capitalized leasing costs for our operating properties as outlined below. Capitalized

interest is based upon qualified expenditures and interest rates; capitalized leasing and development costs are based upon time expended on these activities. These costs are amortized over lives which are consistent with the related asset.

	Six Months Ended	
	June 30,	
	2018	2017
	(Dollars in thousands)	
Operating capital expenditures (1)	\$ 71,364	\$ 72,887
Tenant allowances and capitalized leasing costs (2)	96,798	90,969
Capitalized interest and capitalized overhead	36,162	29,007
Total	\$ 204,324	\$ 192,863

(1) Reflects only non-tenant operating capital expenditures.

(2) Tenant allowances paid on 4.2 million square feet.

Table of Contents

Common Stock Dividends

Our Board of Directors declared common stock dividends during 2018 and 2017 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per Share
2018			
May 3	July 13, 2018	July 31, 2018	\$ 0.22
February 7	April 13, 2018	April 30, 2018	0.22
2017			
October 31	December 15, 2017	January 5, 2018	\$ 0.22
August 2	October 13, 2017	October 31, 2017	0.22
May 1	July 13, 2017	July 28, 2017	0.22
January 30	April 13, 2017	April 28, 2017	0.22

Preferred Stock Dividends

On February 13, 2013, we issued, under a public offering, 10,000,000 shares of 6.375% Series A Cumulative Stock at a price of \$25.00 per share. Our Board of Directors declared preferred stock dividends during 2018 and 2017 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per Share
2018			
July 31	September 17, 2018	October 1, 2018	\$ 0.3984
May 3	June 15, 2018	July 2, 2018	0.3984
February 7	March 15, 2018	April 2, 2018	0.3984
2017			
October 31	December 15, 2017	January 2, 2018	\$ 0.3984
August 2	September 15, 2017	October 2, 2017	0.3984
May 1	June 15, 2017	July 3, 2017	0.3984
January 30	March 15, 2017	April 3, 2017	0.3984

Summary of Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was \$538.0 million for the six months ended June 30, 2018 and \$482.5 million for the six months ended June 30, 2017. Significant changes in the components of net cash provided by operating activities include:

• in 2018, a decrease in cash outflows for marketing and property maintenance & operating costs due to a continued effort to reduce operating expenses; and
 • in 2017, an increase in cash inflows from tenant recoveries.

Cash Flows from Investing Activities

Net cash used in investing activities was \$184.6 million for the six months ended June 30, 2018 and \$261.4 million for the six months ended June 30, 2017. Significant components of net cash (used in) provided by investing activities

include:

- in 2018, development of real estate and property improvements, \$(362.0) million;
- in 2018, proceeds from repayment of loans to joint venture partners, \$80.0 million;
- in 2018, contributions to unconsolidated real estate affiliates \$(82.6) million;
- in 2018, distributions received from unconsolidated real estate affiliates in excess of income \$124.8 million;
- in 2017, development of real estate and property improvements, \$(318.9) million;
- in 2017, proceeds from repayment of loans to joint venture partners, \$47.1 million;
- in 2017, contributions to unconsolidated real estate affiliates \$(44.8) million; and
- in 2017, distributions received from unconsolidated real estate affiliates in excess of income \$62.8 million.

Table of Contents

Cash Flows from Financing Activities

Net cash used in financing activities was \$320.8 million for the six months ended June 30, 2018 and \$486.8 million for the six months ended June 30, 2017. Significant components of net cash used in financing activities include:

- in 2018, proceeds from the refinancing or issuance of mortgages, notes and loans payable, of \$790.0 million; net of principal payments of \$(677.9) million;
- in 2018, cash distributions paid to common stockholders of \$(421.4) million;
- in 2017, proceeds from the refinancing or issuance of mortgages, notes and loans payable, of \$575.0 million; net of principal payments of \$(368.7) million;
- in 2017, repurchase of treasury stock of \$(77.0) million; and
- in 2017, cash distributions paid to common stockholders of \$(618.8) million.

Seasonality

Although we have a year-long temporary leasing program, occupancies for short-term tenants and, therefore, rental income recognized, are higher during the fourth quarter of the year. In addition, the majority of our tenants have December or January lease years for purposes of calculating annual overage rent amounts. Accordingly, overage rent thresholds are most commonly achieved in the fourth quarter. As a result, revenue production is generally highest in the fourth quarter of each year.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated interim financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and disclosures. Some of these estimates and assumptions require application of difficult, subjective, and/or complex judgment about the effect of matters that are inherently uncertain and that may change in subsequent periods. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A disclosure of our critical accounting policies which affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements is included in our Annual Report in Management's Discussion and Analysis of Financial Condition and Results of Operations.

For the six months ended June 30, 2018, there were no significant changes to these policies except for the policies related to the derecognition of nonfinancial assets and in substance nonfinancial assets, including real estate, and the recognition of the related gain on sale of investment properties as a result of the adoption of ASU 2014-09, Revenue from Contracts with Customers and ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, as of January 1, 2018 as described in Note 2.

Revenue Recognition

Effective January 1, 2018, we adopted the requirements of the new revenue recognition guidance. For additional information on the new standard and the impact to our results of operations, refer to Note 2. We determine the appropriate revenue recognition for our contracts with customers by analyzing the type, terms and conditions of each contract or arrangement with a customer. We classify contract revenues as product or service according to the

predominant attributes of the relevant underlying contracts unless the contract can clearly be split between product and service. We define service revenue as revenue from activities that are not associated with the design, development or production of tangible assets. Our service revenue is primarily related to our property management services provided to our joint ventures.

Refer also to the accounting policies discussed in Note 2.

REIT Requirements

In order to remain qualified as a REIT for Federal income tax purposes, we must distribute at least 90% of our taxable ordinary income to stockholders. We are also subject to federal income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. See Note 7 to the Consolidated Financial Statements for more detail on our ability to remain qualified as a REIT.

Table of Contents

Recently Issued Accounting Pronouncements

Refer to Note 2 of the Consolidated Financial Statements for recently issued accounting pronouncements.

Non-GAAP Supplemental Financial Measures and Definitions

Proportionate or At Share Basis

The following non-GAAP supplemental financial measures are all presented on a proportionate basis. The proportionate financial information presents the consolidated and unconsolidated properties at the Company's ownership percentage or "at share". This form of presentation offers insights into the financial performance and condition of the Company as a whole, given the significance of the Company's unconsolidated property operations that are owned through investments accounted for under GAAP using the equity method.

The proportionate financial information is not, and is not intended to be, a presentation in accordance with GAAP. The non-GAAP proportionate financial information reflects our proportionate economic ownership of each asset in our property portfolio that we do not wholly own. The amounts in the column labeled "Noncontrolling Interests" were derived on a property-by-property basis by including the share attributable to noncontrolling interests in each line item from each individual property. The Company does not have legal claim to the noncontrolling interest of assets, liabilities, revenue, and expenses. The amount of cash each noncontrolling interest receives is based on the specific provisions of each operating agreement and varies depending on certain factors including the amount of capital contributed by each investor and whether any investors are entitled to preferential distributions. The amounts in the column labeled "Unconsolidated Properties" were derived on a property-by-property basis by including our share of each line item from each individual entity. This provides visibility into our share of the operations of our joint ventures.

We do not control the unconsolidated joint ventures and the presentations of the assets and liabilities and revenues and expenses do not represent our legal claim to such items. The operating agreements of the unconsolidated joint ventures generally provide that partners may receive cash distributions (1) to the extent there is available cash from operations, (2) upon a capital event, such as a refinancing or sale or (3) upon liquidation of the venture. The amount of cash each partner receives is based upon specific provisions of each operating agreement and varies depending on factors including the amount of capital contributed by each partner and whether any contributions are entitled to priority distributions. Upon liquidation of the joint venture and after all liabilities, priority distributions and initial equity contributions have been repaid, the partners generally would be entitled to any residual cash remaining based on their respective legal ownership percentages.

We provide non-GAAP proportionate financial information because we believe it assists investors and analysts in estimating our economic interest in our unconsolidated joint ventures when read in conjunction with the Company's reported results under GAAP. Other companies in our industry may calculate their proportionate interest differently than we do, limiting the usefulness as a comparative measure. Because of these limitations, the non-GAAP proportionate financial information should not be considered in isolation or as a substitute for our financial statements as reported under GAAP.

Net Operating Income ("NOI") and Company NOI

The Company defines NOI as proportionate income from operations and after operating expenses have been deducted, but prior to deducting financing, property management, administrative and income tax expenses. NOI excludes management fees and other corporate revenue and reductions in ownership as a result of sales or other transactions.

The Company considers NOI a helpful supplemental measure of its operating performance because it is a direct measure of the actual results of our properties. Because NOI excludes reductions in ownership as a result of sales or other transactions, management fees and other corporate revenue, general and administrative and property management expenses, interest expense, retail investment property impairment or non-recoverable development costs, depreciation and amortization, gains and losses from property dispositions, allocations to noncontrolling interests, provision for income taxes, preferred stock dividends, and extraordinary items, it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact on operations from trends in occupancy rates, rental rates and operating costs.

The Company also considers Company NOI to be a helpful supplemental measure of its operating performance because it excludes from NOI items such as straight-line rent, and amortization of intangibles resulting from acquisition accounting and other capital contribution or restructuring events. However, due to the exclusions noted, Company NOI should only be used as an alternative measure of the Company's financial performance.

Table of Contents

We present Company NOI, Company EBITDA (as defined below) and Company FFO (as defined below); as we believe certain investors and other users of our financial information use these measures of the Company's historical operating performance.

Adjustments to NOI, EBITDA and FFO, including debt extinguishment costs, market rate adjustments on debt, straight-line rent, intangible asset and liability amortization, real estate tax stabilization, gains and losses on foreign currency and other items that are not a result of normal operations, assist management and investors in distinguishing whether increases or decreases in revenues and/or expenses are due to growth or decline of operations at the properties or from other factors. In addition, the Company's leases include step rents that increase over the term of the lease to compensate the Company for anticipated increases in market rentals over time. The Company's leases do not include significant front loading or back loading of payments or significant rent-free periods. Therefore, we find it useful to evaluate rent on a contractual basis as it allows for comparison of existing rental rates to market rental rates. Management has historically made these adjustments in evaluating our performance, in our annual budget process and for our compensation programs.

Other REITs may use different methodologies for calculating NOI and Company NOI, and accordingly, the Company's Company NOI may not be comparable to other REITs. As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the Company NOI we present does not represent our total revenues, expenses, operating profit or net income and should not be used to evaluate our performance as a whole. Management compensates for these limitations by separately considering the impact of these excluded items, to the extent they are material, to operating decisions or assessments of our operating performance. Our consolidated GAAP statements of operations include such amounts, all of which should be considered by investors when evaluating our performance.

Earnings Before Interest Expense, Income Tax, Depreciation, and Amortization ("EBITDA") and Company EBITDA

The Company defines EBITDA as NOI less certain property management and administrative expenses, net of management fees and other corporate revenues. EBITDA is a commonly used measure of performance in many industries, but may not be comparable to measures calculated by other companies. Management believes EBITDA provides useful information to investors regarding our results of operations because it helps us and our investors evaluate the ongoing operating performance of our properties after removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization). Management also believes the use of EBITDA facilitates comparisons between us and other equity REITs, retail property owners who are not REITs and other capital-intensive companies. Management uses Company EBITDA to evaluate property-level results and as one measure in determining the value of acquisitions and dispositions and, like FFO (discussed below), it is widely used by management in the annual budget process and for compensation programs. Please see adjustments discussion above for the purpose and use of the adjustments included in Company EBITDA.

EBITDA and Company EBITDA, as presented, may not be comparable to similar measures calculated by other companies. This information should not be considered as an alternative to net income, operating profit, cash from operations or any other operating performance measure calculated in accordance with GAAP.

Funds From Operations ("FFO") and Company FFO

The Company determines FFO based upon the definition set forth by National Association of Real Estate Investment Trusts ("NAREIT"). The Company determines FFO to be its share of consolidated net income (loss) attributable to common stockholders and redeemable non-controlling common unit holders computed in accordance with GAAP, excluding real estate related depreciation and amortization, excluding gains and losses from extraordinary items, excluding cumulative effects of accounting changes, excluding gains and losses from the sales of, or any impairment charges related to, previously depreciated operating properties, plus the allocable portion of FFO of unconsolidated

joint ventures based upon the Company's economic ownership interest, and all determined on a consistent basis in accordance with GAAP. As with the Company's presentation of NOI, FFO has been reflected on a proportionate basis.

The Company considers FFO a helpful supplemental measure of the operating performance for equity REITs and a complement to GAAP measures because it is a recognized measure of performance by the real estate industry. FFO facilitates an understanding of the operating performance of the Company's properties between periods because it does not give effect to real estate depreciation and amortization since these amounts are computed to allocate the cost of a property over its useful life. Since values for well-maintained real estate assets have historically increased or decreased based upon prevailing market conditions, the Company believes that FFO provides investors with a clearer view of the Company's operating performance.

We calculate FFO in accordance with standards established by NAREIT, which may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or do not calculate FFO in accordance with NAREIT guidance. In addition, although FFO is a useful measure when comparing our results to other REITs, it may not be helpful to investors when

Table of Contents

comparing us to non-REITs. As with the presentation of Company NOI and Company EBITDA, we also consider Company FFO, which is not in accordance with NAREIT guidance and may not be comparable to measures calculated by other REITs, to be a helpful supplemental measure of our operating performance. Please see adjustments discussion above for the purpose and use of the adjustments included in Company FFO.

FFO and Company FFO do not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income determined in accordance with GAAP as a measure of operating performance, and is not an alternative to cash flows as a measure of liquidity or indicative of funds available to fund our cash needs. In addition, Company FFO per diluted share does not measure, and should not be used as a measure of, amounts that accrue directly to stockholders' benefit.

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

The Company presents NOI, EBITDA and FFO as they are financial measures widely used in the REIT industry. In order to provide a better understanding of the relationship between the Company's non-GAAP financial measures of NOI, Company NOI, EBITDA, Company EBITDA, FFO and Company FFO, reconciliations have been provided as follows: a reconciliation of GAAP operating income to NOI and Company NOI, a reconciliation of GAAP net income attributable to GGP to EBITDA and Company EBITDA, and a reconciliation of GAAP net income attributable to GGP to FFO and Company FFO. None of the Company's non-GAAP financial measures represents cash flow from operating activities in accordance with GAAP, none should be considered as an alternative to GAAP net income (loss) attributable to GGP and none are necessarily indicative of cash flow. In addition, the Company has presented such financial measures on a consolidated and unconsolidated basis (at the Company's proportionate share) as the Company believes that given the significance of the Company's operations that are owned through investments accounted for by the equity method of accounting, the detail of the operations of the Company's unconsolidated properties provides important insights into the income and FFO produced by such investments.

The following table reconciles GAAP Operating Income to Company NOI (dollars in thousands) for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Income	\$211,556	\$182,793	\$359,085	\$375,662
Loss (gain) on sales of investment properties	40	83	23	(1,128)
Depreciation and amortization	173,642	174,298	359,035	344,596
Provision for impairment	—	—	38,379	—
General and administrative	12,041	15,862	24,288	30,546
Property management and other costs	36,595	39,025	76,169	80,139
Management fees and other corporate revenues	(26,030)	(20,847)	(51,795)	(48,990)
Consolidated Properties	407,844	391,214	805,184	780,825
Noncontrolling interest in NOI of Consolidated Properties	(4,982)	(5,102)	(10,219)	(10,822)
NOI of sold interests	(2)	(4,903)	(225)	(10,381)
Unconsolidated Properties	172,144	175,836	342,545	361,930
Proportionate NOI	575,004	557,045	1,137,285	1,121,552
Company adjustments:				
Minimum rents	3,734	3,453	2,860	11,612
Real estate taxes	1,490	1,491	2,979	2,979
Property operating expenses	769	789	1,537	1,576

Company NOI	\$580,997	\$562,778	\$1,144,661	\$1,137,719
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Table of Contents

The following table reconciles GAAP Net income attributable to GGP to Company EBITDA for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income Attributable to GGP	\$93,615	\$125,863	\$157,651	\$233,022
Allocation to noncontrolling interests	1,949	2,455	3,809	5,665
Loss (gain) on sales of investment properties	40	83	23	(1,128)
Gain on extinguishment of debt	—	(55,112)	—	(55,112)
Loss (gain) from changes in control of investment properties and other	—	15,841	(12,664)	15,841
Unconsolidated Real Estate Affiliates - gain on investment	—	—	(10,361)	—
Equity in income of Unconsolidated Real Estate Affiliates	(15,030)	(30,732)	(38,869)	(63,946)
Provision for impairment	—	—	38,378	—
(Benefit from) provision for income taxes	(22)	3,844	(302)	8,354
Loss on foreign currency	—	3,877	—	694
Interest expense	140,562	134,209	278,488	266,532
Interest and dividend income	(9,518)	(17,452)	(18,667)	(35,388)
Depreciation and amortization	173,642	174,298	359,035	344,596
Consolidated Properties	385,238	357,174	756,521	719,130
Noncontrolling interest in EBITDA of Consolidated Properties	(4,783)	(4,904)	(9,820)	(10,397)
EBITDA of sold interests	—	(4,815)	(196)	(10,209)
Unconsolidated Properties	160,686	165,784	319,684	342,405
Proportionate EBITDA	541,141	513,239	1,066,189	1,040,929
Company adjustments:				
Minimum rents	3,734	3,453	2,860	11,612
Real estate taxes	1,490	1,491	2,979	2,979
Property operating expenses	769	789	1,537	1,576
General and administrative	889	—	\$1,401	\$—
Company EBITDA	\$548,023	\$518,972	\$1,074,966	\$1,057,096

Table of Contents

The following table reconciles GAAP net income attributable to GGP to Company FFO for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income Attributable to GGP	\$93,615	\$125,863	\$157,651	\$233,022
Redeemable noncontrolling interests	1,008	975	1,702	1,805
Provision for impairment excluded from FFO	—	—	38,379	—
Noncontrolling interests in depreciation of Consolidated Properties	(2,135)	(2,008)	(4,331)	(4,783)
Loss (gain) on sales of investment properties	40	83	23	(1,128)
Preferred stock dividends	(3,984)	(3,984)	(7,968)	(7,968)
Loss (gain) from changes in control of investment properties and other	—	15,841	(12,664)	15,841
Depreciation and amortization of capitalized real estate costs - Consolidated Properties	169,297	169,867	341,133	335,844
Depreciation and amortization of capitalized real estate costs - Unconsolidated Properties	83,856	74,566	155,922	148,559
FFO (1)	341,697	381,203	669,847	721,192
Company adjustments:				
Minimum rents	3,734	3,453	2,860	11,612
Real estate taxes	1,490	1,491	2,979	2,979
Property operating expenses	769	789	1,537	1,576
General and administrative	889	—	1,401	—
Depreciation on non-income producing assets	—	—	9,408	—
Investment income, net	(205)	(205)	(409)	(409)
Market rate adjustments	(1,172)	(1,122)	(2,327)	(2,331)
Loss on foreign currency	—	3,877	—	694
FFO from sold interests	—	(54,769)	(15)	(54,379)
Company FFO	\$347,202	\$334,717	\$685,281	\$680,934

(1) FFO as defined by the National Association of Real Estate Investment Trusts.

Forward-Looking Statements

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in any forward-looking statement are based on reasonable assumptions, it can give no assurance that its expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and other factors. Such factors include, but are not limited to, the Company's ability to refinance, extend, restructure or repay near and intermediate term debt, its indebtedness, its ability to raise capital through equity issuances, asset sales or the incurrence of new debt, retail and credit market conditions, impairments, its liquidity demands and economic conditions. The Company discusses these and other risks and uncertainties in its annual and quarterly periodic reports filed with the Securities and Exchange Commission. The Company may update that discussion in its periodic reports, but otherwise takes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in the market risks described in our Annual Report.

Table of Contents

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")).

Based on that evaluation, the CEO and the CFO have concluded that our disclosure controls and procedures are effective.

Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on our consolidated financial position, results of operations or liquidity. Neither the Company nor any of the Unconsolidated Real Estate Affiliates is currently involved in any material pending legal proceedings nor, to our knowledge, is any material legal proceeding currently threatened against the Company or any of the Unconsolidated Real Estate Affiliates.

ITEM 1A RISK FACTORS

In addition to the risk factors previously disclosed in our Annual Report, the following risk factors relate to the agreement reached with BPY (Note 1). We refer to the transactions contemplated by the merger agreement and other related transaction agreements collectively as the Transactions.

Risks Relating to the Transactions

GGP common stockholders cannot be sure of the market price of class A stock they may elect to receive as the pre-closing dividend.

Following the consummation of the Transactions, GGP common stockholders may elect to receive shares of class A stock (however, if enough GGP common stockholders elect to receive BPY units, then all those eligible to receive class A stock in connection with the Transactions will receive BPY units instead). Prior to completion of the Transactions, there has not been and will not be established public trading for class A stock. The market price of class A stock following the Transactions will be unknown until the commencement of its trading following completion of the Transactions.

Although a number of conditions to the completion of the Transactions have been satisfied, certain other conditions remain to be satisfied and if these conditions are not satisfied or waived, the Transactions will not be completed.

Completion of the Transactions is subject to a number of conditions which must be satisfied or waived under the merger agreement in order for the Transactions to be completed.

In addition, GGP and BPY each may terminate the merger agreement under certain circumstances, including, among other reasons, if the charter amendment, bylaws amendment, partnership agreement amendment and the merger fail to consummate by September 26, 2018. If the Transactions are not consummated, the market price of GGP common stock may decline.

There can be no assurance that the conditions to the closing of the Transactions will be satisfied or waived.

Accordingly, there can be no assurance that the Transactions will be consummated.

Table of Contents

The pendency of the Transactions could adversely affect the business and operations of GGP.

Due to the operating covenants in the merger agreement, GGP may be unable, during the pendency of the Transactions, to take certain actions without BPY's consent, even if such actions would otherwise prove beneficial to GGP common stockholders. Those operating covenants will continue to apply, subject to the terms of the merger agreement, until the Transactions are consummated, unless otherwise agreed by GGP and BPY.

If BPY's financing in connection with the Transactions becomes unavailable or is insufficient, the Transactions may not be completed.

A subsidiary of BPY has entered into a financing commitment to, among other things, fund the Transactions and related fees and expenses. The financing commitment is subject to certain conditions, which may or may not be satisfied. In the event that the financing contemplated by that financing commitment is not available or is available in less than the expected amount, other necessary financing may not be available on acceptable terms, in a timely manner or at all. If alternative financing is available, it could be more costly than that reflected in the financing commitment, which would have a negative impact on BPY's results of operations following the Transactions. However, the obligations of BPY in connection with the Transactions are not subject to any conditions regarding the ability to obtain financing for the consummation of the Transactions.

The merger agreement contains provisions that could discourage a potential competing acquiror of GGP or could result in any competing proposal being at a lower price than it might be otherwise.

The merger agreement contains "no shop" provisions that, subject to limited exceptions, restrict GGP's ability to solicit, or knowingly initiate, facilitate or encourage, or provide any confidential or non-public information with regard to, competing third-party proposals to acquire all, or a significant part, of GGP. In addition, if GGP receives any third-party acquisition proposal, GGP is required to promptly notify BPY. If GGP determines to act with respect to a third-party superior proposal, GGP must negotiate with BPY in good faith regarding potential amendments to the merger agreement (to the extent that BPY requests to negotiate) such that the third-party superior proposal would no longer be a superior proposal. Upon termination of the merger agreement to accept a superior proposal, GGP may be required to pay a termination fee to BPY.

These provisions and agreements (i) could discourage a potential competing acquiror that might have an interest in acquiring all, or a significant part, of GGP from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the Transactions; or (ii) might result in a potential competing acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee or expense reimbursement that may become payable in certain circumstances.

The merger agreement includes restrictions on the ability of GGP to make distributions to its stockholders, even if it would otherwise have net income and net cash available to make such distributions.

In addition to the pre-closing dividend that GGP expects to declare and pay to its common stockholders who are not affiliated with BPY in connection with the Transactions under the merger agreement, GGP is permitted to pay the second quarter dividend of \$0.22 per share of GGP common stock declared on May 3, 2018 and payable on July 31, 2018, to holders of record of GGP common stock (other than BPY and BPY's affiliates) on July 13, 2018.

Given its status as a REIT, GGP may need to (and is permitted to under the merger agreement) make certain minimum distributions in excess of the above limits. In the event the permitted amounts of dividends described above are exceeded, pursuant to a distribution necessary for GGP, as applicable, to qualify as a REIT or to avoid the incurrence of any income or excise tax, such distributions would be deducted from the total cash amount to be distributed to GGP common stockholders in connection with the Transactions.

Although GGP and BPY generally have agreed to use their reasonable best efforts to close the Transactions as promptly as practicable in accordance with the merger agreement, certain factors could delay the closing. Therefore, even if GGP has available net income or net cash to make distributions to its common stockholders and satisfies any other conditions to make such distributions, the terms of the merger agreement could prohibit such action.

GGP is subject to litigation related to the Transactions.

GGP is subject to litigation related to the Transactions. GGP cannot predict the outcome of pending litigation, nor can it predict the amount of time and expense that will be required to resolve such litigation. An unfavorable resolution of

any such litigation concerning the Transactions could delay or prevent the consummation of the Transactions. In addition, the costs of defending the

Table of Contents

litigation, even if resolved in GGP's favor, could be substantial and such litigation could distract GGP from pursuing the consummation of the Transactions and other potentially beneficial business opportunities.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

None.

ITEM 6 EXHIBITS

2.1* Amendment to Agreement and Plan of Merger, dated as of June 25, 2018, by and among Brookfield Property Partners L.P., Goldfinch Merger Sub Corp. and GGP Inc.

10.1 Amended and Restated Class B Stock Exchange Agreement, dated as of June 25, 2018, by and among GGP Inc. and the parties listed on Exhibit A thereto

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The following financial information from GGP Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, has been filed with the SEC on July 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Comprehensive Income, (3) Consolidated Statements of Equity, (4) Consolidated Statements of Cash Flows and (5) Notes to Consolidated Financial Statements.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the registrant has not filed debt instruments relating to long-term debt that is not registered and for which the total amount of securities authorized thereunder does not exceed 10% of total assets of the registrant and its subsidiaries on a consolidated basis as of June 30, 2018. The registrant agrees to furnish a copy of such agreements to the SEC upon request.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference Herein			
		Form	Exhibit	Filing Date	File No.
2.1*	<u>Amendment to Agreement and Plan of Merger, dated as of June 25, 2018, by and among Brookfield Property Partners L.P., Goldfinch Merger Sub Corp. and GGP Inc.</u>	S-4	2.2	6/25/2018	333-224593
10.1	<u>Amended and Restated Class B Stock Exchange Agreement, dated as of June 25, 2018, by and among GGP Inc. and the parties listed on Exhibit A thereto</u>	S-4	10.2	6/25/2018	333-224593
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				
32.1	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				
32.2	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				
101	The following financial information from GGP Inc.'s. Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, has been filed with the SEC on July 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Comprehensive Income, (3) Consolidated Statements of Equity, (4) Consolidated Statements of Cash Flows and (5) Notes to Consolidated Financial Statements.				

* Certain exhibits and schedules have been omitted pursuant to Item 602(b)(2) of Regulation S-K and will be provided to the SEC upon request.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GGP INC.
(Registrant)

Date: July 31, 2018 By: /s/ Heath Fear
Heath Fear
Chief Financial Officer
(on behalf of the Registrant)