



## **American Assets Trust, Inc. Reports Fourth Quarter and Year-End 2019 Financial Results**

**Net income available to common stockholders of \$12.8 million and \$45.7 million for the three months and year ended December 31, 2019, respectively, or \$0.22 and \$0.84 per diluted share, respectively**

**Funds From Operations per diluted share increased 19% and 5% year-over-year for the three months and year ended December 31, 2019, respectively, or \$0.56 and \$2.20 per diluted share, respectively**

**Same-store cash NOI increased 2.8% and decreased 0.1% year-over-year for the three months and year ended December 31, 2019, respectively**

**SAN DIEGO, California - 2/11/2020** - American Assets Trust, Inc. (NYSE: AAT) (the “company”) today reported financial results for its fourth quarter and year ended December 31, 2019.

### **Fourth Quarter Highlights**

- **Net income available to common stockholders of \$12.8 million and \$45.7 million for the three months and year ended December 31, 2019, respectively, or \$0.22 and \$0.84 per diluted share, respectively**
- **Funds From Operations increased 19% and 5% year-over-year to \$0.56 and \$2.20 per diluted share for the three months and year ended December 31, 2019, respectively, compared to the same periods in 2018**
- **Same-store cash NOI increased 2.8% and decreased 0.1% year-over-year for the three months and year ended December 31, 2019, respectively, compared to the same periods in 2018. Excluding lease termination fees for the three months and year ended December 31, 2019, same-store cash NOI would have been 2.3% and 1.3%, respectively.**
- **Leased approximately 81,000 comparable office square feet at an average straight-line basis and cash-basis contractual rent increase of 59% and 28%, respectively, during the three months ended December 31, 2019**
- **Leased approximately 33,000 comparable retail square feet at an average straight-line basis and cash-basis contractual rent increase of 8% and decrease of 4%, respectively, during the three months ended December 31, 2019**

### **Financial Results**

Net income attributable to common stockholders was \$12.8 million, or \$0.22 per basic and diluted share for the three months ended December 31, 2019 compared to \$6.7 million, or \$0.14 per basic and diluted share for the three months ended December 31, 2018. For the year ended December 31, 2019, net income attributable to common stockholders was \$45.7 million, or \$0.84 per basic and diluted share compared to \$19.7 million, or \$0.42 per basic and diluted share, for the year ended December 31, 2018. The quarter-over-quarter and year-over-year increase is primarily due to a decrease in depreciation and demolition expense at Waikale Center attributed to the redevelopment of the former Kmart space, an increase in lease termination fees at Carmel Mountain Plaza attributed to the termination of our former ground lease, and an increase in annualized base rents at The Landmark at One Market, City Center Bellevue, and Lloyd District Portfolio.

During the fourth quarter of 2019, the company generated funds from operations (“FFO”) for common stockholders of \$42.9 million, or \$0.56 per diluted share, compared to \$30.2 million, or \$0.47 per diluted share, for the fourth quarter of 2018. For the year ended December 31, 2019, the company generated FFO for common stockholders of \$155.4 million, or \$2.20 per diluted share, compared to \$134.0 million, or \$2.09 per diluted share, for the year ended December 31, 2018. The increase in FFO from the corresponding periods in 2018 was primarily due to the

increase in annualized base rents at The Landmark at One Market, City Center Bellevue, and Lloyd District Portfolio, an increase in lease termination fees at Carmel Mountain Plaza attributed to the termination of our former ground lease, and the acquisition of La Jolla Commons on June 20, 2019 partially offset by the expiration of the Kmart lease at Waikele Center on June 30, 2018.

FFO is a non-GAAP supplemental earnings measure which the company considers meaningful in measuring its operating performance. A reconciliation of FFO to net income is attached to this press release.

### **Leasing**

The portfolio leased status as of the end of the indicated quarter was as follows:

	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Total Portfolio</b>			
Office	95.0%	94.7%	90.9%
Retail	97.8%	98.0%	93.9%
Multifamily	92.8%	90.5%	93.6%
<b>Mixed-Use:</b>			
Retail	97.9%	98.0%	96.1%
Hotel	91.7%	92.1%	93.0%
<b>Same-Store Portfolio</b>			
Office <sup>(1)</sup>	93.9%	95.5%	90.9%
Retail <sup>(2)</sup>	97.6%	97.7%	92.9%
Multifamily	92.8%	90.5%	93.6%

(1) Same-store office leased percentages includes the 830 building at Lloyd District Portfolio which was placed into operations on August 1, 2019 after renovating the building. Same-store office leased percentages excludes La Jolla Commons, which was acquired on June 20, 2019. La Jolla Commons will be included in same-store office leased percentages commencing in the third quarter of 2020.

(2) Same-store retail leased percentages exclude Waikele Center, due to significant redevelopment activity.

During the fourth quarter of 2019, the company signed 30 leases for approximately 193,300 square feet of office and retail space, as well as 483 multifamily apartment leases. Renewals accounted for 56% of the comparable office leases, 80% of the comparable retail leases, and 53% of the residential leases.

### Office and Retail

On a comparable space basis (i.e. leases for which there was a former tenant) during the fourth quarter of 2019 and trailing four quarters ended December 31, 2019, our retail and office leasing spreads are shown below:

		Number of Leases Signed	Comparable Leased Sq. Ft.	Average Cash Basis % Change Over Prior Rent	Average Cash Contractual Rent Per Sq. Ft.	Prior Average Cash Contractual Rent Per Sq. Ft.	Straight-Line Basis % Change Over Prior Rent
Office	Q4 2019	9	81,000	28.1%	\$56.13	\$43.82	58.5%
	Last 4 Quarters	45	276,000	17.2%	\$52.76	\$45.04	34.1%
Retail	Q4 2019	10	33,000	(3.9)%	\$53.80	\$55.97	8.0%
	Last 4 Quarters	52	149,000	2.0%	\$47.82	\$46.86	11.4%

### Multifamily

The average monthly base rent per leased unit for same-store properties for the fourth quarter of 2019 was \$2,089 compared to an average monthly base rent per leased unit of \$2,048 for the fourth quarter of 2018, an increase of approximately 2%.

### Same-Store Cash Net Operating Income

For the three months and year ended December 31, 2019, same-store cash NOI increased 2.8% and decreased 0.1%, respectively, compared to the three months and year ended December 31, 2018. The same-store cash NOI by segment was as follows (in thousands):

	Three Months Ended <sup>(2)</sup>			Year Ended <sup>(3)</sup>		
	December 31,		Change	December 31,		Change
	2019	2018		2019	2018	
<b>Cash Basis:</b>						
Office <sup>(1)</sup>	19,049	17,461	9.1	75,116	73,601	2.1
Retail <sup>(1)</sup>	\$ 15,896	\$ 15,897	— %	\$ 60,774	\$ 62,574	(2.9) %
Multifamily	6,938	7,388	(6.1)	30,291	30,236	0.2
Mixed-Use	—	—	—	—	—	—
Same-store Cash NOI <sup>(4)</sup>	\$ 41,883	\$ 40,746	2.8 %	\$ 166,181	\$ 166,411	(0.1) %

(1) Same-store cash NOI for the three months and year ended December 31, 2018 includes cash lease termination fees received of \$0.2 million and \$3.5 million, respectively. However, the lease termination fees for the year ended December 31, 2019 recognized at Carmel Mountain Plaza during the first quarter 2019 were non-cash lease termination fees. Excluding lease termination fees for the three months and year ended December 31, 2019, Office same-store cash NOI would have been 7.4% and 4.5%, respectively.

(2) Same-store portfolio excludes (i) Waikale Center due to significant redevelopment activity; (ii) La Jolla Commons, which was acquired on June 20, 2019; (iii) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity; and (iv) land held for development.

(3) Same-store portfolio excludes (i) Waikale Center due to significant redevelopment activity; (ii) Torrey Point, which was placed into operations and became available for occupancy in August 2018; (iii) La Jolla Commons, which was acquired on June 20, 2019; (iv) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity; and (v) land held for development.

(4) Excluding lease termination fees for the three months and year ended December 31, 2019, same-store cash NOI would have been 2.3% and 1.3%, respectively.

Same-store cash NOI is a non-GAAP supplemental earnings measure which the company considers meaningful in measuring its operating performance. A reconciliation of same-store cash NOI to net income is attached to this press release.

### **Balance Sheet and Liquidity**

At December 31, 2019, the company had gross real estate assets of \$3.2 billion and liquidity of \$449.3 million, comprised of cash and cash equivalents of \$99.3 million and \$350.0 million of availability on its line of credit.

For the quarter ended December 31, 2019, the company issued 29,825 shares of common stock through its at-the-market equity program at a weighted average price per share of \$47.53, resulting in net proceeds of \$1.3 million. We intend to use the proceeds primarily to fund development activities at Lloyd District Portfolio, Waikele Center and La Jolla Commons.

### **Dividends**

The company declared dividends on its shares of common stock of \$0.30 per share for the fourth quarter of 2019. The dividends were paid on December 26, 2019.

In addition, the company has declared a dividend on its common stock of \$0.30 per share for the first quarter of 2020. The dividend will be paid on March 26, 2020 to stockholders of record on March 12, 2020.

### **Guidance**

The company affirms its guidance range for 2020 FFO per diluted share of \$2.38 to \$2.46 per share, a midpoint increase of 10% from 2019 FFO per diluted share of \$2.20 per share. The company's guidance excludes any impact from future acquisitions, dispositions, equity issuances or repurchases, future debt financings or repayments, except that the company assumes the payoff of the mortgage debt on Torrey Reserve - VCI, VCII, VCIII, Solana Crossing I-II and Solana Beach Towne Centre without penalty or premium.

The foregoing estimates are forward-looking and reflect management's view of current and future market conditions, including certain assumptions with respect to leasing activity, rental rates, occupancy levels, interest rates, credit spreads and the amount and timing of acquisition and development activities. The company's actual results may differ materially from these estimates.

### **Conference Call**

The company will hold a conference call to discuss the results for the fourth quarter and year end of 2019 on Wednesday, February 12, 2020 at 8:00 a.m. Pacific Time ("PT"). To participate in the event by telephone, please dial 1-877-868-5513 and use the pass code 8154834. A telephonic replay of the conference call will be available beginning at 2:00 p.m. PT on Wednesday, February 12, 2020 through Wednesday, February 19, 2020. To access the replay, dial 1-855-859-2056 and use the pass code 8154834. A live on-demand audio webcast of the conference call will be available on the company's website at [www.americanassettrust.com](http://www.americanassettrust.com). A replay of the call will also be available on the company's website.

### **Supplemental Information**

Supplemental financial information regarding the company's fourth quarter and year end 2019 results may be found on the "Investors" page of the company's website at [www.americanassettrust.com](http://www.americanassettrust.com). This supplemental information provides additional detail on items such as property occupancy, financial performance by property and debt maturity schedules.

**Financial Information**  
**American Assets Trust, Inc.**  
**Consolidated Balance Sheets**  
(In Thousands, Except Share Data)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>		
Real estate, at cost		
Operating real estate	\$ 3,096,886	\$ 2,549,571
Construction in progress	91,264	71,228
Held for development	547	9,392
	<u>3,188,697</u>	<u>2,630,191</u>
Accumulated depreciation	(665,222)	(590,338)
Net real estate	2,523,475	2,039,853
Cash and cash equivalents	99,303	47,956
Restricted cash	10,148	9,316
Accounts receivable, net	12,016	9,289
Deferred rent receivables, net	52,171	39,815
Other assets, net	93,220	52,021
Total assets	<u>\$ 2,790,333</u>	<u>\$ 2,198,250</u>
<b>Liabilities and equity</b>		
Liabilities:		
Secured notes payable, net	\$ 161,879	\$ 182,572
Unsecured notes payable, net	1,195,780	1,045,863
Unsecured line of credit, net	—	62,337
Accounts payable and accrued expenses	62,576	46,616
Security deposits payable	8,316	8,844
Other liabilities and deferred credits, net	68,110	49,547
Total liabilities	<u>1,496,661</u>	<u>1,395,779</u>
Commitments and contingencies		
Equity:		
American Assets Trust, Inc. stockholders' equity		
Common stock, \$0.01 par value, 490,000,000 shares authorized, 60,068,228 and 47,335,409 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	601	474
Additional paid-in capital	1,452,014	920,661
Accumulated dividends in excess of net income	(144,378)	(128,778)
Accumulated other comprehensive income	5,680	10,620
Total American Assets Trust, Inc. stockholders' equity	<u>1,313,917</u>	<u>802,977</u>
Noncontrolling interests	(20,245)	(506)
Total equity	<u>1,293,672</u>	<u>802,471</u>
Total liabilities and equity	<u>\$ 2,790,333</u>	<u>\$ 2,198,250</u>

**American Assets Trust, Inc.**  
**Unaudited Consolidated Statements of Operations**  
(In Thousands, Except Shares and Per Share Data)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Rental income	\$ 94,231	\$ 78,365	\$ 343,865	\$ 309,537
Other property income	4,716	4,240	22,876	21,330
Total revenue	98,947	82,605	366,741	330,867
<b>Expenses:</b>				
Rental expenses	25,356	23,797	91,967	86,482
Real estate taxes	10,750	9,012	40,013	34,973
General and administrative	6,376	6,645	24,871	22,784
Depreciation and amortization	26,472	21,060	96,205	107,093
Total operating expenses	68,954	60,514	253,056	251,332
<b>Operating income</b>	<b>29,993</b>	<b>22,091</b>	<b>113,685</b>	<b>79,535</b>
Interest expense	(13,796)	(12,861)	(54,008)	(52,248)
Gain on sale of real estate	—	—	633	—
Other income (expense), net	288	(21)	(122)	(85)
<b>Net income</b>	<b>16,485</b>	<b>9,209</b>	<b>60,188</b>	<b>27,202</b>
Net income attributable to restricted shares	(104)	(96)	(381)	(311)
Net income attributable to unitholders in the Operating Partnership	(3,536)	(2,440)	(14,089)	(7,205)
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<b>\$ 12,845</b>	<b>\$ 6,673</b>	<b>\$ 45,718</b>	<b>\$ 19,686</b>
<b>Net income per share</b>				
Basic income attributable to common stockholders per share	\$ 0.22	\$ 0.14	\$ 0.84	\$ 0.42
Weighted average shares of common stock outstanding - basic	59,663,771	46,967,778	54,110,949	46,950,812
Diluted income attributable to common stockholders per share	\$ 0.22	\$ 0.14	\$ 0.84	\$ 0.42
Weighted average shares of common stock outstanding - diluted	76,054,319	64,145,386	70,786,132	64,136,559
<b>Dividends declared per common share</b>	<b>\$ 0.30</b>	<b>\$ 0.28</b>	<b>\$ 1.14</b>	<b>\$ 1.09</b>

## Reconciliation of Net Income to Funds From Operations

The company's FFO attributable to common stockholders and operating partnership unitholders and reconciliation to net income is as follows (in thousands except shares and per share data, unaudited):

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
<b>Funds From Operations (FFO)</b>		
Net income	\$ 16,485	\$ 60,188
Depreciation and amortization of real estate assets	26,472	96,205
Gain on sale of real estate	—	(633)
FFO, as defined by NAREIT	\$ 42,957	\$ 155,760
Less: Nonforfeitable dividends on restricted stock awards	(103)	(376)
FFO attributable to common stock and units	\$ 42,854	\$ 155,384
FFO per diluted share/unit	\$ 0.56	\$ 2.20
Weighted average number of common shares and units, diluted	76,056,823	70,788,597

## Reconciliation of Same-Store Cash NOI to Net Income

The company's reconciliation of Same-Store Cash NOI to Net Income is as follows (in thousands, unaudited):

	Three Months Ended <sup>(1)</sup> December 31,		Year Ended <sup>(2)</sup> December 31,	
	2019	2018	2019	2018
Same-store cash NOI	\$ 41,883	\$ 40,746	\$ 166,181	\$ 166,411
Non-same-store cash NOI	14,573	7,727	46,132	37,259
Tenant improvement reimbursements <sup>(3)</sup>	3,471	54	11,420	4,275
Cash NOI	\$ 59,927	\$ 48,527	\$ 223,733	\$ 207,945
Non-cash revenue and other operating expenses <sup>(4)</sup>	2,914	1,269	11,028	1,467
General and administrative	(6,376)	(6,645)	(24,871)	(22,784)
Depreciation and amortization	(26,472)	(21,060)	(96,205)	(107,093)
Interest expense	(13,796)	(12,861)	(54,008)	(52,248)
Gain on sale of real estate	—	—	633	—
Other income (expense), net	288	(21)	(122)	(85)
Net income	\$ 16,485	\$ 9,209	\$ 60,188	\$ 27,202

Number of properties included in same-store analysis	25	25	24	23
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- (1) Same-store portfolio includes the 830 building at Lloyd District Portfolio which was placed into operations on August 1, 2019 after renovating the building. Same-store portfolio excludes (i) Waialeale Center, due to significant redevelopment activity; (ii) La Jolla Commons, which was acquired on June 20, 2019; (iii) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity and (iv) land held for development.
- (2) Same-store portfolio includes the 830 building at Lloyd District Portfolio which was placed into operations on August 1, 2019 after renovating the building. Same-store portfolio excludes (i) Waialeale Center, due to significant redevelopment activity; (ii) Torrey Point, which was placed into operations and became available for occupancy in August 2018; (iii) La Jolla Commons, which was acquired on June 20, 2019; (iv) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity and (v) land held for development.
- (3) Tenant improvement reimbursements are excluded from same-store cash NOI to provide a more accurate measure of operating performance.
- (4) Represents adjustments related to the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances; the amortization of above (below) market rents, the amortization of lease incentives paid to tenants, the amortization of other lease intangibles, lease termination fees at Carmel Mountain Plaza, and straight-line rent expense for our lease of the Annex at The Landmark at One Market.

Reported results are preliminary and not final until the filing of the company's Form 10-K with the Securities and Exchange Commission and, therefore, remain subject to adjustment.

## **Use of Non-GAAP Information**

### Funds from Operations

The company calculates FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring the company's operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year-over-year, captures trends in occupancy rates, rental rates and operating costs. The company also believes that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare the company's operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the company's properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of the company's properties, all of which have real economic effects and could materially impact the company's results from operations, the utility of FFO as a measure of the company's performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as the company does, and, accordingly, the company's FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of the company's performance. FFO should not be used as a measure of the company's liquidity, nor is it indicative of funds available to fund the company's cash needs, including the company's ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

### Cash Net Operating Income

The company uses cash net operating income ("NOI") internally to evaluate and compare the operating performance of the company's properties. The company believes cash NOI provides useful information to investors regarding the company's financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level, and when compared across periods, can be used to determine trends in earnings of the company's properties as this measure is not affected by (1) the non-cash revenue and expense recognition items, (2) the cost of funds of the property owner, (3) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP or (4) general and administrative expenses and other gains and losses that are specific to the property owner. The company believes the exclusion of these items from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the company's properties as well as trends in occupancy rates, rental rates and operating costs. Cash NOI is a measure of the operating performance of the company's properties but does not measure the company's performance as a whole. Cash NOI is therefore not a substitute for net income as computed in accordance with GAAP.

Cash NOI, is a non-GAAP financial measure of performance. The company defines cash NOI as operating revenues (rental income, tenant reimbursements, lease termination fees, ground lease rental income and other property income) less property and related expenses (property expenses, ground lease expense, property marketing costs, real estate taxes and insurance), adjusted for non-cash revenue and operating expense items such as straight-line rent, amortization of lease intangibles, amortization of lease incentives and other adjustments. Cash NOI also excludes general and administrative expenses, depreciation and amortization, interest expense, other nonproperty income and losses, acquisition-related expense, gains and losses from property dispositions, extraordinary items, tenant improvements, and leasing commissions. Other REITs may use different methodologies for calculating cash NOI, and accordingly, the company's cash NOI may not be comparable to the cash NOIs of other REITs.



**About American Assets Trust, Inc.**

American Assets Trust, Inc. is a full service, vertically integrated and self-administered real estate investment trust, or REIT, headquartered in San Diego, California. The company has over 50 years of experience in acquiring, improving, developing and managing premier retail, office and residential properties throughout the United States in some of the nation's most dynamic, high-barrier-to-entry markets primarily in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. The company's retail portfolio comprises approximately 3.1 million rentable square feet, and its office portfolio comprises approximately 3.4 million square feet. In addition, the company owns one mixed-use property (including approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel) and 2,112 multifamily units. In 2011, the company was formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, has significant experience, long-standing relationships and extensive knowledge of its core markets, submarkets and asset classes. For additional information, please visit [www.americanassetstrust.com](http://www.americanassetstrust.com).

**Forward Looking Statements**

This press release may contain forward-looking statements within the meaning of the federal securities laws, which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. While forward-looking statements reflect the company's good faith beliefs, assumptions and expectations, they are not guarantees of future performance. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, see the section entitled "Risk Factors" in the company's most recent annual report on Form 10-K, and other risks described in documents subsequently filed by the company from time to time with the Securities and Exchange Commission. The company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes.

**Source: American Assets Trust, Inc.**

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