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, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______to ______

AMERICAN ASSETS TRUST, INC.
(Exact Name of Registrant as Specified in its Charter)
Commission file number: 001-35030

AMERICAN ASSETS TRUST, L.P.
(Exact Name of Registrant as Specified in its Charter)
Commission file number: 333-202342-01

Maryland	**(American Assets Trust, Inc.)**	**27-3338708**	**(American Assets Trust, Inc.)**
Maryland	**(American Assets Trust, L.P.)**	**27-3338894**	**(American Assets Trust, L.P.)**
(State or other jurisdiction of incorporation or organization)		**(IRS Employer Identification No.)**	

3420 Carmel Mountain Road, Suite 100
San Diego, California 92121
(Address of Principal Executive Offices and Zip Code)

(858) 350-2600
(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 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.

American Assets Trust, Inc. ☒ Yes ☐ No
American Assets Trust, L.P. ☒ Yes ☐ No

(American Assets Trust, L.P. became subject to filing requirements under Section 13 of the Securities Exchange Act of 1934, as amended, upon effectiveness of its Registration Statement on Form S-3 on February 6, 2015 and has filed all required reports subsequent to that date.)

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

American Assets Trust, Inc. ☒ Yes ☐ No
American Assets Trust, L.P. ☒ 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. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

American Assets Trust, Inc.

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

American Assets Trust, L.P.

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☒	(Do not check if a smaller reporting company)	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.
☐

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

American Assets Trust, Inc. ☐ Yes ☒ No
American Assets Trust, L.P. ☐ Yes ☒ No

Securities registered pursuant to Section 12(b) of the Act:

Name of Registrant	Title of each class	Trading Symbol	Name of each exchange on which registered
American Assets Trust, Inc.	Common Stock, par value $0.01 per share	AAT	New York Stock Exchange
American Assets Trust, L.P.	None	None	None

American Assets Trust, Inc. had 60,472,065 shares of common stock, par value $0.01 per share, outstanding as of July 30, 2021.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2021 of American Assets Trust, Inc., a Maryland corporation, and American Assets Trust, L.P., a Maryland limited partnership, of which American Assets Trust, Inc. is the parent company and sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our" or "the company" refer to American Assets Trust, Inc. together with its consolidated subsidiaries, including American Assets Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "our Operating Partnership" or "the Operating Partnership" refer to American Assets Trust, L.P. together with its consolidated subsidiaries.

American Assets Trust, Inc. operates as a real estate investment trust, or REIT, and is the sole general partner of the Operating Partnership. As of June 30, 2021, American Assets Trust, Inc. owned an approximate 78.8% partnership interest in the Operating Partnership. The remaining approximately 21.2% partnership interests are owned by non-affiliated investors and certain of our directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has full, exclusive and complete authority and control over the Operating Partnership's day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and debt refinancings, and can cause changes in its line of business, capital structure and distribution policies.

The company believes that combining the quarterly reports on Form 10-Q of American Assets Trust, Inc. and the Operating Partnership into a single report will result in the following benefits:

- better reflects how management and the analyst community view the business as a single operating unit;
- enhance investors' understanding of American Assets Trust, Inc. and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;
- greater efficiency for American Assets Trust, Inc. and the Operating Partnership and resulting savings in time, effort and expense; and
- greater efficiency for investors by reducing duplicative disclosure by providing a single document for their review.

Management operates American Assets Trust, Inc. and the Operating Partnership as one enterprise. The management of American Assets Trust, Inc. and the Operating Partnership are the same.

There are certain differences between American Assets Trust, Inc. and the Operating Partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between American Assets Trust, Inc. and the Operating Partnership in the context of how American Assets Trust, Inc. and the Operating Partnership operate as an interrelated consolidated company. American Assets Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, American Assets Trust, Inc. does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. American Assets Trust, Inc. itself does not hold any indebtedness. The Operating Partnership holds substantially all the assets of the company, directly or indirectly holds the ownership interests in the company's real estate ventures, conducts the operations of the business and is structured as a partnership with no publicly-traded equity. Except for net proceeds from public equity issuances by American Assets Trust, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of operating partnership units.

Noncontrolling interests and stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of American Assets Trust, Inc. and those of American Assets Trust, L.P. The partnership interests in the Operating Partnership that are not owned by American Assets Trust, Inc. are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in American Assets Trust, Inc.'s financial statements. To help investors understand the significant differences between the company and the Operating Partnership, this report presents the following separate sections for each of American Assets Trust, Inc. and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
    - Debt;
    - Equity/Partners' Capital; and
    - Earnings Per Share/Unit; and
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of American Assets Trust, Inc. and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of American Assets Trust, Inc. have made the requisite certifications and American Assets Trust, Inc. and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

AMERICAN ASSETS TRUST, INC. AND AMERICAN ASSETS TRUST, L.P.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2021

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Real estate, at cost		
Operating real estate	$ 3,171,449	$ 3,155,280
Construction in progress	115,546	91,047
Held for development	547	547
	3,287,542	3,246,874
Accumulated depreciation	(801,482)	(754,140)
Real estate, net	2,486,060	2,492,734
Cash and cash equivalents	368,266	137,333
Restricted cash	1,716	1,716
Accounts receivable, net	6,582	6,938
Deferred rent receivables, net	77,674	72,476
Other assets, net	105,233	106,112
TOTAL ASSETS	$ 3,045,531	$ 2,817,309
LIABILITIES AND EQUITY		
LIABILITIES:		
Secured notes payable, net	$ 110,944	$ 110,923
Unsecured notes payable, net	1,537,307	1,196,677
Unsecured line of credit, net	—	99,151
Accounts payable and accrued expenses	80,291	59,262
Security deposits payable	6,728	6,590
Other liabilities and deferred credits, net	83,115	91,300
Total liabilities	1,818,385	1,563,903
Commitments and contingencies (Note 11)		
EQUITY:		
American Assets Trust, Inc. stockholders’ equity		
Common stock, $0.01 par value, 490,000,000 shares authorized, 60,474,866 and 60,476,292 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	605	605
Additional paid-in capital	1,448,612	1,445,644
Accumulated dividends in excess of net income	(199,956)	(176,560)
Accumulated other comprehensive income	2,122	1,753
Total American Assets Trust, Inc. stockholders’ equity	1,251,383	1,271,442
Noncontrolling interests	(24,237)	(18,036)
Total equity	1,227,146	1,253,406
TOTAL LIABILITIES AND EQUITY	$ 3,045,531	$ 2,817,309

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
REVENUE:				
Rental income	$ 87,639	$ 79,230	$ 168,769	$ 171,300
Other property income	4,170	2,879	7,026	7,552
Total revenue	91,809	82,109	175,795	178,852
EXPENSES:				
Rental expenses	20,204	16,981	38,450	39,549
Real estate taxes	10,612	8,961	21,966	20,006
General and administrative	6,924	6,679	13,747	13,499
Depreciation and amortization	27,646	26,493	55,147	53,955
Total operating expenses	65,386	59,114	129,310	127,009
OPERATING INCOME	26,423	22,995	46,485	51,843
Interest expense	(14,862)	(13,331)	(28,867)	(26,803)
Early extinguishment of debt	—	—	(4,271)	—
Other (expense) income, net	(74)	162	(127)	270
NET INCOME	11,487	9,826	13,220	25,310
Net income attributable to restricted shares	(135)	(69)	(272)	(173)
Net income attributable to unitholders in the Operating Partnership	(2,411)	(2,101)	(2,750)	(5,413)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS	$ 8,941	$ 7,656	$ 10,198	$ 19,724
EARNINGS PER COMMON SHARE				
Earnings per common share, basic	$ 0.15	$ 0.13	$ 0.17	$ 0.33
Weighted average shares of common stock outstanding - basic	59,985,787	59,724,139	59,985,065	59,723,605
Earnings per common share, diluted	$ 0.15	$ 0.13	$ 0.17	$ 0.33
Weighted average shares of common stock outstanding - diluted	76,167,324	76,114,687	76,166,602	76,114,153
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.28	$ 0.20	$ 0.56	$ 0.50
COMPREHENSIVE INCOME				
Net income	$ 11,487	$ 9,826	$ 13,220	$ 25,310
Other comprehensive income (loss) - unrealized income (loss) on swap derivatives during the period	475	14	1,222	(6,101)
Reclassification of amortization of forward-starting swap realized gains included in interest expense	(275)	(332)	(550)	(665)
Reclassification of amortization of forward-starting swap realized gain included in early extinguishment of debt	—	—	(193)	—
Comprehensive income	11,687	9,508	13,699	18,544
Comprehensive income attributable to non-controlling interests	(2,453)	(2,033)	(2,860)	(3,974)
Comprehensive income attributable to American Assets Trust, Inc.	$ 9,234	$ 7,475	$ 10,839	$ 14,570

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

American Assets Trust, Inc.
Consolidated Statement of Equity
(Unaudited)
(In Thousands, Except Share Data)

	American Assets Trust, Inc. Stockholders' Equity						
	Common Shares						
	Shares	Amount	Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Unitholders in the Operating Partnership	Total
Balance at December 31, 2020	60,476,292	$ 605	$ 1,445,644	$ (176,560)	$ 1,753	$ (18,036)	$ 1,253,406
Net income	—	—	—	1,394	—	339	1,733
Forfeiture of restricted stock	(4,006)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(16,932)	—	(4,531)	(21,463)
Stock-based compensation	—	—	1,484	—	—	—	1,484
Other comprehensive gain - change in value of interest rate swaps	—	—	—	—	579	168	747
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(216)	(59)	(275)
Reclassification of amortization of forward-starting swap realized gain included in early extinguishment of debt	—	$ —	$ —	$ —	$ (152)	$ (41)	(193)
Balance at March 31, 2021	60,472,286	$ 605	$ 1,447,128	$ (192,098)	$ 1,964	$ (22,160)	$ 1,235,439
Net income				9,076		2,411	11,487
Issuance of restricted stock	5,184	—					—
Forfeiture of restricted stock	(2,604)	—					—
Dividends declared and paid				(16,933)		(4,531)	(21,464)
Stock-based compensation			1,484				1,484
Other comprehensive income - change in value of interest rate swaps					374	101	475
Reclassification of amortization of forward-starting swap realized gains included in interest expense					(216)	(59)	(275)
Balance at June 30, 2021	60,474,866	$ 605	$ 1,448,612	$ (199,955)	$ 2,122	$ (24,238)	$ 1,227,146

	Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Unitholders in the Operating Partnership	Total
	Shares	Amount					
Balance at December 31, 2019	60,068,228	$ 601	$ 1,452,014	$ (144,378)	$ 5,680	$ (20,245)	$ 1,293,672
Net income	—	—	—	12,172	—	3,312	15,484
Dividends declared and paid	—	—	—	(18,020)	—	(4,917)	(22,937)
Stock-based compensation	—	—	1,250	—	—	—	1,250
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	(4,816)	(1,299)	(6,115)
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(261)	(72)	(333)
Balance at March 31, 2020	60,068,228	$ 601	$ 1,453,264	$ (150,226)	$ 603	$ (23,221)	$ 1,281,021
Net income	—	—	—	7,725	$ —	2,101	9,826
Issuance of restricted stock	6,008	—	—	—	—	—	—
Forfeiture of restricted stock	(318)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(12,015)	—	(3,278)	(15,293)
Stock-based compensation	—	—	1,252	—	—	—	1,252
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	10	4	14
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(261)	(71)	(332)
Balance at June 30, 2020	60,073,918	$ 601	$ 1,454,516	$ (154,516)	$ 352	$ (24,465)	$ 1,276,488

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

American Assets Trust, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
OPERATING ACTIVITIES		
Net income	$ 13,220	$ 25,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(8,938)	(13,191)
Depreciation and amortization	55,147	53,955
Amortization of debt issuance costs and debt discounts	1,156	742
Early extinguishment of debt	4,271	—
Provision for uncollectable rental income	776	3,849
Stock-based compensation expense	2,968	2,502
Other noncash interest expense	(550)	(665)
Other, net	(2,544)	(2,833)
Changes in operating assets and liabilities		
Change in accounts receivable	70	(3,822)
Change in other assets	(4,419)	903
Change in accounts payable and accrued expenses	14,540	3,792
Change in security deposits payable	139	(631)
Change in other liabilities and deferred credits	890	(789)
Net cash provided by operating activities	76,726	69,122
INVESTING ACTIVITIES		
Capital expenditures	(35,526)	(35,241)
Leasing commissions	(1,528)	(3,892)
Purchases of marketable securities	(47,760)	—
Proceeds from the sale of marketable securities	47,723	—
Net cash used in investing activities	(37,091)	(39,133)
FINANCING ACTIVITIES		
Repayment of secured notes payable	—	(51,003)
Proceeds from unsecured line of credit	—	100,000
Repayment of unsecured line of credit	(100,000)	—
Proceeds from unsecured notes payable	494,675	—
Repayment of unsecured notes payable	(155,375)	—
Debt issuance costs	(5,075)	—
Proceeds from issuance of common stock, net	—	(119)
Dividends paid to common stock and unitholders	(42,927)	(38,230)
Net cash provided by financing activities	191,298	10,648
Net increase in cash and cash equivalents	230,933	40,637
Cash, cash equivalents and restricted cash, beginning of period	139,049	109,451
Cash, cash equivalents and restricted cash, end of period	$ 369,982	$ 150,088

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statement of cash flows:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash and cash equivalents	368,266	146,131
Restricted cash	1,716	3,957
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 369,982	$ 150,088

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

American Assets Trust, L.P.
Consolidated Balance Sheets
(In Thousands, Except Unit Data)

	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Real estate, at cost		
Operating real estate	$ 3,171,449	$ 3,155,280
Construction in progress	115,546	91,047
Held for development	547	547
	3,287,542	3,246,874
Accumulated depreciation	(801,482)	(754,140)
Real estate, net	2,486,060	2,492,734
Cash and cash equivalents	368,266	137,333
Restricted cash	1,716	1,716
Accounts receivable, net	6,582	6,938
Deferred rent receivables, net	77,674	72,476
Other assets, net	105,233	106,112
TOTAL ASSETS	$ 3,045,531	$ 2,817,309
LIABILITIES AND CAPITAL		
LIABILITIES:		
Secured notes payable, net	$ 110,944	$ 110,923
Unsecured notes payable, net	1,537,307	1,196,677
Unsecured line of credit, net	—	99,151
Accounts payable and accrued expenses	80,291	59,262
Security deposits payable	6,728	6,590
Other liabilities and deferred credits, net	83,115	91,300
Total liabilities	1,818,385	1,563,903
Commitments and contingencies (Note 11)		
CAPITAL:		
Limited partners' capital, 16,181,537 and 16,181,537 units issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	(25,332)	(19,020)
General partner's capital, 60,474,866 and 60,476,292 units issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1,249,262	1,269,689
Accumulated other comprehensive income	3,216	2,737
Total capital	1,227,146	1,253,406
TOTAL LIABILITIES AND CAPITAL	$ 3,045,531	$ 2,817,309

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

American Assets Trust, L.P.
Consolidated Statements of Comprehensive Income
(Unaudited)
(In Thousands, Except Shares and Per Unit Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
REVENUE:				
Rental income	$ 87,639	$ 79,230	$ 168,769	$ 171,300
Other property income	4,170	2,879	7,026	7,552
Total revenue	91,809	82,109	175,795	178,852
EXPENSES:				
Rental expenses	20,204	16,981	38,450	39,549
Real estate taxes	10,612	8,961	21,966	20,006
General and administrative	6,924	6,679	13,747	13,499
Depreciation and amortization	27,646	26,493	55,147	53,955
Total operating expenses	65,386	59,114	129,310	127,009
OPERATING INCOME	26,423	22,995	46,485	51,843
Interest expense	(14,862)	(13,331)	(28,867)	(26,803)
Early extinguishment of debt	—	—	(4,271)	—
Other (expense) income, net	(74)	162	(127)	270
NET INCOME	11,487	9,826	13,220	25,310
Net income attributable to restricted shares	(135)	(69)	(272)	(173)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.	$ 11,352	$ 9,757	$ 12,948	$ 25,137
EARNINGS PER UNIT - BASIC				
Earnings per unit, basic	$ 0.15	$ 0.13	$ 0.17	$ 0.33
Weighted average units outstanding - basic	76,167,324	76,114,687	76,166,602	76,114,153
EARNINGS PER UNIT - DILUTED				
Earnings per unit, diluted	$ 0.15	$ 0.13	$ 0.17	$ 0.33
Weighted average units outstanding - diluted	76,167,324	76,114,687	76,166,602	76,114,153
DISTRIBUTIONS PER UNIT	$ 0.28	$ 0.20	$ 0.56	$ 0.50
COMPREHENSIVE INCOME				
Net income	$ 11,487	$ 9,826	$ 13,220	$ 25,310
Other comprehensive income (loss) - unrealized income (loss) on swap derivatives during the period	475	14	1,222	(6,101)
Reclassification of amortization of forward-starting swap realized gains included in interest expense	(275)	(332)	(550)	(665)
Reclassification of amortization of forward-starting swap realized gain included in early extinguishment of debt	—	—	(193)	—
Comprehensive income	11,687	9,508	13,699	18,544
Comprehensive income attributable to Limited Partners	(2,453)	(2,033)	(2,860)	(3,974)
Comprehensive income attributable to General Partner	$ 9,234	$ 7,475	$ 10,839	$ 14,570

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

American Assets Trust, L.P.
Consolidated Statement of Partners' Capital
(Unaudited)
(In Thousands, Except Unit Data)

	Limited Partners' Capital [1]		General Partner's Capital [2]		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2020	16,181,537	$ (19,020)	60,476,292	$ 1,269,689	$ 2,737	$ 1,253,406
Net income	—	339	—	1,394	—	1,733
Forfeiture of restricted units	—	—	(4,006)	—	—	—
Distributions	—	(4,531)	—	(16,932)	—	(21,463)
Stock-based compensation	—	—	—	1,484	—	1,484
Other comprehensive gain - change in value of interest rate swap	—	—	—	—	747	747
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(275)	(275)
Reclassification of amortization of forward-starting swap included in early extinguishment of debt	—	—	—	—	(193)	(193)
Balance at March 31, 2021	16,181,537	$ (23,212)	60,472,286	$ 1,255,635	$ 3,016	$ 1,235,439
Net income	—	2,411	—	9,076	—	11,487
Issuance of restricted units	—	—	5,184	—	—	—
Forfeiture of restricted units	—	—	(2,604)	—	—	—
Distributions	—	(4,531)	—	(16,933)	—	(21,464)
Stock-based compensation	—	—	—	1,484	—	1,484
Other comprehensive income - change in value of interest rate swap	—	—	—	—	475	475
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(275)	(275)
Balance at June 30, 2021	16,181,537	$ (25,332)	60,474,866	$ 1,249,262	$ 3,216	$ 1,227,146

	Limited Partners' Capital [(1)]		General Partner's Capital [(2)]		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2019	16,390,548	$ (22,281)	60,068,228	$ 1,308,237	$ 7,716	$ 1,293,672
Net income	—	3,312	—	12,172	—	15,484
Distributions	—	(4,917)	—	(18,020)	—	(22,937)
Stock-based compensation	—	—	—	1,250	—	1,250
Other comprehensive loss - change in value of interest rate swap	—	—	—	—	(6,115)	(6,115)
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(333)	(333)
Balance at March 31, 2020	16,390,548	$ (23,886)	60,068,228	$ 1,303,639	$ 1,268	$ 1,281,021
Net income	—	2,101	—	7,725	—	9,826
Issuance of restricted units	—	—	6,008	—	—	—
Forfeiture of restricted units	—	—	(318)	—	—	—
Distributions	—	(3,278)	—	(12,015)	—	(15,293)
Stock-based compensation	—	—	—	1,252	—	1,252
Other comprehensive loss - change in value of interest rate swap	—	—	—	—	14	14
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(332)	(332)
Balance at June 30, 2020	16,390,548	$ (25,063)	60,073,918	$ 1,300,601	$ 950	$ 1,276,488

(1) Consists of limited partnership interests held by third parties.
(2) Consists of general partnership interests held by American Assets Trust, Inc.

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

American Assets Trust, L.P.
Consolidated Statements of Cash Flows
(Unaudited, In Thousands)

	Six Months Ended June 30,	
	2021	2020
OPERATING ACTIVITIES		
Net income	$ 13,220	$ 25,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(8,938)	(13,191)
Depreciation and amortization	55,147	53,955
Amortization of debt issuance costs and debt discounts	1,156	742
Early extinguishment of debt	4,271	—
Provision for uncollectable rental income	776	3,849
Stock-based compensation expense	2,968	2,502
Other noncash interest expense	(550)	(665)
Other, net	(2,544)	(2,833)
Changes in operating assets and liabilities		
Change in accounts receivable	70	(3,822)
Change in other assets	(4,419)	903
Change in accounts payable and accrued expenses	14,540	3,792
Change in security deposits payable	139	(631)
Change in other liabilities and deferred credits	890	(789)
Net cash provided by operating activities	76,726	69,122
INVESTING ACTIVITIES		
Capital expenditures	(35,526)	(35,241)
Leasing commissions	(1,528)	(3,892)
Purchases of marketable securities	(47,760)	—
Proceeds from the sale of marketable securities	47,723	—
Net cash used in investing activities	(37,091)	(39,133)
FINANCING ACTIVITIES		
Repayment of secured notes payable	—	(51,003)
Proceeds from unsecured line of credit	—	100,000
Repayment of unsecured line of credit	(100,000)	—
Proceeds from unsecured notes payable	494,675	—
Repayment of unsecured notes payable	(155,375)	—
Debt issuance costs	(5,075)	—
Contributions from American Assets Trust, Inc.	—	(119)
Distributions	(42,927)	(38,230)
Net cash provided by financing activities	191,298	10,648
Net increase in cash and cash equivalents	230,933	40,637
Cash, cash equivalents and restricted cash, beginning of period	139,049	109,451
Cash, cash equivalents and restricted cash, end of period	$ 369,982	$ 150,088

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statement of cash flows:

	Six Months Ended June 30,	
	2021	2020
Cash and cash equivalents	$ 368,266	$ 146,131
Restricted cash	1,716	3,957
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 369,982	$ 150,088

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Assets Trust, Inc. (which may be referred to in these financial statements as the “Company,” “we,” “us,” or “our”) is a Maryland corporation formed on July 16, 2010 that did not have any operating activity until the consummation of our initial public offering on January 19, 2011. The Company is the sole general partner of American Assets Trust, L.P., a Maryland limited partnership formed on July 16, 2010 (the “Operating Partnership”). The Company’s operations are carried on through our Operating Partnership and its subsidiaries, including our taxable real estate investment trust ("REIT") subsidiary ("TRS"). Since the formation of our Operating Partnership, the Company has controlled our Operating Partnership as its general partner and has consolidated its assets, liabilities and results of operations.

We are a full service, vertically integrated, and self-administered REIT with approximately 199 employees providing substantial in-house expertise in asset management, property management, property development, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

As of June 30, 2021, we owned or had a controlling interest in 28 office, retail, multifamily and mixed-use operating properties, the operations of which we consolidate. Additionally, as of June 30, 2021, we owned land at three of our properties that we classify as held for development and/or construction in progress. A summary of the properties owned by us is as follows:

Retail

Carmel Country Plaza
Carmel Mountain Plaza
South Bay Marketplace
Lomas Santa Fe Plaza
Solana Beach Towne Centre
Gateway Marketplace
Del Monte Center
Geary Marketplace
The Shops at Kalakaua
Waikele Center
Alamo Quarry Market
Hassalo on Eighth - Retail

Office

La Jolla Commons
Torrey Reserve Campus
Torrey Point
Solana Crossing
The Landmark at One Market
One Beach Street
First & Main
Lloyd Portfolio
City Center Bellevue

Multifamily

Loma Palisades
Imperial Beach Gardens
Mariner's Point
Santa Fe Park RV Resort
Pacific Ridge Apartments
Hassalo on Eighth - Residential

Mixed-Use

Waikiki Beach Walk Retail and Embassy Suites™ Hotel

Held for Development and/or Construction in Progress

La Jolla Commons – Land
Solana Crossing – Land
Lloyd Portfolio – Construction in Progress

Basis of Presentation

Our consolidated financial statements include the accounts of the Company, our Operating Partnership and our subsidiaries. The equity interests of other investors in our Operating Partnership are reflected as noncontrolling interests.

The Company follows the Financial Accounting Standards Board (the "FASB") guidance for determining whether an entity is a variable interest entity (“VIE”) and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. American Assets Trust, Inc. has concluded that the Operating Partnership is a VIE, and because American Assets Trust, Inc. has both the power and the rights to control the Operating Partnership, American Assets Trust, Inc. is the primary beneficiary and is required to continue to consolidate the Operating Partnership. Substantially all of the assets and liabilities of the Company are related to the operating partnership VIE.

All intercompany transactions and balances are eliminated in consolidation.

The accompanying consolidated financial statements of the Company and the Operating Partnership have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation, but do not include all disclosures required under accounting principles generally accepted in the United States (“GAAP”) for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, except as otherwise noted) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in the Company's and Operating Partnership's annual report on Form 10-K for the year ended December 31, 2020.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using our best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Any reference to the number of properties, number of units, square footage, employee numbers or percentages of beneficial ownership of our shares are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Consolidated Statements of Cash Flows—Supplemental Disclosures

The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended June 30,	
	2021	**2020**
Supplemental cash flow information		
Total interest costs incurred	$ 30,092	$ 27,327
Interest capitalized	$ 1,225	$ 524
Interest expense	$ 28,867	$ 26,803
Cash paid for interest, net of amounts capitalized	$ 22,093	$ 26,918
Cash paid for income taxes	$ 222	$ 554
Supplemental schedule of noncash investing and financing activities		
Accounts payable and accrued liabilities for construction in progress	$ 9,695	$ 18,141
Accrued leasing commissions	$ 972	$ 1,913

Significant Accounting Policies

We describe our significant accounting policies in Note 1 to the consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no changes to our significant accounting policies during the six months ended June 30, 2021.

Segment Information

Segment information is prepared on the same basis that our chief operating decision maker reviews information for operational decision-making purposes. We operate in four business segments: the acquisition, redevelopment, ownership and management of retail real estate, office real estate, multifamily real estate and mixed-use real estate. The products for our retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed rent escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risks.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which require significant judgment by management. The collectability of receivables is affected by numerous different factors including current economic conditions, including the impact of tenant bankruptcies, the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in our tenants' credit ratings, communications between our operating personnel and tenants, the extent of security deposits and letters of credit held with respect to tenants, and the ability of the tenant to perform under the terms of their lease agreement. The provision for doubtful accounts at June 30, 2021 and December 31, 2020 was approximately $8.3 million and $10.0 million, respectively.

Rent Concessions – COVID-19

During the second quarter of 2021, we provided lease concessions to certain tenants, primarily within the retail segment, as a result of the COVID-19 pandemic, in the form of rent deferrals and abatements. These lease concessions generally included an increase in our rights as a lessor. We assess each lease concession and determine whether it represents a lease modifications under Accounting Standards Codification Topic 842, Leases ("ASC 842"). For the second quarter of 2021, we collected approximately $0.8 million or 94% of the deferred rent repayments due during the period.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Topics.* The pronouncement requires companies to adopt a new approach to estimating credit losses on certain types of financial instruments, such as trade and other receivables and loans. The standard requires entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which clarifies that receivables arising from operating leases are not within the scope of the pronouncement. We adopted the provisions of ASU No. 2016-13 effective January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements as the majority of our receivables are derived from operating leases and are excluded from this standard.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848), which provides companies with optional practical expedients to ease the accounting burden for contract modifications associated with transitioning away from LIBOR and other interbank offered rates that are expected to be discontinued as part of reference rate reform. For hedges, the guidance generally allows changes to the reference rate and other critical terms without having to de-designate the hedging relationship, as well as allows the shortcut method to continue to be applied. For contract modifications, changes in the reference rate or other critical terms will be treated as a continuation of the prior contract. This guidance can be applied immediately, however, is generally only available through December 31, 2022. We are still evaluating the impact of reference rate reform and whether we will apply any of these practical expedients.

NOTE 2. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW MARKET LEASES

The following summarizes our acquired lease intangibles and leasing costs, which are included in other assets and other liabilities and deferred credits, as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
In-place leases	$ 60,352	$ 60,965
Accumulated amortization	(36,283)	(34,758)
Above market leases	4,543	5,389
Accumulated amortization	(4,436)	(5,268)
Acquired lease intangible assets, net	$ 24,176	$ 26,328
Below market leases	$ 56,666	$ 56,677
Accumulated accretion	(36,749)	(35,219)
Acquired lease intangible liabilities, net	$ 19,917	$ 21,458

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchy for inputs used in measuring fair value is as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities
2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities
3. Level 3 Inputs—unobservable inputs

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of fair value, using Level 1 inputs, because of the short-term nature of these instruments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

We measure the fair value of our deferred compensation liability, which is included in other liabilities and deferred credits on the consolidated balance sheet, on a recurring basis using Level 2 inputs. We measure the fair value of this liability based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques.

The fair value of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contract at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The changes in the fair value of the derivatives that are designated as cash flow hedges are being recorded in accumulated other comprehensive income (loss) and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

We incorporate credit valuation adjustments to appropriately reflect both our own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of non-performance risk, we considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2021 we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative position and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivative. As a result, we have determined that our derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

A summary of our financial liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows (in thousands):

	June 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Deferred compensation liability	$ —	$ 2,269	$ —	$ 2,269	$ —	$ 2,059	$ —	$ 2,059
Interest rate swap liability	$ —	$ 3,309	$ —	$ 3,309	$ —	$ 4,531	$ —	$ 4,531

The fair value of our secured notes payable and unsecured senior guaranteed notes are sensitive to fluctuations in interest rates. Discounted cash flow analysis using observable market interest rates (Level 2) is generally used to estimate the fair value of our secured notes payable, using rates ranging from 2.3% to 3.6%.

Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. The carrying values of our revolving line of credit and term loan set forth below are deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. A summary of the carrying amount and fair value of our secured financial instruments, all of which are based on Level 2 inputs, is as follows (in thousands):

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable, net	$ 110,944	$ 114,471	$ 110,923	$ 114,074
Unsecured term loans, net	$ 249,443	$ 250,000	$ 249,233	$ 250,000
Unsecured senior guaranteed notes, net	$ 797,748	$ 838,427	$ 947,444	$ 1,017,378
Senior unsecured notes, net	$ 490,116	$ 516,405	$ —	$ —
Unsecured line of credit, net	$ —	$ —	$ 99,151	$ 100,000

NOTE 4. DERIVATIVE AND HEDGING ACTIVITIES

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The following is a summary of the terms of our outstanding interest rate swaps as of June 30, 2021 (dollars in thousands):

Swap Counterparty	Notional Amount	Effective Date	Maturity Date	Fair Value
U.S. Bank N.A.	$ 100,000	3/1/2016	3/1/2023	$ (2,212)
Wells Fargo Bank, N.A.	$ 50,000	5/2/2016	3/1/2023	$ (1,097)

The effective portion of changes in the fair value of the derivatives that are designated as cash flow hedges are being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings for as long as hedged cash flows remain probable. During the next twelve months, we estimate the cash flow hedges in place will reduce interest expense by approximately $1.1 million.

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, counter party credit risk and uses observable market-based inputs, including interest rate curves, and implied volatilities. The fair value of the interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

NOTE 5. OTHER ASSETS

Other assets consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Leasing commissions, net of accumulated amortization of $38,227 and $35,167, respectively	$ 36,589	$ 38,173
Acquired above market leases, net	107	121
Acquired in-place leases, net	24,069	26,207
Lease incentives, net of accumulated amortization of $896 and $802, respectively	782	994
Other intangible assets, net of accumulated amortization of $1,349 and $1,213, respectively	2,409	2,565
Debt issuance costs, net of accumulated amortization of $1,425 and $0, respectively	645	—
Right-of-use lease asset, net	27,392	29,350
Prepaid expenses and other	13,240	8,702
Total other assets	$ 105,233	$ 106,112

NOTE 6. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Acquired below market leases, net	$ 19,917	$ 21,458
Prepaid rent and deferred revenue	12,314	14,518
Interest rate swap liability	3,309	4,531
Deferred rent expense and lease intangible	9	16
Deferred compensation	2,269	2,059
Deferred tax liability	570	570
Straight-line rent liability	16,234	18,049
Lease liability	28,457	30,060
Other liabilities	36	39
Total other liabilities and deferred credits, net	$ 83,115	$ 91,300

Straight-line rent liability relates to leases which have rental payments that decrease over time or one-time upfront payments for which the rental revenue is deferred and recognized on a straight-line basis.

NOTE 7. DEBT

Debt of American Assets Trust, Inc.

American Assets Trust, Inc. does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, American Assets Trust, Inc. has guaranteed the Operating Partnership's obligations under the (i) amended and restated credit facility, (ii) term loans, (iii) senior guaranteed notes, and (iv) senior unsecured notes. Additionally, American Assets Trust, Inc. has provided a carve-out guarantee on the property-level mortgage debt at City Center Bellevue.

Debt of American Assets Trust, L.P.

Secured notes payable

The following is a summary of our total secured notes payable outstanding as of June 30, 2021 and December 31, 2020 (in thousands):

	Principal Balance as of		Stated Interest Rate	
Description of Debt	**June 30, 2021**	**December 31, 2020**	**as of June 30, 2021**	**Stated Maturity Date**
City Center Bellevue [(1)]	111,000	111,000	3.98 %	November 1, 2022
	111,000	111,000		
Debt issuance costs, net of accumulated amortization of $366 and $345, respectively	(56)	(77)		
Total Secured Notes Payable Outstanding	**$ 110,944**	**$ 110,923**		

(1) Interest only.

Certain loans require us to comply with various financial covenants. As of June 30, 2021, the Operating Partnership was in compliance with these financial covenants.

Unsecured notes payable

The following is a summary of the Operating Partnership's total unsecured notes payable outstanding as of June 30, 2021 and December 31, 2020 (in thousands):

Description of Debt	Principal Balance as of June 30, 2021	Principal Balance as of December 31, 2020	Stated Interest Rate as of June 30, 2021		Stated Maturity Date
Term Loan A	$ 100,000	$ 100,000	Variable	(1)	January 9, 2022
Senior Guaranteed Notes, Series A (2)	—	150,000	4.04 %	(3)	October 31, 2021
Term Loan B	100,000	100,000	Variable	(4)	March 1, 2023
Term Loan C	50,000	50,000	Variable	(5)	March 1, 2023
Senior Guaranteed Notes, Series F	100,000	100,000	3.78 %	(6)	July 19, 2024
Senior Guaranteed Notes, Series B	100,000	100,000	4.45 %		February 2, 2025
Senior Guaranteed Notes, Series C	100,000	100,000	4.50 %		April 1, 2025
Senior Guaranteed Notes, Series D	250,000	250,000	4.29 %	(7)	March 1, 2027
Senior Guaranteed Notes, Series E	100,000	100,000	4.24 %	(8)	May 23, 2029
Senior Guaranteed Notes, Series G	150,000	150,000	3.91 %	(9)	July 30, 2030
3.375% Senior Unsecured Notes	500,000	—	3.38 %		February 1, 2031
	1,550,000	1,200,000			
Debt discount and issuance costs, net of accumulated amortization of $9,059 and $8,856, respectively	(12,693)	(3,323)			
Total Unsecured Notes Payable	**$ 1,537,307**	**$ 1,196,677**			

(1) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan A at approximately 4.13% through the interest rate swap maturity date of January 9, 2021, subject to adjustments based on our consolidated leverage ratio. Subsequent to January 9, 2021, the interest rate associated with Term Loan A will be variable as described below.
(2) Notes prepaid in full, with make-whole penalty thereon of approximately $3.9 million, on January 26, 2021.
(3) The Operating Partnership entered into a one-month forward-starting seven years swap contract on August 19, 2014, which was settled on September 19, 2014 at a gain of approximately $1.6 million. The forward-starting seven-year swap contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.88% per annum. On January 26, 2021, we prepaid the entirety of the Senior Guaranteed Notes, Series A with make-whole premium thereon.
(4) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan B at approximately 3.15% through its maturity date, subject to adjustments based on our consolidated leverage ratio. Effective March 1, 2018, the effective interest rate associated with Term Loan B is approximately 2.65%, subject to adjustments based on our consolidated leverage ratio.
(5) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan C at approximately 3.14% through its maturity date, subject to adjustments based on our consolidated leverage ratio. Effective March 1, 2018, the effective interest rate associated with Term Loan C is approximately 2.64%, subject to adjustments based on our consolidated leverage ratio.
(6) The Operating Partnership entered into a treasury lock contract on May 31, 2017, which was settled on June 23, 2017 at a loss of approximately $0.5 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.85% per annum.
(7) The Operating Partnership entered into forward-starting interest rate swap contracts on March 29, 2016 and April 7, 2016, which were settled on January 18, 2017 at a gain of approximately $10.4 million. Each of the forward-starting interest swap rate contracts were deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.87% per annum.
(8) The Operating Partnership entered into a treasury lock contract on April 25, 2017, which was settled on May 11, 2017 at a gain of approximately $0.7 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 4.18% per annum.
(9) The Operating Partnership entered into a treasury lock contract on June 20, 2019, which was settled on July 17, 2019 at a gain of approximately $0.5 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.88% per annum.

On January 26, 2021, the Operating Partnership issued $500 million of senior unsecured notes (the "3.375% Senior Notes") that mature February 1, 2031 and bear interest at 3.375% per annum. The 3.375% Senior Notes were priced at 98.935% of the principal amount with a yield to maturity of 3.502%. The net proceeds of the 3.375% Senior Notes, after the issuance discount, underwriting fees, and other costs were approximately $489.7 million, which were primarily used to (i) prepay our $150 million Senior Guaranteed Notes, Series A, with a make-whole payment (as defined in the Note Purchase Agreement for the Series A Notes) thereon of approximately $3.9 million, on January 26, 2021, (ii) repay our $100 million then outstanding balance under our Revolver Loan on January 26, 2021, (iii) fund the development of the La Jolla Commons III office building and (iv) for general corporate purposes.

Certain unsecured loans and notes require us to comply with various financial covenants. As of June 30, 2021, the Operating Partnership was in compliance with these financial covenants.

Amended Term Loan Agreement

On January 9, 2018, we entered into the Third Amendment to the Term Loan Agreement (as so amended, the "Term Loan Agreement"), which maintains the seven years $150 million unsecured term loan (referred to herein as Term Loan B and Term Loan C) to the Operating Partnership that matures on March 1, 2023 (the "$150mm Term Loan"). Effective as of March 1, 2018, borrowings under the Term Loan Agreement with respect to the $150mm Term Loan bear interest at floating rates equal to, at the Operating Partnership's option, either (1) LIBOR, plus a spread which ranges from 1.20% to 1.70% based on the Operating Partnership's consolidated leverage ratio, or (2) a base rate equal to the highest of (a) 0%, (b) the prime rate, (c) the federal funds rate plus 50 bps or (d) the Eurodollar rate plus 100 bps, in each case plus a spread which ranges from 0.70% to 1.35% based on the Operating Partnership's consolidated leverage ratio. Additionally, the Operating Partnership may elect for borrowings to bear interest based on a ratings-based pricing grid as per the Operating Partnership's then-applicable investment grade debt ratings under the terms set forth in the Term Loan Agreement.

Second Amended and Restated Credit Facility

On January 9, 2018, we entered into a second amended and restated credit agreement (the "Second Amended and Restated Credit Facility"). The Second Amended and Restated Credit Facility provides for aggregate, unsecured borrowing of $450 million, consisting of a revolving line of credit of $350 million (the "Revolver Loan") and a term loan of $100 million (the "Term Loan A"). The Second Amended and Restated Credit Facility has an accordion feature that may allow us to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders. At June 30, 2021, there were no amounts outstanding under the Revolver Loan and we had incurred approximately $0.6 million of debt issuance costs, net, which are recorded in other assets, net on the consolidated balance sheets.

Borrowings under the Second Amended and Restated Credit Agreement initially bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from (a) 1.05% to 1.50% (with respect to the Revolver Loan) and (b) 1.30% to 1.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) LIBOR plus 100 bps, plus a spread which ranges from (i) 0.10% to 0.50% (with respect to the Revolver Loan) and (ii) 0.30% to 0.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio. For the six months ended June 30, 2021, the weighted average interest rate on the Revolver Loan was 1.19%.

The Revolver Loan initially matures on January 9, 2022, subject to our option to extend the Revolver Loan up to two times, with each such extension for a six months period. The extension options are exercisable by us subject to the satisfaction of certain conditions.

On January 9, 2019, we entered into the first amendment ("First Amendment") to the Second Amended and Restated Credit Facility, which extended the maturity date of Term Loan A to January 9, 2021, subject to three, one year extension options. In October 2020, we exercised an option to extend the maturity date of Term Loan A to January 9, 2022, subject to certain conditions. Additionally, in connection with the First Amendment, borrowings under the Second Amended and Restated Credit Facility with respect to Term Loan A bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from 1.20% to 1.70% based on our consolidated total leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) the Eurodollar rate plus 100 bps, in each case plus a spread which ranges from 0.20% to 0.70% based on our consolidated total leverage ratio. The foregoing rates are intended to be more favorable than previously contained in the Second Amended and Restated Credit Facility (prior to entry into the First Amendment) with respect to Term Loan A.

Additionally, the Second Amended and Restated Credit Facility includes a number of customary financial covenants, including:

- A maximum leverage ratio (defined as total indebtedness net of certain cash and cash equivalents to total asset value) of 60%,
- A maximum secured leverage ratio (defined as total secured debt to secured total asset value) of 40%,
- A minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.50x,
- A minimum unsecured interest coverage ratio of 1.75x,
- A maximum unsecured leverage ratio of 60%, and
- Recourse indebtedness at any time cannot exceed 15% of total asset value.

The Second Amended and Restated Credit Facility provides that our annual distributions may not exceed the greater of (1) 95% of our funds from operation ("FFO") or (2) the amount required for us to (a) qualify and maintain our REIT status and (b) avoid the payment of federal or state income or excise tax. If certain events of default exist or would result from a distribution, we may be precluded from making distributions other than those necessary to qualify and maintain our status as a REIT.

As of June 30, 2021, the Operating Partnership was in compliance with the financial covenants in the Second Amended and Restated Credit Facility.

NOTE 8. PARTNERS' CAPITAL OF AMERICAN ASSETS TRUST, L.P.

Noncontrolling interests in our Operating Partnership are interests in the Operating Partnership that are not owned by us. Noncontrolling interests consisted of 16,181,537 common units (the “noncontrolling common units”), and represented approximately 21.2% of the ownership interests in our Operating Partnership at June 30, 2021. Common units and shares of our common stock have essentially the same economic characteristics in that common units and shares of our common stock share equally in the total net income or loss distributions of our Operating Partnership. Investors who own common units have the right to cause our Operating Partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of our common stock, or, at our election, shares of our common stock on a one-for-one basis.

During the six months ended June 30, 2021, no common units were converted into shares of our common stock.

Earnings Per Unit of the Operating Partnership

Basic earnings per unit (“EPU”) of the Operating Partnership is computed by dividing income applicable to unitholders by the weighted average Operating Partnership units outstanding, as adjusted for the effect of participating securities. Operating Partnership units granted in equity-based payment transactions that have non-forfeitable dividend equivalent rights are considered participating securities prior to vesting. The impact of unvested Operating Partnership unit awards on EPU has been calculated using the two-class method whereby earnings are allocated to the unvested Operating Partnership unit awards based on distributions and the unvested Operating Partnership units’ participation rights in undistributed earnings.

The calculation of diluted EPU for the three months ended June 30, 2021 and 2020 does not include the weighted average of 486,035 and 345,241 unvested outstanding Operating Partnership units, respectively, as these equity securities are either considered contingently issuable or the effect of including these equity securities was anti-dilutive to income from continuing operations and net income attributable to the unitholders. The calculation of diluted EPU for the six months ended June 30, 2021 and 2020 does not include the weighted average of 487,895 and 345,199 unvested Operating Partnership units, respectively.

NOTE 9. EQUITY OF AMERICAN ASSETS TRUST, INC.

Stockholders' Equity

On May 27, 2015, we entered into an at-the-market ("ATM") equity program with five sales agents in which we may, from time to time, offer and sell shares of our common stock having an aggregate offering price of up to $250.0 million. On March 2, 2018, we amended certain of these equity programs, terminated one such program and entered into a new equity program with one new sales agent. The sales of shares of our common stock made through the ATM equity program, as amended, are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended. During the six months ended June 30, 2021, no shares of common stock were sold through the ATM equity program.

We intend to use the net proceeds from the ATM equity program to fund our development or redevelopment activities, repay amounts outstanding from time to time under our revolving line of credit or other debt financing obligations, fund potential acquisition opportunities and/or for general corporate purposes. As of June 30, 2021, we had the capacity to issue up to an additional $132.6 million in shares of our common stock under our ATM equity program upon filing an updated prospectus supplement with the SEC. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of our common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under the ATM equity program.

Dividends

The following table lists the dividends declared and paid on our shares of common stock and noncontrolling common units during the six months ended June 30, 2021:

Period	Amount per Share/Unit	Period Covered	Dividend Paid Date
First Quarter 2021	$ 0.28	January 1, 2021 to March 31, 2021	March 25, 2021
Second Quarter 2021	$ 0.28	April 1, 2021 to June 30, 2021	June 24, 2021

Taxability of Dividends

Earnings and profits, which determine the taxability of distributions to stockholders and holders of common units, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of revenue recognition and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation.

Stock-Based Compensation

We follow the FASB guidance related to stock-based compensation which establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer. The guidance also defines a fair value-based method of accounting for an employee stock award or similar equity instrument.

The following table summarizes the activity of restricted stock awards during the six months ended June 30, 2021:

	Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2021	491,957	$23.53
Granted	5,184	38.59
Vested	(6,008)	33.29
Forfeited	(6,610)	23.19
Nonvested at June 30, 2021	484,523	$23.58

We recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized $1.5 million and $1.3 million in noncash compensation expense for the three months ended June 30, 2021 and 2020, respectively, which is included in general and administrative expense on the consolidated statements of comprehensive income. We recognized $3.0 million and $2.5 million in noncash compensation expense for the six months ended June 30, 2021 and 2020, respectively. Unrecognized compensation expense was $5.6 million at June 30, 2021.

Earnings Per Share

We have calculated earnings per share ("EPS") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating security is calculated according to dividends declared and participation rights in undistributed earnings. The weighted average unvested shares outstanding, which are considered participating securities, were 486,035 and 345,241 for the three months ended June 30, 2021 and 2020, respectively and 487,895 and 345,199 for the six months ended June 30, 2021 and 2020, respectively. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares as these unvested shares have nonforfeitable dividend equivalent rights.

Diluted EPS is calculated by dividing the net income applicable to common stockholders for the period by the weighted average number of common and dilutive instruments outstanding during the period using the treasury stock method. For the three and six months ended June 30, 2021 and 2020, diluted shares exclude incentive restricted stock as these awards are considered contingently issuable. Additionally, the unvested restricted stock awards subject to time vesting are anti-dilutive for all periods presented, and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

The computation of basic and diluted EPS is presented below (dollars in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
NUMERATOR				
Net income	$ 11,487	$ 9,826	$ 13,220	$ 25,310
Less: Net income attributable to restricted shares	(135)	(69)	(272)	(173)
Less: Income from operations attributable to unitholders in the Operating Partnership	(2,411)	(2,101)	(2,750)	(5,413)
Net income attributable to common stockholders—basic	$ 8,941	$ 7,656	$ 10,198	$ 19,724
Income from operations attributable to American Assets Trust, Inc. common stockholders—basic	$ 8,941	$ 7,656	$ 10,198	$ 19,724
Plus: Income from operations attributable to unitholders in the Operating Partnership	2,411	2,101	2,750	5,413
Net income attributable to common stockholders—diluted	$ 11,352	$ 9,757	$ 12,948	$ 25,137
DENOMINATOR				
Weighted average common shares outstanding—basic	59,985,787	59,724,139	59,985,065	59,723,605
Effect of dilutive securities—conversion of Operating Partnership units	16,181,537	16,390,548	16,181,537	16,390,548
Weighted average common shares outstanding—diluted	76,167,324	76,114,687	76,166,602	76,114,153
Earnings per common share, basic	$ 0.15	$ 0.13	$ 0.17	$ 0.33
Earnings per common share, diluted	$ 0.15	$ 0.13	$ 0.17	$ 0.33

NOTE 10. INCOME TAXES

We elected to be taxed as a REIT and operate in a manner that allows us to qualify as a REIT for federal income tax purposes commencing with our initial taxable year. As a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. Taxable income from non-REIT activities managed through our TRS is subject to federal and state income taxes.

We lease our hotel property to a wholly owned TRS that is subject to federal and state income taxes. We account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between GAAP carrying amounts and their respective tax bases. Additionally, we classify certain state taxes as income taxes for financial reporting purposes in accordance with ASC Topic 740, *Income Taxes*.

A deferred tax liability is included in the other liabilities and deferred credits, net on our consolidated balance sheets of $0.6 million and $0.6 million as of June 30, 2021 and December 31, 2020, respectively, in relation to real estate asset basis differences of property subject to state taxes based on income and certain prepaid expenses of our TRS.

Income tax expense is recorded in other (expense) income, net on our consolidated statements of comprehensive income. For the three and six months ended June 30, 2021, we recorded income tax benefit of $0.2 million and $0.3 million. For the three and six months ended June 30, 2020, we recorded income tax expense of $0.1 million and income tax benefit of $0.1 million.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in various disputes, lawsuits, warranty claims, environmental, and other matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also, under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

See Footnote 12 for description of our leases, as a lessee.

We have management agreements with Outrigger Hotels & Resorts or an affiliate thereof (“Outrigger”) pursuant to which Outrigger manages each of the retail and hotel portions of the Waikiki Beach Walk property. Under the management agreement with Outrigger relating to the retail portion of Waikiki Beach Walk (the “retail management agreement”), we pay Outrigger a monthly management fee of 3.0% of net revenues from the retail portion of Waikiki Beach Walk. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we would be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause. Under our management agreement with Outrigger relating to the hotel portion of Waikiki Beach Walk (the “hotel management agreement”), we pay Outrigger a monthly management fee of 6.0% of the hotel's gross operating profit, as well as 3.0% of the hotel's gross revenues; provided that the aggregate management fee payable to Outrigger for any year shall not exceed 3.5% of the hotel's gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we would be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (a) eight, if the agreement is terminated in the first 11 years of its term, or (b) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of its term. The hotel management agreement may not be terminated by us or by Outrigger without cause.

A wholly owned subsidiary of our Operating Partnership, WBW Hotel Lessee LLC, entered into a franchise license agreement with Embassy Suites Franchise LLC, the franchisor of the brand "Embassy Suites™," to obtain the non-exclusive right to operate the hotel under the Embassy Suites™ brand for 20 years. The franchise license agreement provides that WBW Hotel Lessee LLC must comply with certain management, operational, record keeping, accounting, reporting and marketing standards and procedures. In connection with this agreement, we are also subject to the terms of a product improvement plan pursuant to which we expect to undertake certain actions to ensure that our hotel's infrastructure is maintained in compliance with the franchisor's brand standards. In addition, we must pay to Embassy Suites Franchise LLC a monthly franchise royalty fee equal to 4.0% of the hotel's gross room revenue through December 2021 and 5.0% of the hotel's gross room revenue thereafter, as well as a monthly program fee equal to 4.0% of the hotel's gross room revenue. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we may be liable to the franchisor for a termination payment, which could be as high as $4.5 million based on operating performance through June 30, 2021.

Our Del Monte Center property has ongoing environmental remediation related to ground water contamination. The environmental issue existed at purchase and remains in remediation. The final stages of the remediation will include routine, long term ground monitoring by the appropriate regulatory agency over the next five years to seven years. The work performed is financed through an escrow account funded by the seller upon purchase of the Del Monte Center. We believe the funds in the escrow account are sufficient for the remaining work to be performed. However, if further work is required costing more than the remaining escrow funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant.

Concentrations of Credit Risk

Our properties are located in Southern California, Northern California, Hawaii, Oregon, Texas, and Washington. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory, social, and health factors affecting the markets in which the tenants operate including, without limitation, the impact the COVID-19 pandemic has had on our tenants. Fifteen of our consolidated properties are located in Southern California, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. Tenants in the retail industry accounted for 25.5% of total revenues for the six months ended June 30, 2021. This makes us susceptible to demand for retail rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the retail industry. Furthermore, tenants in the office industry accounted for 50.6% of total revenues for the six months ended June 30, 2021. This makes us susceptible to demand for office rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the office industry. For the six months ended June 30, 2021 and 2020, no tenant accounted for more than 10% of our total rental revenue.

NOTE 12. LEASES

Lessor Operating Leases

We determine if an arrangement is a lease at inception. Our lease agreements are generally for real estate, and the determination of whether such agreements contain leases generally does not require significant estimates or judgments. We lease real estate under operating leases.

Our leases with office, retail, mixed-use and residential tenants are classified as operating leases. Leases at our office and retail properties and the retail portion of our mixed-use property generally range from three years to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, usually provide for cost recoveries for the tenant's share of certain operating costs. Our leases may also include variable lease payments in the form of percentage rents based on the tenant's level of sales achieved in excess of a breakpoint threshold. Leases on apartments generally range from 7 to 15 months, with a majority having 12-month lease terms. Rooms at the hotel portion of our mixed-use property are rented on a nightly basis.

Leases at our office and retail properties and the retail portion of our mixed-use property may contain lease extension options, at our lessee's discretion. The extension options are generally for 3 to 10 years and contain primarily rent at fixed rates or the prevailing market rent. The extension options are generally exercisable 6 to 12 months prior to the expiration of the lease and require the lessee to not be in default of the lease terms.

We attempt to maximize the amount we expect to derive from the underlying real estate property following the end of a lease, to the extent it is not extended. We maintain a proactive leasing and capital improvement program that, combined with the quality and locations of our properties, has made our properties attractive to tenants. However, the residual value of a real estate property is still subject to various market-specific, asset-specific, and tenant-specific risks and characteristics.

As of June 30, 2021, minimum future rentals from noncancelable operating leases, before any reserve for uncollectible amounts and assuming no early lease terminations, at our office and retail properties and the retail portion of our mixed-use property are as follows (in thousands):

Year Ending December 31,		
2021 (six months ending December 31, 2021)	$	105,814
2022		218,368
2023		201,249
2024		169,825
2025		150,001
Thereafter		463,903
Total	$	1,309,160

The above future minimum rentals exclude residential leases, which typically have a term of 12 months or less, and exclude the hotel, as rooms are rented on a nightly basis.

Lessee Operating Leases

We determine if an arrangement is a lease at inception. Our lease agreements are generally for real estate, and the determination of whether such agreements contain leases generally does not require significant estimates or judgments. We lease real estate under operating leases.

At the Landmark at One Market, we lease, as lessee, a building adjacent to the Landmark at One Market under an operating lease effective through June 30, 2026, which we have the option to extend until 2031 by way of the remaining five years extension option (the "Annex Lease"). The lease payments under the extension option provided for under the Annex Lease will be equal to the fair rental value at the time the extension option is exercised. The extension option is included in the calculation of the right-of-use asset and lease liability as we are reasonably certain of exercising the extension option.

Our lease agreements do not contain any residual value guarantees or material restrictive covenants. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement in determining the present value of lease payments.

Current annual payments under the operating leases are as follows, as of June 30, 2021 (in thousands):

Year Ending December 31,		
2021 (six months ending December 31, 2021)	$	1,061
2022		3,232
2023		3,328
2024		3,428
2025		3,531
Thereafter		19,710
Total lease payments	$	34,290
Imputed interest		(5,833)
Present value of lease liability	$	28,457

Lease costs under the operating leases are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	$ 1,132	$ 945	$ 2,265	$ 1,790
Variable lease cost	—	—	—	—
Sublease income	(938)	(1,073)	(2,133)	(1,941)
Total lease (income) cost	$ 194	$ (128)	$ 132	$ (151)
Weighted-average remaining lease term - operating leases (in years)			10.0	
Weighted-average discount rate - operating leases			3.19 %	

Supplemental cash flow information and non-cash activity related to our operating leases are as follow (in thousands):

	Six Months Ended June 30,	
	2021	2020
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	$ 1,730	$ 1,692
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	$ —	$ 22,188

Subleases

At the Landmark at One Market, we (as sublandlord) sublease the Annex Lease building under operating leases effective through December 31, 2029. The subleases contain extension options, subject to our ability to extend the Annex Lease, that can extend the subleases through December 31, 2039 at the fair rental value at the time the extension option is exercised.

NOTE 13. COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Lease rental income				
Office	$ 43,012	$ 42,484	$ 86,374	$ 84,697
Retail	21,575	20,909	42,428	45,864
Multifamily	11,763	11,643	23,515	23,610
Mixed-use	3,438	2,504	4,233	6,436
Percentage rent	1,098	23	1,624	324
Hotel revenue	6,191	1,143	9,462	9,268
Other	562	524	1,133	1,101
Total rental income	$ 87,639	$ 79,230	$ 168,769	$ 171,300

Lease rental income includes $1.9 million and $7.0 million for the three months ended June 30, 2021 and 2020, respectively, and $7.0 million and $9.7 million for the six months ended June 30, 2021 and 2020, respectively, to recognize lease rental income on a straight-line basis. In addition, net amortization of above and below market leases included in lease rental income was $0.7 million and $1.0 million for the three months ended June 30, 2021 and 2020, respectively, and $1.5 million and $1.9 million for the six months ended June 30, 2021 and 2020, respectively.

The principal components of rental expenses are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Rental operating	$ 9,655	$ 8,695	$ 19,151	$ 18,577
Hotel operating	4,134	1,993	6,858	7,740
Repairs and maintenance	4,029	4,320	7,771	8,617
Marketing	311	379	704	886
Rent	1,158	952	2,310	1,805
Hawaii excise tax	634	507	1,166	1,372
Management fees	283	135	490	552
Total rental expenses	$ 20,204	$ 16,981	$ 38,450	$ 39,549

NOTE 14. OTHER (EXPENSE) INCOME, NET

The principal components of other expense, net, are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest and investment income	$ 100	$ 71	$ 174	$ 383
Income tax (benefit) expense	(174)	91	(301)	(115)
Other non-operating income	—	—	—	2
Total other (expense) income, net	$ (74)	$ 162	$ (127)	$ 270

NOTE 15. RELATED PARTY TRANSACTIONS

During the first quarter of 2019, we terminated a lease agreement with American Assets, Inc. ("AAI"), an entity owned and controlled by Ernest Rady, our CEO, President, and Chairman of Board, and entered into a new lease agreement with AAI for office space at Torrey Reserve Campus. Rents commenced on March 1, 2019 for an initial lease term of three years at an average annual rental rate of $0.2 million. During the third quarter of 2020, we entered into a new lease with AAI for office space at Torrey Point to replace its existing lease at Torrey Reserve Campus. Rents commenced on March 1, 2021 for an initial lease term of ten years at an average annual rental rate of $0.2 million. Rental revenue recognized on the AAI leases of $0.1 million and $0.1 million for the six months ended June 30, 2021 and 2020, respectively, is included in rental income on the statements of comprehensive income.

On occasion, the company utilizes aircraft services provided by AAI Aviation, Inc. ("AAIA"), an entity owned and controlled by Mr. Rady. For the six months ended June 30, 2021 and 2020, we incurred approximately $0.1 million and $0.0 million of expenses, respectively, related to aircraft services of AAIA or reimbursement to Mr. Rady or the Ernest Rady Trust U/D/T March 13, 1983) for use of the aircraft owned by AAIA. These expenses are recorded as general and administrative expenses in our consolidated statements of comprehensive income.

The Waikiki Beach Walk entities have a 47.7% investment in WBW CHP LLC, an entity that was formed to, among other things, construct a chilled water plant to provide air conditioning to the property and other adjacent facilities. The operating expenses of WBW CHP LLC are recovered through reimbursements from its members, and reimbursements to WBW CHP LLC of $0.5 million and $0.5 million for the six months ended June 30, 2021 and 2020, respectively, are included in rental expenses on the consolidated statements of comprehensive income.

NOTE 16. SEGMENT REPORTING

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in four business segments: the acquisition, redevelopment, ownership and management of retail real estate, office real estate, multifamily real estate and mixed-use real estate. The products for our retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

We evaluate the performance of our segments based on segment profit, which is defined as property revenue less property expenses. We do not use asset information as a measure to assess performance and make decisions to allocate resources. Therefore, depreciation and amortization expense is not allocated among segments. General and administrative expenses, interest expense, depreciation and amortization expense and other income and expense are not included in segment profit as our internal reporting addresses these items on a corporate level.

Segment profit is not a measure of operating income or cash flows from operating activities as measured by GAAP, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate segment profit in the same manner. We consider segment profit to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our properties.

The following table represents operating activity within our reportable segments (in thousands):

American Assets Trust, Inc. and American Assets Trust, L.P.

Notes to Consolidated Financial Statements—(Continued)
June 30, 2021
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total Office				
Property revenue	44,570	43,880	$ 89,034	$ 88,389
Property expense	(11,648)	(11,601)	(23,012)	(23,394)
Segment profit	32,922	32,279	66,022	64,995
Total Retail				
Property revenue	$ 22,981	$ 21,492	44,755	47,318
Property expense	(6,735)	(4,907)	(14,177)	(12,238)
Segment profit	16,246	16,585	30,578	35,080
Total Multifamily				
Property revenue	12,739	12,463	25,291	25,288
Property expense	(5,493)	(5,313)	(10,984)	(10,823)
Segment profit	7,246	7,150	14,307	14,465
Total Mixed-Use				
Property revenue	11,519	4,274	16,715	17,857
Property expense	(6,940)	(4,121)	(12,243)	(13,100)
Segment profit	4,579	153	4,472	4,757
Total segments' profit	$ 60,993	$ 56,167	$ 115,379	$ 119,297

The following table is a reconciliation of segment profit to net income attributable to stockholders (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total segments' profit	$ 60,993	$ 56,167	$ 115,379	$ 119,297
General and administrative	(6,924)	(6,679)	(13,747)	(13,499)
Depreciation and amortization	(27,646)	(26,493)	(55,147)	(53,955)
Interest expense	(14,862)	(13,331)	(28,867)	(26,803)
Early extinguishment of debt	—	—	(4,271)	—
Other income (expense), net	(74)	162	(127)	270
Net income	11,487	9,826	13,220	25,310
Net income attributable to restricted shares	(135)	(69)	(272)	(173)
Net income attributable to unitholders in the Operating Partnership	(2,411)	(2,101)	(2,750)	(5,413)
Net income attributable to American Assets Trust, Inc. stockholders	$ 8,941	$ 7,656	$ 10,198	$ 19,724

The following table shows net real estate and secured note payable balances for each of the segments (in thousands):

	June 30, 2021	December 31, 2020
Net Real Estate		
Office	$ 1,326,624	$ 1,317,107
Retail	599,244	607,918
Multifamily	384,733	389,804
Mixed-Use	175,459	177,905
	$ 2,486,060	$ 2,492,734
Secured Notes Payable [(1)]		
Office	$ 111,000	$ 111,000
	$ 111,000	$ 111,000

(1) Excludes debt issuance costs of $0.1 million and $0.1 million for each of the periods ended June 30, 2021 and December 31, 2020, respectively.

Capital expenditures for each segment for the three and six months ended June 30, 2021 and 2020 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Capital Expenditures [(1)]				
Office	$ 21,343	$ 9,281	$ 30,870	$ 27,481
Retail	1,778	2,805	3,500	6,363
Multifamily	1,033	860	1,996	2,144
Mixed-Use	684	2,262	688	3,145
	$ 24,838	$ 15,208	$ 37,054	$ 39,133

(1) Capital expenditures represent cash paid for capital expenditures during the period and include leasing commissions paid.

NOTE 17. SUBSEQUENT EVENT

On July 7, 2021, we acquired Eastgate Office Park, which consists of an approximately 280,000 square foot, multi-tenant office campus in the I-90 corridor submarket of Bellevue, Washington. The purchase price was $125 million, excluding closing costs and prorations. The property was acquired with cash on hand.

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

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or “anticipates” 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. Currently, one of the most significant risk factors, is the potential adverse effect of the current COVID-19 pandemic on our financial condition, results of operations, cash flows and performance or that of, our tenants and guests, the real estate market and the global economy and financial markets. The extent to which the COVID-19 pandemic impacts us, our tenants and guests will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- *the impact of epidemics, pandemics, or other outbreaks of illness, disease or virus (such as the COVID-19 pandemic) and the actions taken by government authorities and others related thereto, including the ability of our company, our properties and our tenants to operate;*
- *adverse economic or real estate developments in our markets;*
- *our failure to generate sufficient cash flows to service our outstanding indebtedness;*
- *defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;*
- *difficulties in identifying properties to acquire and completing acquisitions;*
- *difficulties in completing dispositions;*
- *our failure to successfully operate acquired properties and operations;*
- *our inability to develop or redevelop our properties due to market conditions;*
- *fluctuations in interest rates and increased operating costs;*
- *risks related to joint venture arrangements;*
- *our failure to obtain necessary outside financing;*
- *on-going litigation;*
- *general economic conditions;*
- *financial market fluctuations;*
- *risks that affect the general retail, office, multifamily and mixed-use environment;*
- *the competitive environment in which we operate;*
- *decreased rental rates or increased vacancy rates;*
- *conflicts of interests with our officers or directors;*
- *lack or insufficient amounts of insurance;*
- *environmental uncertainties and risks related to adverse weather conditions and natural disasters;*

- *other factors affecting the real estate industry generally;*
- *limitations imposed on our business and our ability to satisfy complex rules in order for us to continue to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes; and*
- *changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.*

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes. For a further discussion of these and other factors, see the section entitled "Item 1A. Risk Factors" contained herein and in our annual report on Form 10-K for the year ended December 31, 2020.

Overview

References to "we," "our," "us" and "our company" refer to American Assets Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including American Assets Trust, L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this report as our Operating Partnership.

We are a full service, vertically integrated and self-administered REIT that owns, operates, acquires and develops high quality retail, office, multifamily and mixed-use properties in attractive, high-barrier-to-entry markets in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. As of June 30, 2021, our portfolio was comprised of twelve retail shopping centers; nine office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and six multifamily properties. Additionally, as of June 30, 2021, we owned land at three of our properties that we classified as held for development and/or construction in progress. Our core markets include San Diego; the San Francisco Bay Area; Portland, Oregon; Bellevue, Washington; and Oahu, Hawaii. We are a Maryland corporation formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest S. Rady or his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983, or the Rady Trust, and did not have any operating activity until the consummation of our initial public offering on January 19, 2011. Our Company, as the sole general partner of our Operating Partnership, has control of our Operating Partnership and owned 78.8% of our Operating Partnership as of June 30, 2021. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

Critical Accounting Policies

We identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2020. We have not made any material changes to these policies during the periods covered by this report, other than those described in Footnote 1.

Same-store

We have provided certain information on a total portfolio, same-store and redevelopment same-store basis. Information provided on a same-store basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared, properties under development, properties classified as held for development and properties classified as discontinued operations. Information provided on a redevelopment same-store basis includes the results of properties undergoing significant redevelopment for the entirety or portion of both periods being compared. Same-store and redevelopment same-store are considered by management to be important measures because they assist in eliminating disparities due to the development, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the Company's stabilized and redevelopment properties, as applicable. Additionally, redevelopment same-store is considered by management to be an important measure because it assists in evaluating the timing of the start and stabilization of our redevelopment opportunities and the impact that these redevelopments have in enhancing our operating performance.

While there is judgment surrounding changes in designations, we typically reclassify significant development, redevelopment or expansion properties into same-store properties once they are stabilized. Properties are deemed stabilized typically at the earlier of (i) reaching 90% occupancy or (ii) four quarters following a property's inclusion in operating real estate. We typically remove properties from same-store properties when the development, redevelopment or expansion has or is expected to have a significant impact on the property's annualized base rent, occupancy and operating income within the calendar year. Our evaluation of significant impact related to development, redevelopment or expansion activity is based on quantitative and qualitative measures including, but not limited to the following: the total budgeted cost of planned construction activity compared to the property's annualized base rent, occupancy and property operating income within the calendar year; percentage of development, redevelopment or expansion square footage to total property square footage; and the ability to maintain historic occupancy and rental rates. In consideration of these measures, we generally remove properties from same-store properties when we see a decline in a property's annualized base rent, occupancy and operating income within the calendar year as a direct result of ongoing redevelopment, development or expansion activity. Acquired properties are classified into same-store properties once we have owned such properties for the entirety of comparable period(s) and the properties are not under significant development or expansion.

Below is a summary of our same-store composition for the three and six months ended June 30, 2021 and 2020. For the three months ended June 30, 2021, Waikele Center was reclassified to same-store properties when compared to the designation for the three months ended June 30, 2020 as redevelopment activity at the property is on hold for the near future and is comparable for the three months ended June 30, 2021. One Beach Street is classified as a non-same-store property due to redevelopment activity to renovate the property. Waikiki Beach Walk Retail and Embassy Suites™ Hotel is classified as a non-same-store property due to spalling repair activity previously disrupting the hotel portion of the property's operations.

For the six months ended June 30, 2021, One Beach Street was reclassified to non-same-store properties when compared to the designation for the six months ended June 30, 2020 due to redevelopment activity to renovate the property. Waikiki Beach Walk Retail and Embassy Suites™ Hotel is classified as a non-same-store property due to spalling repair activity disrupting the hotel portion of the properties operations. Waikele Center was reclassified to same-store properties as redevelopment activity is on hold for the near future

In our determination of same-store and redevelopment same-store properties for the six months ended June 30, 2021, One Beach Street have been identified as same-store redevelopment properties due to significant redevelopment activity. Retail same-store net operating income decreased approximately 12.8% for the six months ended June 30, 2021 compared to the same period in 2020. Office same-store net operating income increased 2.0% for the six months ended June 30, 2021 compared to the same period in 2020. Office redevelopment same-store net operating income increased 1.6% for the six months ended June 30, 2021 compared to the same period in 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Same-Store	26	24	26	24
Non-Same-Store	2	4	2	4
Total Properties	28	28	28	28
Redevelopment Same-Store	27	26	27	26
Total Development Properties	3	3	3	3

Outlook

We seek growth in earnings, funds from operations and cash flows primarily through a combination of the following: growth in our same-store portfolio, growth in our portfolio from property development and redevelopments and expansion of our portfolio through property acquisitions. Our properties are located in some of the nation's most dynamic, high-barrier-to-entry markets primarily in Southern California, Northern California, Oregon, Washington and Hawaii, which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities.

We intend to opportunistically pursue the development of future phases of Lloyd Portfolio and La Jolla Commons and the redevelopment of One Beach Street based on, among other things, market conditions and our evaluation of whether such opportunities would generate appropriate risk-adjusted financial returns. Our redevelopment and development opportunities are subject to various factors, including market conditions and may not ultimately come to fruition.

We continue to review acquisition opportunities in our primary markets that would complement our portfolio and provide long-term growth opportunities. Some of our acquisitions do not initially contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities and other strategic opportunities. Any growth from acquisitions is contingent upon our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance a property acquisition. Generally, our acquisitions are initially financed by available cash, mortgage loans and/or borrowings under our revolving line of credit, which may be repaid later with funds raised through the issuance of new equity or new long-term debt.

COVID-19

We are closely monitoring the impact of COVID-19 pandemic on all aspects of our business and geographies, including how it will impact our tenants and business partners. We are unable to predict the impact that the COVID-19 pandemic will have on our financial condition, results of operations and cash flows due to numerous uncertainties. These uncertainties include the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact and the direct and indirect economic effects of the pandemic and containment measures, among others. The outbreak of COVID-19 in many countries, including the United States, has significantly adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The global impact of the pandemic has been rapidly evolving. Certain states and cities, including where we own properties, have development sites and where our principal place of business is located, have at various points in time, reacted by instituting quarantines, restrictions on travel, "stay-at-home" orders or “shelter in place” rules, social distancing measures, restrictions on types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue. Though certain restrictions have expired in our markets, the Company cannot predict when remaining restrictions or social distancing measures currently in place will expire. Even after certain of such restrictions are lifted or reduced, the willingness of customers to visit certain of our tenants' businesses may be reduced due to lingering concerns regarding the continued risk of COVID-19 transmission and heightened sensitivity to risks associated with the transmission of other diseases. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which the Company and our tenants operate. Further, the impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer spending as well as other unanticipated consequences remain unknown.

In addition, we cannot predict the impact that COVID-19 will have on our tenants and other business partners; however, any material effect on these parties could adversely impact us. For the second quarter of 2021, we have collected to date approximately 99% of office rents, 92% of retail rents (including retail component of Waikiki Beach Walk) and 94% of multifamily rents that were due during the second quarter of 2021. Additionally, for the second quarter of 2021, we collected approximately $0.8 million or 94% of the deferred rent repayments due during the period.

We believe the company's financial condition and liquidity are currently strong. Although there is uncertainty related to the anticipated impact of the COVID-19 outbreak on the Company's future results, we believe our efficient business model and ongoing steps we have taken to strengthen our balance sheet has positioned to manage our business through this crisis as it continues to unfold. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our tenants, vendors, and other third-party relationships, and developing new opportunities for growth. Due to the COVID-19 pandemic, we cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company’s results of operations, financial position, and liquidity.

We remain encouraged by our portfolio’s increasing rent collection percentages as well as the broader macroeconomic conditions related to the ongoing transition back to a fully opened economy. While we continue to monitor the COVID-19 vaccination response and economic initiatives undertaken by the new administration, we are hopeful that a continued reopening of the economy in 2021 will result in both job growth and an increase in gross domestic product as compared to 2020.

Leasing

Our same-store growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, we believe that the infill nature and strong demographics of our properties provide us with a strategic advantage, allowing us to maintain relatively high occupancy and increase rental rates. Furthermore, we believe the locations of our properties and diversified portfolio will mitigate some of the potentially negative impact of the current economic environment. However, in the short-term due to the COVID-19 pandemic, we have seen a meaningful negative impact on certain of our tenants operations and ability to pay rent, primarily in the retail sector; and any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, including as a result of the COVID-19 pandemic, will adversely affect our financial condition and results of operations.

During the three months ended June 30, 2021, we signed 14 office leases for a total of 47,684 square feet of office space including 47,380 square feet of comparable renewal office space leases (leases for which there was a prior tenant), at an average rental rate increase on a cash and GAAP basis of 9.3% and 14.7%, respectively. New office leases for comparable spaces were signed for 14,284 square feet at an average rental rate increase on a cash and GAAP basis of 8.4% and 11.7%, respectively. Renewals for comparable office spaces were signed for 33,096 square feet at an average rental rate increase on a cash and GAAP basis of 9.6% and 15.8%, respectively. Tenant improvements and incentives were $23.47 per square foot of office space for comparable new leases for the three months ended June 30, 2021, mainly due to tenants at Lloyd Portfolio & Solana Crossing.

During the three months ended June 30, 2021, we signed 30 retail leases for a total of 123,835 square feet of retail space including 109,875 square feet of comparable renewal retail space leases (leases for which there was a prior tenant), at an average rental rate decrease on a cash basis and GAAP basis of 20.3% and 15.7%, respectively. New retail leases for comparable spaces were signed for 50,869 square feet at an average rental rate decrease on a cash and GAAP basis of (37.6)% and (24.6)%, respectively. Renewals for comparable retail spaces were signed for 59,006 square feet at an average rental rate decrease on a cash basis of (1.3)% and increase on a GAAP basis of 4.8%, respectively. Tenant improvements and incentives were $40.32 per square foot of retail space for comparable new leases for the three months ended June 30, 2021, mainly due to tenants at Carmel Mountain Plaza and Waikiki Beach Walk Retail.

The rental increases associated with comparable spaces generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and, in some instances, projections of first lease year percentage rent, to be paid on the new lease. In some instances, management exercises judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure. Tenant improvements and incentives include the total dollars committed for the improvement of a space as it relates to a specific lease, but may also include base-building costs (i.e. expansion, escalators or new entrances) which are required to make the space leasable. Incentives include amounts paid to tenants as an inducement to sign a lease that do not represent building improvements.

The leases signed in 2021 generally become effective over the following year, though some may not become effective until 2022 and beyond. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, we believe that these increases do provide information about the tenant/landlord relationship and the potential fluctuations we may achieve in rental income over time.

Through the remainder of 2021, we believe our leasing volume will be below our historical averages and result in overall decreases in rental income due to the COVID-19 pandemic. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative.

Capitalized Costs

Certain external and internal costs directly related to the development and redevelopment of real estate, including pre-construction costs, real estate taxes, insurance, interest, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalize costs under development until construction is substantially complete and the property is held available for occupancy. The determination of when a development project is substantially complete and when capitalization must cease involves a degree of judgment. We consider a construction project as substantially complete and held available for occupancy upon the completion of landlord-owned tenant improvements or when the lessee takes possession of the unimproved space for construction of its own improvements, but not later than one year from cessation of major construction activity. We cease capitalization on the portion substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with any remaining portion under construction.

We capitalized external and internal costs related to both development and redevelopment activities combined of $15.9 million and $1.4 million for the three months ended June 30, 2021 and 2020, respectively. We capitalized external and internal costs related to both development and redevelopment activities combined of $19.8 million and $2.7 million for the six months ended June 30, 2021 and 2020, respectively.

We capitalized external and internal costs related to other property improvements combined of $13.5 million and $12.5 million for the three months ended June 30, 2021 and 2020, respectively. We capitalized external and internal costs related to other property improvements totaling $22.9 million and $33.3 million for the six months ended June 30, 2021 and 2020, respectively.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use as noted above. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, however, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period. We capitalized interest costs related to development activities of $0.7 million and $0.3 million for the three months ended June 30, 2021 and 2020, respectively. We capitalized interest costs related to development activities of $1.2 million and $0.5 million for the six months ended June 30, 2021 and 2020, respectively.

Results of Operations

For our discussion of results of operations, we have provided information on a total portfolio and same-store basis.

Comparison of the three months ended June 30, 2021 to the three months ended June 30, 2020

The following summarizes our consolidated results of operations for the three months ended June 30, 2021 compared to our consolidated results of operations for the three months ended June 30, 2020. As of June 30, 2021, our operating portfolio was comprised of 28 retail, office, multifamily and mixed-use properties with an aggregate of approximately 6.6 million rentable square feet of retail and office space, including the retail portion of our mixed-use property, 2,112 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of June 30, 2021, we owned land at three of our properties that we classified as held for development and/or construction in progress. As of June 30, 2020, our operating portfolio was comprised of 28 retail, office, multifamily and mixed-use properties with an aggregate of approximately 6.6 million rentable square feet of retail and office space, including the retail portion of our mixed-use property, 2,112 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of June 30, 2020, we owned land at three of our properties that we classified as held for development and/or construction in progress.

The following table sets forth selected data from our unaudited consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 (dollars in thousands):

	Three Months Ended June 30,			
	2021	2020	Change	%
Revenues				
Rental income	$ 87,639	$ 79,230	$ 8,409	11 %
Other property income	4,170	2,879	1,291	45
Total property revenues	91,809	82,109	9,700	12
Expenses				
Rental expenses	20,204	16,981	3,223	19
Real estate taxes	10,612	8,961	1,651	18
Total property expenses	30,816	25,942	4,874	19
Total property income	60,993	56,167	4,826	9
General and administrative	(6,924)	(6,679)	(245)	4
Depreciation and amortization	(27,646)	(26,493)	(1,153)	4
Interest expense	(14,862)	(13,331)	(1,531)	11
Other (expense) income, net	(74)	162	(236)	(146)
Net income	11,487	9,826	1,661	17
Net income attributable to restricted shares	(135)	(69)	(66)	96
Net income attributable to unitholders in the Operating Partnership	(2,411)	(2,101)	(310)	15
Net income attributable to American Assets Trust, Inc. stockholders	$ 8,941	$ 7,656	$ 1,285	17 %

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $9.7 million, or 12%, to $91.8 million for the three months ended June 30, 2021 compared to $82.1 million for the three months ended June 30, 2020. The percentage leased was as follows for each segment as of June 30, 2021 and 2020:

	Percentage Leased[(1)] June 30,	
	2021	2020
Office	90.3 %	94.4 %
Retail	91.1 %	94.7 %
Multifamily	87.8 %	85.1 %
Mixed-Use [(2)]	89.2 %	95.7 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of June 30, 2021 or 2020, as applicable.
(2) Includes the retail portion of the mixed-use property only.

The increase in total property revenue was attributable primarily to the increase in collections, increase in occupancy at Waikiki Beach Walk Embassy Suites™ Hotel and factors discussed below.

Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue increased $8.4 million, or 11%, to $87.6 million for the three months ended June 30, 2021 compared to $79.2 million for the three months ended June 30, 2020. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio[1]			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 43,282	$ 42,748	$ 534	1	$ 43,496	$ 42,439	$ 1,057	2
Retail	22,525	21,085	1,440	7	22,526	21,084	1,442	7
Multifamily	11,825	11,690	135	1	11,825	11,690	135	1
Mixed-Use	10,007	3,707	6,300	170	—	—	—	—
	$ 87,639	$ 79,230	$ 8,409	11 %	$ 77,847	$ 75,213	$ 2,634	4 %

(1) For this table and tables following, the same-store portfolio excludes: (i) One Beach Street due to the renovation of the building; (ii) Waikiki Beach Walk Retail and Embassy Suites™ Hotel due to significant spalling repair activity; and (iii) land held for development.

Total office rental revenue increased $0.5 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to higher annualized base rents at Torrey Point, The Landmark at One Market, City Center Bellevue, and Lloyd Portfolio. The increase in total office rental revenue is partially offset by the decrease in rental revenue at One Beach Street due to expiration of leases to allow for the modernization of the property and the decrease in rental revenue at First & Main due to the reduction of leased space related to tenant extensions in 2020.

Total retail rental revenue increased $1.4 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to approximately $2.4 million for tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 as the collectability was determined to be no longer probable for certain tenants at Alamo Quarry Market, Carmel Mountain Plaza, Del Monte Center and The Shops at Kalakaua.

Multifamily revenue increased $0.1 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to an increase in average base rent per unit to $2,187 for the three months ended June 30, 2021 compared to $2,152 for the three months ended June 30, 2020. The increase in average monthly base rent is primarily due to increases at Loma Palisades. The increase in total multifamily rental revenue is partially offset by the decrease in average occupancy to 87.8% for the three months ended June 30, 2021 compared to 88.5% for the three months ended June 30, 2020.

Total mixed-use rental revenue increased $6.3 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to the lifting of COVID-19 travel restrictions late during the first quarter of 2021, which led to an increase in average occupancy and revenue per available room to 67% and $184 for the three months ended June 30, 2021, respectively, compared to 17% and $34 for three months ended June 30, 2020, respectively. We expect to see a steady increase in tourism and hotel occupancy in Oahu once the COVID-19 vaccine is available more globally and travel restrictions are lifted. The increase in total mixed-use rental revenue is also attributed to approximately $1.4 million for tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 as the collectability was determined to be no longer probable for certain tenants at the retail portion of our mixed-use property.

Other property income. Other property income increased $1.3 million, or 45%, to $4.2 million for the three months ended June 30, 2021 compared to $2.9 million for the three months ended June 30, 2020. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 1,288	$ 1,132	$ 156	14	$ 1,141	$ 1,130	$ 11	1
Retail	456	407	49	12	455	407	48	12
Multifamily	914	773	141	18	914	773	141	18
Mixed-Use	1,512	567	945	167	—	—	—	—
	$ 4,170	$ 2,879	$ 1,291	45 %	$ 2,510	$ 2,310	$ 200	9 %

Office other property income increased $0.2 million for the three months ended June 30, 2021 primarily due to an increase in lease termination fees received at City Center Bellevue and One Beach Street. This increase was offset by a decrease in parking garage income at City Center Bellevue and Lloyd Portfolio.

Multifamily other property income increased by $0.1 million for the three months ended June 30, 2021 primarily due to an increase in security deposits earned at Pacific Ridge Apartments and Loma Palisades, and an increase in parking garage income at Hassalo on Eighth - Residential.

Mixed-use other property income increased $0.9 million for the three months ended June 30, 2021 primarily due an increase in room rental income and excise tax at the hotel portion and increase in parking garage income at the retail portion of our mixed-use property. These increase are due to tourism and an increase in hotel occupancy as the COVID-19 vaccine has become more widely available and travel restrictions to Hawaii have been relaxed.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased $4.9 million, or 19%, to $30.8 million, for the three months ended June 30, 2021 compared to $25.9 million for the three months ended June 30, 2020.

Rental Expenses. Rental expenses increased $3.2 million, or 19%, to $20.2 million for the three months ended June 30, 2021 compared to $17.0 million for the three months ended June 30, 2020. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 6,815	$ 6,654	$ 161	2	$ 6,624	$ 6,427	$ 197	3
Retail	3,713	3,544	169	5	3,713	3,545	168	5
Multifamily	3,788	3,646	142	4	3,788	3,646	142	4
Mixed-Use	5,888	3,137	2,751	88	—	—	—	—
	$ 20,204	$ 16,981	$ 3,223	19 %	$ 14,125	$ 13,618	$ 507	4 %

Mixed-use rental expense increased $2.8 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to an increase in hotel room expenses, marketing expenses, and general excise tax expenses at the hotel portion of our mixed-use property during the period. These increases are due to tourism and an increase in hotel occupancy as the COVID-19 vaccine has become more widely available and travel restrictions to Hawaii have been relaxed.

Real Estate Taxes. Real estate taxes increased $1.7 million, or 18%, to $10.6 million for the three months ended June 30, 2021 compared to $9.0 million for the three months ended June 30, 2020. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 4,833	$ 4,947	$ (114)	(2)	$ 4,776	$ 4,771	$ 5	—
Retail	3,022	1,363	1,659	122	3,022	1,363	1,659	122
Multifamily	1,705	1,667	38	2	1,705	1,668	37	2
Mixed-Use	1,052	984	68	7	—	—	—	—
	$ 10,612	$ 8,961	$ 1,651	18 %	$ 9,503	$ 7,802	$ 1,701	22 %

Total retail real estate taxes increased $1.7 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to a real estate tax refund received during the second quarter of 2020 for approximately $2.3 million at Alamo Quarry Market for the tax assessments for 2016 through 2018. This was offset by $0.8 million in 2020 real estate property taxes and tax consultant fees.

Property Operating Income

Property operating income increased $4.8 million, or 9%, to $61.0 million for the three months ended June 30, 2021, compared to $56.2 million for the three months ended June 30, 2020. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 32,922	$ 32,279	$ 643	2	$ 33,237	$ 32,371	$ 866	3
Retail	16,246	16,585	(339)	(2)	16,246	16,583	(337)	(2)
Multifamily	7,246	7,150	96	1	7,246	7,149	97	1
Mixed-Use	4,579	153	4,426	2,893	—	—	—	—
	$ 60,993	$ 56,167	$ 4,826	9 %	$ 56,729	$ 56,103	$ 626	1 %

Total office property operating income increased $0.6 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to higher annualized base rents at The Landmark at One Market, City Center Bellevue, Torrey Point and Torrey Reserve Campus during the period. Additionally, the increase in property operating income was due to an increase in lease termination fees received at City Center Bellevue and One Beach Street, partially offset by the decrease in rental revenue at One Beach Street due to the expiration of leases to allow for the modernization of the property and a decrease in parking garage income at City Center Bellevue and Lloyd Portfolio.

Total mixed-use property operating income increased $4.4 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to the lifting of COVID-19 travel restrictions late during the first quarter of 2021, which led to an increase in average occupancy and revenue per available room to 67% and $184 for the three months ended June 30, 2021, respectively, compared to 17% and $34 for three months ended June 30, 2020, respectively. The increase in total mixed-use rental revenue is also attributed to approximately $1.4 million for tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 as the collectability was determined to be no longer probable for certain tenants at the retail portion of our mixed-use property. These increases in mixed-use property operating income were partially offset by an increase in hotel room expenses, marketing expenses, and general excise tax expenses at the hotel portion of our mixed-use property during the period. These increases are due to tourism and an increase in hotel occupancy as the COVID-19 vaccine has become more widely available and travel restrictions to Hawaii have been relaxed.

Other

General and Administrative. General and administrative expenses remained consistent at $6.9 million for the three months ended June 30, 2021, compared to $6.7 million for the three months ended June 30, 2020. This increase was primarily due to an increase in employee-related costs.

Depreciation and Amortization. Depreciation and amortization expense remained consistent at $27.6 million for the three months ended June 30, 2021, compared to $26.5 million for the three months ended June 30, 2020. This increase was primarily due to higher depreciation and amortization at Embassy Suites[TM] Hotel, Carmel Mountain Plaza, The Landmark at One Market, Torrey Point and City Center Bellevue due to building and tenant improvements that were put into service in 2020 and 2021 and an increase in depreciation at One Beach Street attributed to the renovation and modernization of the building, substantially offset by lower depreciation and amortization at First & Main due to decreased capital expenditures in 2020.

Interest Expense. Interest expense increased $1.5 million, or 11%, to $14.9 million for the three months ended June 30, 2021, compared to $13.3 million for the three months ended June 30, 2020. This increase was primarily due to the closing of our 3.375% Senior Notes offering on January 26, 2021 partially offset by a decrease in interest expense related to our repayment of the Series A Notes on January 26, 2021, decrease in weighted average interest rate for our Term Loan A, which became an unhedged variable rate loan when the interest rate swap expired on January 9, 2021, decrease in the Revolver Loan interest expense and an increase in capitalized interest related to our development projects.

Other (Expense) Income, Net. Other (expense) income, net decreased $0.2 million, or 146%, to other expense, net of $0.1 million for the three months ended June 30, 2021, compared to other income, net of $0.2 million for the three months ended June 30, 2020 primarily due to the decrease in income tax benefit for our taxable REIT subsidiary.

Comparison of the Six Months Ended June 30, 2021 to the Six Months Ended June 30, 2020

The following summarizes our consolidated results of operations for the six months ended June 30, 2021 compared to our consolidated results of operations for the six months ended June 30, 2020.

The following table sets forth selected data from our unaudited consolidated statements of income for the six months ended June 30, 2021 and 2020 (dollars in thousands):

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	%
Revenues				
Rental income	$ 168,769	$ 171,300	$ (2,531)	(1)%
Other property income	7,026	7,552	(526)	(7)
Total property revenues	175,795	178,852	(3,057)	(2)
Expenses				
Rental expenses	38,450	39,549	(1,099)	(3)
Real estate taxes	21,966	20,006	1,960	10
Total property expenses	60,416	59,555	861	1
Total property income	115,379	119,297	(3,918)	(3)
General and administrative	(13,747)	(13,499)	(248)	2
Depreciation and amortization	(55,147)	(53,955)	(1,192)	2
Interest expense	(28,867)	(26,803)	(2,064)	8
Early extinguishment of debt	(4,271)	—	(4,271)	100
Other (expense) income, net	(127)	270	(397)	(147)
Net income	13,220	25,310	(12,090)	(48)
Net income attributable to restricted shares	(272)	(173)	(99)	57
Net income attributable to unitholders in the Operating Partnership	(2,750)	(5,413)	2,663	(49)
Net income attributable to American Assets Trust, Inc. stockholders	$ 10,198	$ 19,724	$ (9,526)	(48)%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue decreased $3.1 million, or 2%, to $175.8 million for the six months ended June 30, 2021 compared to $178.9 million for the six months ended June 30, 2020. The percentage leased was as follows for each segment as of June 30, 2021 and 2020:

	Percentage Leased[(1)] June 30, 2021	Percentage Leased[(1)] June 30, 2020
Office	90.3 %	94.4 %
Retail	91.1 %	94.7 %
Multifamily	87.8 %	85.1 %
Mixed-Use [(2)]	89.2 %	95.7 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of June 30, 2021 or June 30, 2020, as applicable.
(2) Includes the retail portion of the mixed-use property only.

The decrease in total property revenue was attributable primarily to the factors discussed below.

Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue decreased $2.5 million, or (1)%, to $168.8 million for the six months ended June 30, 2021 compared to $171.3 million for the six months ended June 30, 2020. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio[(1)]			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 86,918	$ 85,261	$ 1,657	2	$ 86,914	$ 84,531	$ 2,383	3
Retail	44,009	46,376	(2,367)	(5)	44,009	46,375	(2,366)	(5)
Multifamily	23,640	23,704	(64)	—	23,640	23,704	(64)	—
Mixed-Use	14,202	15,959	(1,757)	(11)	—	—	—	—
	$ 168,769	$ 171,300	$ (2,531)	(1) %	$ 154,563	$ 154,610	$ (47)	— %

(1) The same-store portfolio excludes: (i) One Beach Street due to the renovation of the building; (ii) Waikiki Beach Walk Retail and Embassy Suites™ Hotel due to significant spalling repair activity; and (iii) land held for development.

Total office rental revenue increased $1.7 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to higher annualized rents at La Jolla Commons and City Center Bellevue and Torrey Reserve partially offset by the decrease in rental revenue of approximately $0.7 million at One Beach Street due to the expiration of leases to allow for the modernization of the property and decrease at First & Main due to vacated tenant space. Same-store office rental revenue increased $2.4 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to higher annualized base rents at La Jolla Commons, Lloyd Portfolio, Torrey Reserve and City Center Bellevue.

Total retail rental revenue decreased $2.4 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to a decrease of $3.2 million in net basic monthly rent, offset by an increase in percentage rent of $1.2 million as certain tenants switched to alternate rent as the collectability was determined to be no longer probable for certain tenants at Alamo Quarry Market, Carmel Mountain Plaza, Del Monte Center, and Waikele Center as the temporary store closures or restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic caused the financial condition of certain tenants to deteriorate.

Mixed-use rental revenue decreased $1.8 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due a decrease in total mixed-use rental revenue of $1.3 million and a decrease in expense recoveries of $0.5 million as certain tenants were changed to alternate rent agreements. This decrease in the mixed-use retail portion was offset by a slight increase in hotel revenue as average occupancy and revenue per available room increased to 57% and $142 for the six months ended June 30, 2021, respectively, compared to 46% and $138 for six months ended June 30, 2020, respectively. We expect to see a steady increase in tourism and hotel occupancy in Oahu once the COVID-19 vaccine is available more globally and travel restrictions are lifted.

Other property income. Other property income decreased $0.5 million, or 7%, to $7.0 million for the six months ended June 30, 2021 compared to $7.6 million for the six months ended June 30, 2020. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 2,116	$ 3,128	$ (1,012)	(32)	$ 1,944	$ 3,115	$ (1,171)	(38)
Retail	746	942	(196)	(21)	746	942	(196)	(21)
Multifamily	1,651	1,584	67	4	1,651	1,584	67	4
Mixed-Use	2,513	1,898	615	32	—	—	—	—
	$ 7,026	$ 7,552	$ (526)	(7) %	$ 4,341	$ 5,641	$ (1,300)	(23) %

Total office other property income decreased $1.0 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to the decrease in parking garage income at Lloyd Portfolio, City Center Bellevue and First & Main during the period as the "stay-at home" order issued by state and local governments related to the COVID-19 pandemic caused a substantial portion of our tenants employees and their guests to continue to partially work from home during the period.

Total retail other property income decreased $0.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to the lease termination fees received at Alamo Quarry Market during 2020.

Total mixed-use other property income increased $0.6 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to an increase in rental other income at the hotel portion of our mixed-use property and an increase in parking income at the retail portion of our mixed-use property. These increases were partially offset by a decrease in excise tax. We expect to see a steady increase in tourism and hotel occupancy in Oahu once the COVID-19 vaccine is available more globally and travel restrictions are lifted.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $0.9 million, or 1%, to $60.4 million for the six months ended June 30, 2021, compared to $59.6 million for the six months ended June 30, 2020. This increase in total property expenses was attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses decreased $1.1 million, or 3%, to $38.5 million for the six months ended June 30, 2021, compared to $39.5 million for the six months ended June 30, 2020. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 13,497	$ 13,816	$ (319)	(2)	$ 13,097	$ 13,369	$ (272)	(2)
Retail	7,240	7,113	127	2	7,240	7,113	127	2
Multifamily	7,574	7,489	85	1	7,574	7,489	85	1
Mixed-Use	10,139	11,131	(992)	(9)	—	—	—	—
	$ 38,450	$ 39,549	$ (1,099)	(3) %	$ 27,911	$ 27,971	$ (60)	— %

Total office rental expenses decreased $0.3 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to commercial rent tax at The Landmark at One Market, facilities services and supplies, and repairs and maintenance expenses as the "stay-at home" order issued by state and local governments related to the COVID-19 pandemic during the second quarter of 2020 caused a substantial portion of our tenants' employees to continue to work from home during the period. The decrease in same-store office rental expenses was partially offset by the increase in sublease expense related to the Annex Lease extension option exercised in March 2020, and an increase in insurance expense during the period.

Total retail rental expenses increased $0.1 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to an increase in insurance expense, utilities, day porter services and trash services as restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic were eased during this period. The increase in retail rental expense was partially offset by a decrease in marketing and repair expenses during the period.

Total mixed-use rental expenses decreased $1.0 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to decrease in hotel room and rent expenses at the hotel portion of our mixed-use property during the period. The decrease in rental expenses at the hotel portion of our mixed use property is primarily due to the decrease in tourism and hotel occupancy in Oahu due to the COVID-19 pandemic. Additionally, the decrease in mixed-use rental expenses is also due to the decrease of general excise tax expenses and management fees, partially offset by an increase in personnel compensation at the retail portion of our mixed-use property during the period.

Real Estate Taxes. Real estate tax expense increased $2.0 million, or 10%, to $22.0 million for the six months ended June 30, 2021 compared to $20.0 million for the six months ended June 30, 2020. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 9,515	$ 9,578	$ (63)	(1)	$ 9,400	$ 9,227	$ 173	2
Retail	6,937	5,125	1,812	35	6,937	5,125	1,812	35
Multifamily	3,410	3,334	76	2	3,410	3,335	75	2
Mixed-Use	2,104	1,969	135	7	—	—	—	—
	$ 21,966	$ 20,006	$ 1,960	10 %	$ 19,747	$ 17,687	$ 2,060	12 %

Same-store office real estate taxes increased $0.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to an increase in tax assessments at City Center Bellevue and First & Main during the period.

Retail real estate taxes increased $1.8 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to a net real estate tax refund of approximately $2.3 million received during the second quarter of 2020 at Alamo Quarry Market for the tax assessments for 2016 through 2018.

Mixed-use real estate taxes increased $0.1 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to an increase in tax assessments for the hotel and retail portion of our mixed-use property.

Property Operating Income

Property operating income decreased $3.9 million, or 3%, to $115.4 million for the six months ended June 30, 2021, compared to $119.3 million for the six months ended June 30, 2020. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Office	$ 66,022	$ 64,995	$ 1,027	2	$ 66,361	$ 65,050	$ 1,311	2
Retail	30,578	35,080	(4,502)	(13)	30,578	35,079	(4,501)	(13)
Multifamily	14,307	14,465	(158)	(1)	14,307	14,464	(157)	(1)
Mixed-Use	4,472	4,757	(285)	(6)	—	—	—	—
	$ 115,379	$ 119,297	$ (3,918)	(3) %	$ 111,246	$ 114,593	$ (3,347)	(3) %

Total office property operating income increased $1.0 million during the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to higher annualized rents at La Jolla Commons and City Center Bellevue and Torrey Reserve partially offset by the decrease in rental revenue of approximately $0.7 million at One Beach Street due to the expiration of leases to allow for the modernization of the property and decrease at First & Main due to vacated tenant space.

Total retail property operating income decreased $4.5 million during the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to a decrease of $3.2 million in net basic monthly rent, offset by an increase in percentage rent of $1.2 million as certain tenants switched to alternate rent as the collectability was determined to be no longer probable for certain tenants at Alamo Quarry Market, Carmel Mountain Plaza, Del Monte Center, and Waikele Center as the temporary store closures or restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic caused the financial condition of certain tenants to deteriorate. Additionally, the decrease in total retail property operating income was also due to the real estate tax refund at Alamo Quarry Market received during the second quarter of 2020.

Multifamily property operating income decreased $0.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to a decrease in the average occupancy to 88.6% for the six months ended June 30, 2021 compared to 90.5% for the six months ended June 30, 2020, higher rent concessions at Hassalo on Eighth - Residential and increases in utilities, insurance expense and real estate taxes during the period. The decrease in multifamily property operating income was partially offset by an increase in average base rent per unit to $2,181 for the six months ended June 30, 2021 compared to $2,115 for the six months ended June 30, 2020, an increase in security deposits earned at Pacific Ridge Apartments and Loma Palisades and decreases in personnel costs and repairs and maintenance expenses during the period.

Total mixed-use property operating income decreased $0.3 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due a decrease in total mixed-use rental revenue of $1.3 million and a decrease in expense recoveries of $0.5 million as certain tenants were changed to alternate rent agreements. This decrease in the mixed-use retail portion was offset by a slight increase in hotel revenue as average occupancy and revenue per available room increased to 57% and $142 for the six months ended June 30, 2021, respectively, compared to 46% and $138 for six months ended June 30, 2020, respectively. We expect to see a steady increase in tourism and hotel occupancy in Oahu once the COVID-19 vaccine is available more globally and travel restrictions are lifted. Additionally, there was also a decrease in rental expenses for the hotel and retail portion of our mixed-use property, due to a decrease in hotel room and rent expenses at the hotel portion of our mixed-use property and a decrease of general excise tax expenses and management fees, partially offset by an increase in personnel compensation at the retail portion of our mixed-use property during the period.

Other

General and Administrative. General and administrative expenses increased $0.2 million, or 2%, to $13.7 million for the six months ended June 30, 2021, compared to $13.5 million for the six months ended June 30, 2020. This increase was primarily due to employee related costs.

Depreciation and Amortization. Depreciation and amortization expense increased $1.2 million, or 2%, to $55.1 million for the six months ended June 30, 2021, compared to $54.0 million for the six months ended June 30, 2020. This increase was primarily due to higher depreciation and amortization at Embassy Suites™ Hotel, Carmel Mountain Plaza, and The Landmark at One Market due to building and tenant improvements that were put into service in 2020 and 2021 and an increase in depreciation at One Beach Street attributed to the renovation and modernization of the building, substantially offset by lower depreciation and amortization at First & Main due to decreased capital expenditures in 2020.

Interest Expense. Interest expense increased $2.1 million, or 8%, to $28.9 million for the six months ended June 30, 2021 compared to $26.8 million for the six months ended June 30, 2020. This increase was primarily due to the closing of our 3.375% Senior Notes offering on January 26, 2021, partially offset by a decrease in interest expense related to our repayment of the Series A Notes on January 26, 2021 decrease in weighted average interest rate for our Term Loan A, which became an unhedged variable rate loan when the interest rate swap expired on January 9, 2021, and an increase in capitalized interest related to our development projects.

Early Extinguishment of Debt. Early extinguishment of debt expense increased $4.3 million for the six months ended June 30, 2021 due to the repayment of the Senior Guaranteed Notes, Series A, with make-whole payments thereon, on January 26, 2021.

Other (Expense) Income, Net. Other (expense) income, net decreased $0.4 million, or 147%, to other expense, net of $0.1 million for the six months ended June 30, 2021, compared to other income, net of $0.3 million for the six months ended June 30, 2020 primarily due to the decrease in interest and investment income attributed to the lower yield on our average cash balance during the period and a decrease in income tax benefit related for our taxable REIT subsidiary.

Liquidity and Capital Resources of American Assets Trust, Inc.

In this “Liquidity and Capital Resources of American Assets Trust, Inc.” section, the term the “company” refers only to American Assets Trust, Inc. on an unconsolidated basis, and excludes the Operating Partnership and all other subsidiaries.

The company’s business is operated primarily through the Operating Partnership, of which the company is the parent company and sole general partner, and which it consolidates for financial reporting purposes. Because the company operates on a consolidated basis with the Operating Partnership, the section entitled “Liquidity and Capital Resources of American Assets Trust, L.P.” should be read in conjunction with this section to understand the liquidity and capital resources of the company on a consolidated basis and how the company is operated as a whole.

The company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the Operating Partnership. The company itself does not have any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of the company and the Operating Partnership are the same on their respective financial statements. However, all debt is held directly or indirectly by the Operating Partnership. The company’s principal funding requirement is the payment of dividends on its common stock. The company’s principal source of funding for its dividend payments is distributions it receives from the Operating Partnership.

As of June 30, 2021, the company owned an approximate 78.8% partnership interest in the Operating Partnership. The remaining approximately 21.2% are owned by non-affiliated investors and certain of the company's directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has the full, exclusive and complete authority and control over the Operating Partnership’s day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital structure and distribution policies. The company causes the Operating Partnership to distribute such portion of its available cash as the company may in its discretion determine, in the manner provided in the Operating Partnership’s partnership agreement.

The liquidity of the company is dependent on the Operating Partnership’s ability to make sufficient distributions to the company. The primary cash requirement of the company is its payment of dividends to its stockholders. The company also guarantees some of the Operating Partnership’s debt, as discussed further in Note 7 of the Notes to Consolidated Financial Statements included elsewhere herein. If the Operating Partnership fails to fulfill certain of its debt requirements, which trigger the company’s guarantee obligations, then the company will be required to fulfill its cash payment commitments under such guarantees. However, the company’s only significant asset is its investment in the Operating Partnership.

We believe the Operating Partnership’s sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured line of credit, are adequate for it to make its distribution payments to the company and, in turn, for the company to make its dividend payments to its stockholders. As of June 30, 2021, the company has determined that it has adequate working capital to meet its dividend funding obligations for the next 12 months. However, we cannot assure you that the Operating Partnership’s sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the company. The unavailability of capital could adversely affect the Operating Partnership’s ability to pay its distributions to the company, which would in turn, adversely affect the company’s ability to pay cash dividends to its stockholders. The COVID-19 pandemic is expected to temporarily impact some of our tenants' ability or willingness to remit rent payments due to the tenants' operations being affected by state and local stay-at-home orders. In the first half of 2021, we continued to receive rent deferment and other rent concession requests from some tenants and have been negotiating and executing lease modifications for the deferment of rent and other rent concessions. These rent deferments and other rent concessions will continue to adversely affect the Operating Partnership's cash flow from operations until the scheduled repayment period.

Our short-term liquidity requirements consist primarily of funds to pay for future dividends expected to be paid to the company’s stockholders, operating expenses and other expenditures directly associated with our properties, interest expense and scheduled principal payments on outstanding indebtedness, general and administrative expenses, funding construction projects, capital expenditures, tenant improvements and leasing commissions.

The company may from time to time seek to repurchase or redeem the Operating Partnership’s outstanding debt, the company’s shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

For the company to maintain its qualification as a REIT, it must pay dividends to its stockholders aggregating annually at least 90% of its REIT taxable income, excluding net capital gains. While historically the company has satisfied this distribution requirement by making cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the company’s own stock. As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. The company may need to continue to raise capital in the equity markets to fund the operating partnership’s working capital needs, acquisitions and developments. Although there is no intent at this time, if market conditions deteriorate, the company may also delay the timing of future development and redevelopment projects as well as limit future acquisitions, reduce the Operating Partnership’s operating expenditures, or re-evaluate its dividend policy.

The company is a well-known seasoned issuer. As circumstances warrant, the company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. When the company receives proceeds from preferred or common equity issuances, it is required by the Operating Partnership’s partnership agreement to contribute the proceeds from its equity issuances to the Operating Partnership in exchange for partnership units of the Operating Partnership. The Operating Partnership may use the proceeds to repay debt, to develop new or existing properties, to acquire properties or for general corporate purposes.

In January 2021, the company filed a universal shelf registration statement on Form S-3ASR with the SEC, which became effective upon filing and which replaced the prior Form S-3ASR that was filed with the SEC in February 2018. The universal shelf registration statement permits the company from time to time to offer and sell equity securities of the company. However, there can be no assurance that the company will be able to complete any such offerings of securities. Factors influencing the availability of additional financing include investor perception of our prospects and the general condition of the financial markets, among others.

In May 2015, we entered into an ATM equity program with five sales agents in which we may, from time to time, offer and sell shares of our common stock having an aggregate offering price of up to $250.0 million. On March 2, 2018, we amended certain of these equity programs, terminated one such program and entered into a new equity program with one new sales agent. The sales of shares of the company's common stock made through the ATM equity program, as amended, are made in “at-the-market” offerings as defined in Rule 415 of the Securities Act. As of June 30, 2021, we had the capacity to issue up to an additional $132.6 million in shares of common stock under the ATM equity program upon filing an updated prospectus supplement with the SEC. We intend to use the net proceeds to fund development or redevelopment activities, repay amounts outstanding from time to time under our amended and restated credit facility or other debt financing obligations, fund potential acquisition opportunities and/or for general corporate purposes. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of the company's common stock and the company's capital needs. We have no obligation to sell the remaining shares available for sale under the ATM equity program.

Liquidity and Capital Resources of American Assets Trust, L.P.

In this “Liquidity and Capital Resources of American Assets Trust, L.P.” section, the terms “we,” “our” and “us” refer to the Operating Partnership together with its consolidated subsidiaries, or the Operating Partnership and American Assets Trust, Inc. together with their consolidated subsidiaries, as the context requires. American Assets Trust, Inc. is our sole general partner and consolidates our results of operations for financial reporting purposes. Because we operate on a consolidated basis with American Assets Trust, Inc., the section entitled “Liquidity and Capital Resources of American Assets Trust, Inc.” should be read in conjunction with this section to understand our liquidity and capital resources on a consolidated basis.

Due to the nature of our business, we typically generate significant amounts of cash from operations. The cash generated from operations is used for the payment of operating expenses, capital expenditures, debt service and dividends to American Assets Trust, Inc.'s stockholders and our unitholders. As a REIT, American Assets Trust, Inc. must generally make annual distributions to its stockholders of at least 90% of its net taxable income. As of June 30, 2021, we held $368.3 million in cash and cash equivalents.

Our short-term liquidity requirements consist primarily of operating expenses and other expenditures associated with our properties, regular debt service requirements, dividend payments to American Assets Trust, Inc.'s stockholders required to maintain its REIT status, distributions to our unitholders, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash and, if necessary, borrowings available under our credit facility.

Our long-term liquidity needs consist primarily of funds necessary to pay for the repayment of debt at maturity, property acquisitions, tenant improvements and capital improvements. We expect to meet our long-term liquidity requirements to pay scheduled debt maturities and to fund property acquisitions and capital improvements with net cash from operations, long-term secured and unsecured indebtedness and, if necessary, the issuance of equity and debt securities. We also may fund property acquisitions and capital improvements using our amended and restated credit facility pending permanent financing. We believe that we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we cannot be assured that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Our overall capital requirements for the remainder of 2021 and first quarter 2022 will depend upon acquisition opportunities and the level of improvements and redevelopments on existing properties. Our capital investments will be funded on a short-term basis with, among other sources of capital, cash on hand, cash flow from operations and/or our revolving line of credit. On a long-term basis, our capital investments may be funded with additional long-term debt, including, without limitation, mortgage debt and unsecured notes. Our ability to incur additional debt will be dependent on a number of factors, including, without limitation, our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our capital investments may also be funded by issuing additional equity including, without limitation, shares issued by American Assets Trust, Inc. under its ATM equity program or through an underwritten public offering. Although there is no intent at this time, if market conditions deteriorate or fail to improve, including as a result of the COVID-19 pandemic, we may also delay the timing of future development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy. The COVID-19 pandemic is expected to impact the timing of future development and redevelopment projects due to, among other things, capital requirements and permitting delays caused by local government shutdowns or reduced operations.

In January 2021, the Operating Partnership filed a universal shelf registration on Form S-3 ASR with the SEC which provided for the registration of an unspecified amount of debt securities by the Operating Partnership. However, there can be no assurance that the Operating Partnership will be able to complete any such offerings of debt securities. Factors influencing the availability of additional financing include investor perception of our prospects and the general condition of the financial markets, among others.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Cash Flows

Comparison of the six months ended June 30, 2021 to the six months ended June 30, 2020

Cash, cash equivalents, and restricted cash were $370.0 million and $150.1 million at June 30, 2021 and 2020, respectively.

Net cash provided by operating activities increased $7.6 million to $76.7 million for the six months ended June 30, 2021 compared to $69.1 million for the six months ended June 30, 2020. The increase in cash from operations was primarily due to an increase in rental revenue from our mixed-use property and an increase in rent collections from our retail portfolio.

Net cash used in investing activities decreased $2.0 million to $37.1 million for the six months ended June 30, 2021 compared to $39.1 million for the six months ended June 30, 2020. The decrease was primarily due to a decrease in leasing commissions for new tenants at First & Main, City Center Bellevue, Torrey Point and Lloyd Portfolio. During the three months ended June 30, 2021, we had taken a short term investment position in a marketable security, which was purchased and sold within the same quarter.

Net cash provided by financing activities increased $180.7 million to $191.3 million for the six months ended June 30, 2021 compared to cash used in financing activities of $10.6 million for the six months ended June 30, 2020. The increase in cash provided by financing activities was primarily due to the closing of our issuance of 3.375% Senior Notes on January 26, 2021, partially offset by the repayment of both the outstanding balance on the revolving line of credit and the Senior Guaranteed Notes, Series A on January 26, 2021.

Net Operating Income

Net Operating Income, or NOI, is a non-GAAP financial measure of performance. We define 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). NOI excludes general and administrative expenses, interest expense, depreciation and amortization, acquisition-related expense, other non-property income and losses, gains and losses from property dispositions, extraordinary items, tenant improvements, and leasing commissions. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to the NOIs of other REITs.

NOI is used by investors and our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by (1) the cost of funds of the property owner, (2) 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 (3) general and administrative expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from net income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital, which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our retail, office, multifamily or mixed-use properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is intended to be captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale, which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income, which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in “Management's Discussion and Analysis of Financial Condition and Results of Operations” regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

The following is a reconciliation of our NOI to net income for the three and six months ended June 30, 2021 and 2020 computed in accordance with GAAP (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net operating income	$ 60,993	$ 56,167	$ 115,379	$ 119,297
General and administrative	(6,924)	(6,679)	(13,747)	(13,499)
Depreciation and amortization	(27,646)	(26,493)	(55,147)	(53,955)
Interest expense	(14,862)	(13,331)	(28,867)	(26,803)
Early extinguishment of debt	—	—	(4,271)	—
Other (expense) income, net	(74)	162	(127)	270
Net income	$ 11,487	$ 9,826	$ 13,220	$ 25,310

Funds from Operations

We calculate funds from operations, or 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 our 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. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our 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 our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our 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.

The following table sets forth a reconciliation of our FFO for the three and six months ended June 30, 2021 to net income, the nearest GAAP equivalent (in thousands, except per share and share data):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Funds from Operations (FFO)		
Net income	$ 11,487	$ 13,220
Plus: Real estate depreciation and amortization	27,646	55,147
Funds from operations	39,133	68,367
Less: Nonforfeitable dividends on incentive restricted stock awards	(134)	(269)
FFO attributable to common stock and units	$ 38,999	$ 68,098
FFO per diluted share/unit	$ 0.51	$ 0.89
Weighted average number of common shares and units, diluted (1)	76,167,246	76,166,158

(1) The weighted average common shares used to compute FFO per diluted share include unvested restricted stock awards that are subject to time vesting, which were excluded from the computation of diluted EPS, as the vesting of the restricted stock awards is dilutive in the computation of FFO per diluted share but is anti-dilutive for the computation of diluted EPS for the period. Diluted shares exclude incentive restricted stock as these awards are considered contingently issuable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to our stockholders and Operating Partnership unitholders, investments, capital expenditures and other cash requirements.

Interest Rate Risk

Outstanding Debt

The following discusses the effect of hypothetical changes in market rates of interest on the fair value of our total outstanding debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Discounted cash flow analysis is generally used to estimate the fair value of our mortgages payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

Our outstanding notes payable obligations (maturing at various times through February 2031) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At June 30, 2021, we had $1.411 billion of fixed rate debt outstanding with an estimated fair value of $1.469 billion. The carrying values of our revolving line of credit and term loan are deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. If interest rates at June 30, 2021 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $78.9 million. If interest rates at June 30, 2021 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $95.4 million. Additionally, we consider our $150.0 million, related to Term Loan B and Term Loan C, outstanding as of June 30, 2021 to be fixed rate debt as the rate is effectively fixed by an interest rate swap agreement.

Variable Interest Rate Debt

At June 30, 2021, we had $250.0 million of variable rate debt outstanding. We have historically entered into forward starting interest rate swaps in order to economically hedge against the risk of rising interest rates that would affect our interest expense related to our future anticipated debt issuances as part of its overall borrowing program. See the discussion under Note 4 to the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps and for a discussion on how we value derivative financial instruments. Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase by approximately $1.0 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market rates decreased 1.0%, our annual interest expense would decrease by approximately $1.0 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (American Assets Trust, Inc.)

American Assets Trust, Inc. maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in American Assets Trust, Inc.'s reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including American Assets Trust, Inc.'s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

American Assets Trust, Inc. has carried out an evaluation, under the supervision and with the participation of management, including American Assets Trust, Inc.'s Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of its disclosure controls and procedures as of June 30, 2021, the end of the period covered by this report. Based on the foregoing, its Chief Executive Officer and Chief Financial Officer have concluded, as of June 30, 2021, that American Assets Trust, Inc.'s disclosure controls and procedures were effective in ensuring that information required to be disclosed by it in reports filed or submitted under the Exchange Act (1) is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and (2) is accumulated and communicated to its management, including American Assets Trust, Inc.'s Chief Executive Officer and its Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

No changes to American Assets Trust, Inc.'s internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, American Assets Trust, Inc.'s internal control over financial reporting.

Controls and Procedures (American Assets Trust, L.P.)

The Operating Partnership maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in its reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including the Operating Partnership's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Operating Partnership has carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of its disclosure controls and procedures as of June 30, 2021, the end of the period covered by this report. Based on the foregoing, its Chief Executive Officer and Chief Financial Officer have concluded, as of June 30, 2021, that the Operating Partnership's disclosure controls and procedures were effective in ensuring that information required to be disclosed by it in reports filed or submitted under the Exchange Act (1) is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and (2) is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

No changes to the Operating Partnership's internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. We may be subject to on-going litigation, relating to our portfolio and the properties comprising our portfolio, and we expect to otherwise be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in Item 1A. “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2020.

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

Exhibit No.	Description
10.1*	Agreement of Purchase and Sale and Joint Escrow Instructions between KW Fund V - Eastgate, LLC, as Seller, and AAT Eastgate, LLC, as Buyer, dated May 24, 2021
10.2*	First Amendment to Agreement of Purchase and Sale and Joint Escrow Instructions between KW Fund V - Eastgate, LLC, as Seller, and AAT Eastgate, LLC, as Buyer, dated June 28, 2021
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.2*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.
31.3*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

(1) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2021.

SIGNATURES

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 authorized.

American Assets Trust, Inc.	American Assets Trust, L.P. By: American Assets Trust, Inc. Its: General Partner
/s/ ERNEST RADY	/s/ ERNEST RADY
Ernest Rady Chairman and Chief Executive Officer (Principal Executive Officer)	Ernest Rady Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT F. BARTON	/s/ ROBERT F. BARTON
Robert F. Barton Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	Robert F. Barton Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)
Date: July 30, 2021	Date: July 30, 2021

AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS
(Eastgate)

<u>SUMMARY AND DEFINITION OF BASIC TERMS</u>

This Agreement of Purchase and Sale and Joint Escrow Instructions (the "**<u>Agreement</u>**"), dated as of the Effective Date set forth in Section 1 of the Summary of Basic Terms, below, is made by and between AAT EASTGATE, LLC, a Delaware limited liability company ("**<u>Buyer</u>**"), and KW FUND V – EASTGATE, LLC, a Delaware limited liability company ("**<u>Seller</u>**"). The terms set forth below shall have the meanings set forth below when used in the Agreement.

	TERMS OF AGREEMENT (first reference in the Agreement)	DESCRIPTION
1.	**Effective Date** (Introductory Paragraph)**:**	May 24, 2021.
2.	**Buildings** (Recital A):	The four (4) buildings located on the Land situated in the City of Bellevue, County of King, Washington, addressed as 15325, 15355, 15375 and 15395 SE 30th Place, Bellevue, Washington.
3.	**Broker** (Section 15):	CBRE ("**<u>Seller's Broker</u>**"), representing Seller
4.	**Buyer's Notice Address** (Section 14):	c/o American Assets Trust, Inc. 3420 Carmel Mountain Road, Suite 100 Attn: Adam Wyll Email: awyll@americanassets.com
5.	**Purchase Price** (Section 2.1):	$125,000,000.00
6.	**Initial Deposit** (Section 2.2):	$5,000,000.00
7.	**Escrow Holder** **and Escrow Holder's Notice Address** (Section 3):	First American Title Insurance Company 777 S. Figueroa Street, 4th Floor Los Angeles, CA 90017 Attn: Maurice Neri Email: mneri@firstam.com
8.	**Contingency Date** (Section 4.1):	The date that is thirty (30) days after the Opening of Escrow.
9.	**Closing Date** (Section 3.2):	Ten (10) days after the Contingency Date.
10.	**Estoppel Certificate Percentage** (Section 4.3.2):	Seventy-Five percent (75%) of the leased rentable square footage of the Buildings.
11.	**Title Company** (Section 4.2):	First American Title Insurance Company
12.	**Seller's Representative** (Section 11.7):	Alexis Olivier

II

RECITALS

A. Seller owns that certain parcel of land more particularly described on Exhibit "A" attached hereto (the "**Land**"), which Land is improved with the Buildings.

B. Seller desires to sell and convey to Buyer and Buyer desires to purchase and acquire from Seller all of Seller's right, title and interest in and to the following:

i. The Land and all rights, privileges, easements and appurtenances benefiting the Land and/or the Improvements, including, without limitation, Seller's interest, if any, in all mineral and water rights and all easements, rights-of-way and other appurtenances used, related to or connected with the beneficial use or enjoyment of the Land and/or the Improvements (the Land, the Improvements and all such rights, privileges, easements and appurtenances are sometimes collectively referred to as the "**Real Property**");

ii. The Buildings, associated parking and landscaped areas and all other improvements located on the Land (the "**Improvements**");

iii. All leases, licenses and occupancy agreements covering the Land and Improvements, a list of which is attached hereto as Exhibit "I," and any new leases which may be entered into subsequent to the Effective Date in accordance with this Agreement (said leases, licenses and agreements, together with any and all amendments, modifications or supplements thereto, commencement or delivery of possession letters or certificates, and certificates and option exercise notices, are hereinafter referred to collectively as the "**Leases**");

iv. The Approved Contracts (as defined below);

v. All personal property, machinery, furniture, equipment, supplies and fixtures owned by Seller (collectively, the "**Personal Property**") if any, used exclusively in the operation of the Real Property and located at the Property; and

vi. To the extent assignable either without cost to Seller or, at Buyer's option, at Buyer's cost, any warranties, guaranties, licenses, permits, entitlements, development rights, tradenames (specifically excluding "Kennedy-Wilson," "KW," or any derivative thereof), logos, intellectual property rights, domain names, websites, governmental approvals and certificates of occupancy which benefit the Real Property, the Improvements, and/or the Personal Property (collectively, the "**Intangible Personal Property**"), if any. The Real Property, the Improvements, the Personal Property, the Approved Contracts, Seller's interest as lessor under the Leases and the Intangible Personal Property are sometimes collectively referred to as the "**Property**."

III

AGREEMENT

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows, and hereby instruct Escrow Holder as follows.

1. Purchase and Sale. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement.

2. Purchase Price.

2.1 Purchase Price. Buyer shall pay the Purchase Price for the Property as provided in this Section 2.

2.2 Deposit. Within two (2) business days after the Opening of Escrow (as defined in Section 3.1 below), Buyer shall deliver to Escrow Holder the Initial Deposit (together with all interest thereon while held by Escrow Holder, shall be hereafter referred to as the "**Deposit**") in Immediately Available Funds (as defined below). Upon receipt by Escrow Holder, the Deposit shall immediately be non-refundable to Buyer, except as expressly set forth in this Agreement. The Deposit shall be (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, (ii) returned to Buyer as expressly set forth in this Agreement, or (iii) delivered to Seller as expressly set forth in this Agreement. If Buyer fails to timely deposit with Escrow Holder any portion of the Initial Deposit within the time periods required, Seller may terminate this Agreement by written notice to Buyer at any time prior to the date on which Buyer deposits the Deposit, in which event any portion of the Deposit then held by Escrow Holder shall be delivered to Seller and the parties shall have no further rights or obligations under this Agreement, except for rights and obligations that, by their terms, survive the termination of this Agreement.

2.3 Independent Consideration. Notwithstanding anything in this Agreement to the contrary, Five Hundred Dollars ($500.00) of the Initial Deposit (the "**Independent Consideration**") shall be paid to Seller and considered completely nonrefundable to Buyer in all events, it being the intent of the parties to recognize that such amount has been bargained for and agreed to as independent consideration for Buyer's exclusive right to purchase the Property pursuant to and in accordance with this Agreement and the Property Approval Period provided hereunder, and for Seller's execution and delivery of this Agreement.

2.4 Cash Balance. On or before 12:00 p.m. Pacific time on the Closing Date, Buyer shall deposit with Escrow Holder cash by means of a confirmed wire transfer through the Federal Reserve System ("**Immediately Available Funds**") in the amount of the balance of the Purchase Price, plus Buyer's share of expenses and prorations as described in this Agreement.

2.5 Purchase Price Allocation. The Purchase Price shall be allocated to Real Property and Personal Property as follows ("**Purchase Price Allocation**"): (i) Real Property - $124,945,000.00; and (ii) Personal Property - $55,000.00. Seller and Buyer each hereby covenants and agrees that neither Seller nor Buyer will take a position on any transfer tax, deed tax or stamp tax form (or affidavit) for the Property that is in any way inconsistent with the Purchase Price Allocation, and shall not take any position for tax purposes (on a tax form, in a tax audit or other proceeding or otherwise) inconsistent with the Purchase Price Allocation except to the extent otherwise required by applicable law; provided that the parties acknowledge that the parties and their affiliates may use a different allocation for internal financial reporting purposes. The provisions of this Section 2.5 shall survive the Closing.

3. Escrow.

3.1 Opening of Escrow. Buyer and Seller shall promptly deliver a fully executed copy of this Agreement to Escrow Holder, and the date of Escrow Holder's receipt thereof is referred to as the

"**Opening of Escrow**". Seller and Buyer shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby, provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement. Such supplementary instructions, together with the escrow instructions set forth in this Agreement, as they may be amended from time to time by the parties, shall collectively be referred to as the "**Escrow Instructions**." The Escrow Instructions may be amended and supplemented by such standard terms and provisions as the Escrow Holder may request the parties hereto to execute; provided, however, that the parties hereto and Escrow Holder acknowledge and agree that in the event of a conflict between any provision of such standard terms and provisions supplied by the Escrow Holder and the Escrow Instructions, the Escrow Instructions shall prevail.

3.2 Close of Escrow/Closing. For purposes of this Agreement, the "**Close of Escrow**" or the "**Closing**" shall mean the date on which the Deed (as defined in Section 5.1.1 below) is recorded in the official records of the county where the Land is located (the "**Official Records**"), or if (at Seller's election) the Closing occurs on a "gap closing" basis, the date on which Escrow Holder receives from Buyer and Seller all funds and documents required to be delivered hereunder to Escrow Holder, Buyer and Seller have authorized Escrow Holder to close this transaction, all funds to be disbursed to Seller pursuant to Section 6.8 below have been delivered to Seller (via wire transfer or otherwise), and Escrow Holder confirms that the Closing has occurred. The Close of Escrow shall occur on the Closing Date. Buyer's and Seller's failure to perform their respective obligations under this Section 3.2, including, without limitation, the timely delivery by Buyer of the balance of the Purchase Price, shall constitute a material and non-curable default under this Agreement by the applicable party.

4. Buyer's Review; Conditions Precedent to the Close of Escrow.

4.1 Buyer's Review.

4.1.1 Delivery of Due Diligence Materials by Seller. To the extent within the possession or reasonable control of Seller, and to the extent not previously delivered or made available to Buyer, within one (1) business day after the Opening of Escrow Seller shall make available to Buyer (by means of a "file transfer protocol" (FTP) internet site, or otherwise) for review and copying, at Buyer's expense, the following due diligence items (together with the Reports, collectively, "**Due Diligence Items**"): (a) any plans and specifications for the Property; (b) copies of all service contracts or service agreements relating to the operation and maintenance of the Property to which Seller is a party, including, without limitation, the service contracts set forth on Exhibit "J" hereto (but expressly excluding (i) any contracts Seller determines are "master contracts" affecting the Property and other properties, (ii) property management agreements related to the Property to which Seller is a party, which Seller shall terminate at or prior to Closing, and (iii) any leasing services agreements related to the property to which Seller is a party) (collectively, the "**Contracts**" and those contracts described in clauses (i) through (iii), the "**Excluded Contracts**")); (c) property tax bills for the last two (2) fiscal tax years if the Property has been owned by Seller for more than two (2) years, and the property tax bill for the current year to the extent in the possession of Seller; (d) operating statements for the Property for the last two (2) calendar years and the current year-to-date ("**Operating Statements**"); (e) any existing ALTA survey; (f) any environmental studies, plans, maps, surveys, structure reports, soil reports and other similar materials relating to the physical and environmental condition of the Property ("**Reports**"); (g) all Leases; and (h) all notices of non-compliance of laws from all governmental authorities with respect to the Property which remain uncured. Seller acknowledges Buyer may desire to discuss or otherwise inquire about matters related to the Property with various governmental entities and utilities and the other Due Diligence Items with tenants under the Leases and other third parties. In this regard, Buyer is permitted to contact all necessary third parties, and discuss with such third parties Due Diligence Items; provided, however, Seller is first given at least two (2) business days' prior written notice and a reasonable opportunity to be present at such contact or discussions at a time and location reasonably convenient to Seller. Buyer acknowledges and understands that all such materials made available by Seller are only for Buyer's convenience in making its own examination and determination prior to the expiration of the Property Approval Period as to whether it wishes to purchase the Property, and, in so doing, Buyer shall rely exclusively upon its own independent investigation and evaluation of every aspect of the Property and not on any materials supplied by Seller. Notwithstanding anything contained herein, in no event shall Seller be obligated to make any of the following information or materials available to Buyer, (a) any reports or studies that have been superseded by subsequent reports or studies, and/or (b) any of the following materials: (1) information contained in financial analyses or projections (including Seller's budgets, valuations, cost-basis information and capital account information); (2) material that is subject to attorney-client privilege or that is attorney work product; (3) appraisal reports or letters; (4) organizational, financial and other documents relating to Seller, its direct and indirect partners or members or their respective affiliates; (5) material that Seller is legally required not to disclose other than by reason of legal requirements voluntarily assumed by Seller after the Effective Date; (6) any internal correspondence or communication between and/or among Seller and/or the Seller Group (as defined below); (7) any internal memoranda prepared by Seller or the Seller Group; or (8) any correspondence or communication with any of Seller's lenders or potential lenders.

Between the Effective Date and 5:00 P.M. Pacific time on the Contingency Date (the "**Property Approval Period**"), Buyer shall have the right to review and investigate the Due Diligence Items, the physical and environmental condition of the Property, the character, quality, value and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Property, the state of title to the Property, the square footage of the Buildings and/or Property, and any other factors or matters relevant to Buyer's decision to purchase the Property. Buyer, in Buyer's sole and absolute discretion, may determine whether or not the Property is acceptable to Buyer within the Property Approval Period. Buyer shall provide Seller with at least two (2) business days' prior written notice of its desire to enter upon the Real Property for inspection and/or testing and any such inspections or testing shall be conducted at a time and manner reasonably approved by Seller and to minimize disruption or interference with any tenants. Seller shall have the right to be present at any such inspections or testings. Prior to conducting any inspections or testing, Buyer and its consultants, shall deliver to Seller a certificate of insurance naming Seller and Seller's property manager as additional insureds by endorsement (on a primary, non-contributing basis) evidencing (a) comprehensive general liability insurance having not less than a combined single limit of One Million and No/100 Dollars ($1,000,000.00) per occurrence and Two Million and No/100 Dollars ($2,000,000.00) aggregate limit, (b) Workers' Compensation insurance in accordance with statutory law and employers' liability insurance with limits of not less than One Million Dollars ($1,000,000) per accident, and (c) solely as to Buyer (and not Buyer's consultants), umbrella liability insurance in an amount not less than Five Million and No/100 Dollars ($5,000,000.00), each with commercially reasonable coverage insuring, without limitation, bodily injury, property damage, contractual liability (including, without limitation, Buyer's indemnity obligations contained in this Agreement) and personal injury liability (whether arising out of Buyer's acts or the acts of any of its agents). Notwithstanding the foregoing, Buyer shall not be permitted to undertake any ground, water or air sampling or any intrusive or destructive testing of the Property, including, without limitation, a "Phase II" environmental assessment (collectively, the "**Intrusive Tests**"), without in each instance first obtaining Seller's prior written consent thereto, which consent Seller may give or withhold in Seller's sole and absolute discretion. If Seller fails to advise Buyer of its approval of any proposed Intrusive Tests within such two (2) business day period, such failure shall be deemed Seller's disapproval thereof. Buyer shall restore the Property to its original condition promptly after any and all testing and inspections conducted by or on behalf of Buyer. All of Buyer's investigations under this Section 4.1.1 shall be subject to the rights of tenants under the Leases. Buyer hereby agrees to indemnify, defend and hold Seller, the Seller Group (as defined below) and the Property harmless from any and all actions, claims, liabilities, costs, loss, damages or expenses of any kind or nature arising out of or resulting from (i) any entry and/or activities upon the Property by Buyer and/or Buyer's agents, employees, contractors or consultants (provided, however, such obligations shall not be applicable to Buyer's mere discovery of any preexisting adverse physical condition at the Property, except to the extent Buyer and/or Buyer's agents, employees, contractors or consultants aggravate such pre-existing condition), and (ii) any claim related to COVID-19 arising out of any entry and/or activities upon the Property by Buyer and/or Buyer's agents, employees, contractors or consultants. Additionally, Buyer and/or Buyer's agents, employees, contractors or consultants shall comply with Seller's general access policies delivered to Buyer prior to any entry onto the Real Property, including as it may relate to any COVID-19 protective protocols. Buyer's obligations under this section shall survive the Close of Escrow or any termination of this Agreement.

4.1.2 Contracts. Buyer shall have until the later of (i) the date that is thirty-five (35) days prior to the Closing Date, and (ii) ten (10) business days after receipt by Buyer from Seller of any Contract (including any New Contract) to either approve of any Contracts, or to notify Seller in writing, specifying any Contracts which Buyer desires be terminated on or before the Closing, and which, by their express terms, may be terminated on or before the Closing (the "**Disapproved Contracts**"); provided, however, in no event shall Seller be required to terminate any Contracts which by their terms are not terminable prior to the Closing or otherwise not terminable without payment by Seller of a penalty, charge or premium ("**Non-Terminable Contracts**"). Seller shall provide written notice of termination to those applicable third parties with respect to such Disapproved Contracts on or before the Closing. Those Contracts not expressly disapproved by Buyer and the Non-Terminable Contracts (collectively, the "**Approved Contracts**") shall be assigned by Seller (to the extent assignable by Seller) and assumed by Buyer at the Closing. Seller shall assign its rights and interests under the Approved Contracts to Buyer at the Closing pursuant to the Assignment of Contracts and Assumption Agreement, in substantially the form attached hereto as Exhibit "F," and made a part hereof. Seller makes no representations or warranties as to the transferability or enforceability of the Approved Contracts, and Seller shall have no liability to Buyer in the event that any or all of the Approved Contracts (a) are not transferable to Buyer or (b) are canceled or terminated by reason of the assignment of such Approved Contract, the sale of the Property, or any acts of Buyer.

4.1.3 Termination. If Buyer delivers to Seller and Escrow Holder prior to the expiration of the Property Approval Period written notice that Buyer does not approve the Property ("**Buyer's Disapproval Notice**"), then this Agreement shall automatically terminate and the Deposit (but not the Independent Consideration) shall be refunded to Buyer. If Buyer fails to deliver Buyer's Disapproval Notice to Seller and Escrow Holder prior to the expiration of the Property Approval Period, Buyer shall be deemed to have irrevocably approved the Property and Buyer shall have no further right to terminate this Agreement pursuant to this Section 4.1.3.

4.1.4 Due Diligence Materials. In the event Buyer does not purchase the Property for any reason other than a default by Seller hereunder, within five (5) days after the date this Agreement is terminated Buyer shall deliver to Seller all documents, information and other materials supplied by Seller to Buyer, and, at Seller's written request, without warranty or representation of any kind, any inspection reports, studies, surveys, and other reports and/or test results relating to the Property which were developed by Buyer or prepared by consultants retained by Buyer in contemplation of this Agreement, other than (a) any reports or studies that have been superseded by subsequent reports or studies, and/or (b) any of the following materials: (1) information contained in financial analyses or projections (including Buyer's budgets, valuations, cost-basis information and capital account information); (2) material that is subject to attorney-client privilege or that is attorney work product; (3) appraisal reports or letters; (4) organizational, financial and other documents relating to Buyer, its direct and indirect partners or members or their respective affiliates; (5) material that Buyer is legally required not to disclose; (6) any internal correspondence or communication between and/or among Buyer and its affiliates; or (7) any internal memoranda prepared by Buyer or its affiliates.

4.2 Title Report and Additional Title Matters. Prior to the Effective Date, Seller has caused Title Company to deliver to Buyer a preliminary title report for the Property (the "**Title Commitment**"), and copies of all underlying title documents described in the Title Commitment. Buyer shall have until 5:00 p.m. Pacific time on the date that is ten (10) business days prior to the Contingency Date (the "**Interim Date**") to provide written notice (the "**Title Notice**") to Seller of any matters shown by the Title Commitment or on any survey obtained by Buyer which are not satisfactory to Buyer. If Seller has not received such written notice from Buyer by the Interim Date, that shall be deemed Buyer's unconditional approval of the condition of title and survey to the Property. Except as provided below, Seller may have until five (5) business days after receipt of the Title Notice to make such arrangements or take such steps as the parties shall mutually agree to satisfy Buyer's objection(s); provided, however, that, except with respect to liens secured by deeds of trust securing loans made to Seller, mechanics' liens relating to work contracted for by Seller that is not a Permitted Exception (as defined below) and for which Buyer is not receiving a credit at Closing, and delinquent real property taxes (herein "**Monetary Liens**", which Seller agrees to have removed on or before the Closing Date), Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations or otherwise to cure or agree to cure any title objections. Within five (5) business days of receipt of a Title Notice, Seller may elect to deliver written notice to Buyer and Escrow Holder identifying which disapproved items (other than Monetary Liens) Seller shall undertake to cure or not cure ("**Seller's Response**"). If Seller does not deliver a Seller's Response within said five (5) business day period, Seller shall be deemed to have elected to not remove or otherwise cure any exceptions disapproved by Buyer. If Seller elects, or is deemed to have elected, not to remove or otherwise cure an exception disapproved in Buyer's Title Notice, Buyer shall have until the expiration of the Property Approval Period to deliver to Seller and Escrow Holder the Buyer's Disapproval Notice. Buyer's failure to timely deliver Buyer's Disapproval Notice shall be deemed to be Buyer's approval of all matters shown in the Title Commitment and any survey of the Property obtained by Buyer, other than Monetary Liens and matters Seller agreed to cure in Seller's Response. If Seller's Response elects to cure certain disapproved items and Seller then fails to cure any such items prior to Closing, then Buyer, as its sole remedy, may elect to terminate this Agreement, in which event the Deposit shall be immediately returned to Buyer, any other money or documents in Escrow shall be returned to the party depositing the same, and the fee payment provisions of Section 4.4 shall apply (it being agreed that Seller's failure to remove any Monetary Lien shall be a default by Seller of its obligations hereunder).

4.3 Conditions Precedent to Buyer's Obligations:

4.3.1 Title Policy. On or before the Closing, Title Company shall have committed to issue to Buyer the Title Policy (subject to payment of required premiums). As used herein, the term "**Title Policy**" shall mean an ALTA extended coverage Owner's Policy of Title Insurance with liability in the amount of the Purchase Price, showing title to the Real Property vested in Buyer, subject only to the following (collectively, the "**Permitted Exceptions**"): (a) the preprinted standard exceptions in such Title Policy, (b) exceptions approved or deemed approved by Buyer pursuant to Section 4.2 above, (c) the

Leases and the rights of tenants thereunder, (d) non-delinquent real property taxes and special assessments, (e) any exceptions arising from Buyer's actions, (f) mechanic's liens or potential mechanic's liens arising out of services, labor or materials furnished to the Property for which Buyer receives a credit at Closing, for which Buyer is expressly responsible for payment under the terms of this Agreement, or which arise from any services, labor or materials contracted for by any tenant at the Property and with respect to which any such tenant is responsible for payment under the terms of its Lease, and (g) any matters which would be disclosed by an accurate survey or physical inspection of the Property. Notwithstanding the foregoing, if Buyer fails to provide an ALTA survey for the Real Property acceptable to the Title Company for purposes of issuing the Title Policy, then the Title Policy to be issued on the Close of Escrow shall be an ALTA standard coverage Owner's Policy of Title Insurance which shall include a general survey exception. Seller agrees to deliver an owner's affidavit at Closing in the form of Exhibit "L" (the "**Title Affidavit**"). Neither the Property Approval Period nor the Close of Escrow shall be extended due to Buyer's Title Policy requirements.

4.3.2 Tenant Estoppel Certificates. On or before the date which is two (2) business days prior to the Closing Date (the "**Estoppel Delivery Date**"), Buyer shall have received an Estoppel Certificate either substantially in the form of Exhibit "E-1" attached hereto or in the form a tenant is required to deliver under its Lease (each, a "**Tenant Estoppel Certificate**") from (i) tenants leasing no less than the Estoppel Certificate Percentage, and (ii) seven (7) tenants leasing at least 9,000 rentable square feet at the Property (collectively, the "**Estoppel Delivery Requirement**"). Notwithstanding anything in the foregoing to the contrary, Seller, at its option, may deliver to Buyer a representation letter substantially in the form of Exhibit "E-2" attached hereto (each, a "**Seller Estoppel Certificate**") with respect to one or more Leases in lieu of a Tenant Estoppel Certificate. If Seller delivers one or more Seller Estoppel Certificates, Seller's liability under each Seller Estoppel Certificate shall expire and be of no further force or effect on the earlier of: (A) six (6) months following the Closing Date, or (B) the date that Buyer receives a Tenant Estoppel Certificate from the applicable tenant to the extent such Tenant Estoppel Certificate confirms the matters set forth in the applicable Seller Estoppel Certificate. In addition, Seller's liability under any Seller Estoppel Certificate shall not be subject to the limitations of Section 16.4 below. Notwithstanding anything in this Agreement to the contrary, (x) Seller shall not be obligated to attempt to obtain an Estoppel Certificate from the tenant Clearwire Legacy, LLC, and (b) the premises currently leased to Clearwire Legacy, LLC shall not be considered "leased rentable square footage" for purposes of determining the Estoppel Certificate Percentage. The Tenant Estoppel Certificates and the Seller Estoppel Certificates are sometimes collectively referred to herein as the "**Estoppel Certificates**". In the event Seller is unable to obtain Estoppel Certificates sufficient to satisfy the Estoppel Delivery Requirement by the Estoppel Delivery Date, Buyer may elect to (i) subject to Seller's right to extend the Estoppel Delivery Date below, terminate the Agreement pursuant to Section 4.4, or (ii) waive such condition and proceed to the Closing without credit, deduction or offset. To the extent that an Estoppel Certificate is a Non-Complying Estoppel Certificate (defined below), Buyer shall have until the earlier of (a) the Closing Date, and (b) four (4) business days after receipt of each such Non-Complying Estoppel Certificate, to approve or disapprove the applicable Estoppel Certificate so received (and the failure to timely do so shall constitute approval thereof). If a Non-Complying Estoppel is approved pursuant to the immediately preceding sentence, then such Estoppel Certificate shall count towards the Estoppel Delivery Requirement; however, if a Non-Complying Estoppel is disapproved pursuant to the immediately preceding sentence, then such Estoppel Certificate shall not count towards the Estoppel Delivery Requirement. A "**Non-Complying Estoppel Certificate**" shall be an Estoppel Certificate that discloses (a) any default or event of default under such Lease, or (b) any other material adverse economic terms of the applicable Lease that were not disclosed to Buyer (whether in the applicable Lease, this Agreement or any other document delivered to Buyer) prior to the expiration of the Property Approval Period. Notwithstanding the foregoing, if Seller has not obtained sufficient Tenant Estoppel Certificates to satisfy the Estoppel Delivery Requirement by the Estoppel Delivery Date, Seller shall have the one-time right, by delivering written notice to Buyer prior to 5:00 p.m. Pacific time on the Estoppel Delivery Date, to extend the Estoppel Delivery Date until the earlier of (A) two (2) business days after the date by which Seller satisfies the Estoppel Delivery Requirement or (B) thirty (30) days after the then current Estoppel Delivery Date. The Closing Date shall also be extended to be the date which is two (2) business days following the extended Estoppel Delivery Date; provided, however, if the Closing Date is so extended and sufficient Estoppel Certificates have not yet been obtained by the extended Closing Date, then Buyer shall elect to proceed under (i) or (ii) above. Seller shall not be required to deliver updates to any previously delivered Estoppel Certificates that are dated within thirty (30) days of the original Closing Date. Additionally, if after the Estoppel Delivery Date Buyer disapproves a Non-Complying Estoppel pursuant to this Section 4.3.2 which causes the Estoppel Delivery Requirement to fail, then Seller shall have the right, by delivering written notice to Buyer prior to Closing, to extend the Closing in order to obtain sufficient Estoppel Certificates to satisfy the Estoppel Delivery Requirement until the earlier of (A) two (2) business days after the date by which Seller satisfies the Estoppel Delivery Requirement or (B) thirty (30) days after the Estoppel Delivery Date.

4.3.3 Seller's Performance. Seller shall have duly performed its obligations hereunder in all material respects.

4.3.4 Accuracy of Representations and Warranties. On the Closing Date, all representations and warranties made by Seller in Section 11 shall be true and correct in all material respects; however, notwithstanding the foregoing, it shall not be a failure of the condition set forth in this Section if (a) Buyer was aware that the representation and/or warranty was not true in all material respects prior to the expiration of the Property Approval Period, (b) any representation and/or warranty becomes untrue due to any matter or change expressly permitted or contemplated by the terms of this Agreement, or (c) Seller cures such breach pursuant to this Section 4.3.4 or Section 11.6. For purposes of the immediately preceding sentence, Buyer shall be deemed to be aware of all facts disclosed in the Due Diligence Items. Notwithstanding anything else in this Agreement to the contrary: (i) no change in circumstances or status of any tenants or contract parties (other than Seller) under the Leases and the Contracts (e.g., defaults, bankruptcies, below market status or other adverse matters relating to such tenants or contract parties or a party's exercise following the Effective Date of any contractual termination rights, in each case, not caused by the actions of Seller or as a result of a breach or default by Seller under any such Lease or Contract) shall in and of itself permit Buyer to terminate this Agreement or constitute grounds for Buyer's failure to close or otherwise constitute a breach of any representation or warranty by Seller, unless such change in circumstances or status of any tenant or contract parties under the Leases and the Contracts occurs as a result of actions intentionally performed by Seller after the Effective Date or occurs as a result of a breach or default or default by Seller under any Lease or Contract; and (ii) in the event that a material breach of a representation or warranty by Seller has occurred and such breach is curable by Seller's payment of monetary funds at the Closing, then Seller shall have the option (but not the obligation) to cure such breach by providing a credit to Buyer at the Closing in an amount reasonably required to cure such breach.

4.4 Failure of Conditions Precedent to Buyer's Obligations. Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Buyer's benefit set forth in Section 4.3. In the event of a failure of a condition set forth in Section 4.3, provided that Buyer is not then in default in the performance of any material obligation hereunder, Buyer shall have the right, as Buyer's sole and absolute remedy for the failure of such condition (i.e., the failure of a condition in Section 4.3 shall not, in and of itself, constitute a breach or default by Seller), to either: (a) terminate this Agreement by written notice to Escrow Holder and Seller, or (b) elect to close, notwithstanding the non-satisfaction of such condition, in which event Buyer shall be deemed to have waived any such condition. If Buyer terminates this Agreement by notice to Seller because of the failure of a condition precedent set forth in Section 4.3, then Escrow Holder shall return the Deposit (but not the Independent Consideration) to Buyer in accordance with Buyer's written instructions within five (5) business days following Buyer's delivery of a written termination notice to Seller and Escrow Holder, Seller and Buyer shall each pay one-half (1/2) of any Escrow cancellation fees or charges, and except for Buyer's indemnity and confidentiality obligations under the Agreement which expressly survive termination of the Agreement, the parties shall have no further rights or obligations to one another under this Agreement. Nothing in this Section 4.4 shall limit Buyer's remedies set forth in Section 16.1 below. Closing shall constitute a waiver of all conditions precedent.

4.5 Conditions Precedent to Seller's Obligations. Seller's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions: (a) Buyer shall have duly performed its obligations hereunder in all material respects; (b) Buyer's representations and warranties set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date. Without limitation of the foregoing, Buyer shall have timely delivered the Purchase Price pursuant to the provisions of Section 2 above. In the event of a failure of a condition set forth in this Section 4.5, Seller shall have the right to either: (i) terminate this Agreement by written notice to Escrow Holder and Buyer, or (ii) elect to close, notwithstanding the non-satisfaction of such condition, in which event Seller shall be deemed to have waived any such condition. If Seller terminates this Agreement by notice to Buyer because of the failure of such condition precedent, then Escrow Holder shall deliver the Deposit to Seller in accordance with Seller's written instructions within five (5) business days following Seller's delivery of a written termination notice to Buyer and Escrow Holder, Seller and Buyer shall each pay one-half (1/2) of any Escrow cancellation fees or charges, and except for Buyer's indemnity and confidentiality obligations under the Agreement which expressly survive termination of the Agreement, the parties shall have no further rights or obligations to one another under this Agreement. Closing shall constitute a waiver of all conditions precedent.

5. Deliveries to Escrow Holder; Closing Authorization.

5.1 Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date (or other date specified) the following:

5.1.1 Deed. A Special Warranty Deed in the form of Exhibit "B" attached hereto, duly executed and acknowledged in recordable form by Seller, conveying Seller's interest in the Real Property to Buyer (the "**Deed**");

5.1.2 Real Estate Excise Tax Affidavit. One (1) counterpart of the State of Washington Real Estate Excise Tax Affidavit (the "**Real Estate Excise Tax Affidavit**"), duly executed by Seller;

5.1.3 Non-Foreign Certifications. A certification of non-foreign status in the form of Exhibit "C" attached hereto, duly executed by Seller (the "**FIRPTA**");

5.1.4 Assignment of Leases. Two (2) counterparts of the Assignment of Leases in the form of Exhibit "D" attached hereto pursuant to which Seller shall assign to Buyer all of Seller's right, title and interest in, under and to the Leases (the "**Lease Assignment**");

5.1.5 Assignment of Contracts and Assumption Agreement. Two (2) counterparts of the Assignment of Contracts and Assumption Agreement in the form attached hereto as Exhibit "F" duly executed by Seller pursuant to which Seller shall assign to Buyer all of Seller's right, title and interest in, under and to the Approved Contracts ("**Assignment of Contracts**");

5.1.6 Bill of Sale. Two (2) counterparts of a Bill of Sale in the form attached hereto as Exhibit "G" duly executed by Seller conveying Seller's right, title and interest in and to the Personal Property ("**Bill of Sale**");

5.1.7 General Assignment. Two (2) counterparts of a General Assignment in the form of Exhibit "H" attached hereto duly executed by Seller (the "**General Assignment**");

5.1.8 Tenant Letter. A letter signed by Seller addressed to the tenants under the Leases advising such tenants of the sale of the Property to Buyer, the transfer of landlord's obligation to repay such tenant's security deposit to Buyer, and directing that all future rent payments and other charges under the Leases be forwarded to Buyer at an address to be supplied by Buyer ("**Tenant Notice Letter**"). Notwithstanding the foregoing, the Tenant Notice Letters shall not be delivered through Escrow but shall be sent directly by Seller to the tenants on the Closing;

5.1.9 Vendor Letter. A letter signed by Seller addressed to the counterparties under the Approved Contracts advising such counterparties of the sale of the Property to Buyer and directing all future communications relating to the Approved Contracts be forwarded to Buyer at an address to be supplied by Buyer ("**Vendor Notice Letter**"). Notwithstanding the foregoing, the Vendor Notice Letters shall not be delivered through Escrow but shall be sent directly by Seller to the counterparties on the Closing;

5.1.10 Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller, as may be reasonably required by Title Company;

5.1.11 Title Affidavit. The Title Affidavit duly executed by Seller; and

5.1.12 Closing Statement. Two (2) counterparts of the Closing Statement (as defined below).

5.2 Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date the following (other than the amounts described in clause Section 5.2.1 below, which Buyer shall deliver or cause to be delivered to Escrow Holder prior to 12:00 p.m. Pacific time on the Closing Date):

5.2.1 Buyer's Funds. The balance of the Purchase Price, and such additional funds, if any, necessary to comply with Buyer's obligations hereunder regarding prorations, credits, costs and expenses;

5.2.2 Real Estate Excise Tax Affidavit. One (1) counterpart of the Real Estate Excise Tax Affidavit duly executed by Buyer;

5.2.3 Lease Assignment. Two (2) counterparts of the Lease Assignment duly executed by Buyer;

5.2.4 Assignment of Contracts. Two (2) counterparts of the Assignment of Contracts duly executed by Buyer;

5.2.5 Bill of Sale. Two (2) counterparts of the Bill of Sale duly executed by Buyer;

5.2.6 General Assignment. Two (2) counterparts of the General Assignment duly executed by Buyer;

5.2.7 Proof of Authority. Such proof of Buyer's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Buyer to act for and bind Buyer, as may be reasonably required by Title Company; and

5.2.8 Closing Statement. Two (2) counterparts of the Closing Statement.

5.3 Closing Authorizations. If all conditions precedent to Buyer's obligation to purchase the Property hereunder have been satisfied (or waived by Buyer), then Buyer shall deliver to Escrow Holder a written authorization to proceed with the Closing no later than 12:00 p.m. Pacific time on the Closing Date (or as soon thereafter as is reasonably practicable). If all conditions precedent to Seller's obligation to sell the Property hereunder have been satisfied (or waived by Seller), then Seller shall deliver to Escrow Holder a written authorization to proceed with the Closing no later than 12:00 p.m. Pacific time on the Closing Date (or as soon thereafter as is reasonably practicable).

6. Deliveries Upon Close of Escrow. Upon the Close of Escrow, Escrow Holder shall promptly undertake all of the following:

6.1 Tax Filings. The Title Company shall file the information return for the sale of the Property required by Section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

6.2 Prorations. Prorate all matters referenced in Section 8 based upon the Closing Statement;

6.3 Recording. Cause (on a GAP basis or otherwise) the Deed (together with the Real Estate Excise Tax Affidavit) and any other documents which the parties hereto may direct, to be recorded in the Official Records in the order directed by the parties;

6.4 Buyer Funds. Disburse from funds deposited by Buyer with Escrow Holder towards payment of all items and costs (including, without limitation, the Purchase Price) chargeable to the account of Buyer pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Buyer;

6.5 Documents to Seller. Deliver to Seller counterpart originals of the Lease Assignment, the Assignment of Contracts, the Bill of Sale, the General Assignment and the Closing Statement executed by Buyer and a conformed recorded copy of the recorded Deed;

6.6 Documents to Buyer. Deliver to Buyer an original of the FIRPTA, and counterpart originals of the Lease Assignment, Assignment of Contracts, Bill of Sale, General Assignment and the Closing Statement appropriately executed by Seller, a conformed recorded copy of the Deed, and, when issued, the Title Policy;

6.7 Title Policy. Direct the Title Company to issue the Title Policy to Buyer; and

6.8 Seller Funds. Deduct all items chargeable to the account of Seller pursuant to Section 7. If, as the result of the net prorations and credits pursuant to Section 8, amounts are to be charged to the account of Seller, deduct the total amount of such charges (unless Seller elects to deposit additional funds for such items in Escrow); and if amounts are to be credited to the account of Seller, disburse such amounts to Seller, or in accordance with Seller's instructions, at Close of Escrow. Disburse the Purchase Price to Seller, or as otherwise directed by Seller, promptly upon the Close of Escrow in accordance with Seller's wire transfer instructions.

7. Costs and Expenses. Seller shall pay (i) that portion of the Title Policy premium for standard ALTA owner's coverage, (ii) all real estate excise taxes levied pursuant to RCW 82.45, and (iii) one-half (½) of the Escrow Holder's fee. In addition Seller shall pay outside of Escrow all legal and professional fees and costs of attorneys and other consultants and agents retained by Seller. Buyer shall pay through Escrow (a) all document recording charges, (b) the additional Title Policy premium for ALTA extended coverage and any title endorsements requested by Buyer, (c) one-half (½) of the Escrow Holder's fee, and (d) all charges for the ALTA Survey. Buyer shall pay outside of Escrow all costs and expenses related to all due diligence investigations, and all legal and professional fees and costs of attorneys and other consultants and agents retained by Buyer. Buyer will be responsible for the payment of all excise, transfer and use taxes imposed with respect to the conveyance of any personal property contemplated by this Agreement and will indemnify and hold Seller harmless from the payment of such taxes. Any other closing costs shall be allocated in accordance with local custom.

8. Prorations. The following prorations between Seller and Buyer shall be made by Escrow Holder computed as of 12:01 A.M. on the date the Close of Escrow occurs:

8.1 Real Estate and Personal Property Taxes. All real estate, ad valorem and personal property taxes attributable to the Property will be prorated at Closing. Seller shall be charged with all such taxes up to, but not including, the Closing Date. If the applicable tax rate and assessments for the Property have not been established for the year in which Closing occurs, the proration of real estate and/or personal property taxes, as the case may be, will be based upon the rate and assessments for the preceding year. All taxes imposed because of a change of use of the Property after Closing will be paid by Buyer. Real property tax refunds and credits received after the Closing which are attributable to a fiscal tax year prior to the Closing shall belong to Seller, those which are attributable to the fiscal tax year in which the Closing occurs shall be prorated based upon the date of Closing, and those attributable to a fiscal tax year after the Closing shall belong to Buyer.

8.2 Lease Rentals. All non-delinquent rents (including all accrued tax and operating expense pass-throughs), charges and revenue of any kind receivable from the Leases will be prorated at Closing. Seller will receive all rents (including all accrued tax and operating expense pass-throughs), charges and other revenue of any kind receivable from the Leases up to, but not including, the Closing Date. No proration will be made with respect to any delinquent rents of any kind receivable from the Leases for any period before Closing. All amounts collected by Buyer subsequent to Closing relating to delinquent rents for any period prior to Closing will be promptly remitted to Seller; provided, however, all rents received by Buyer after Closing will be applied first to the rental period in which the Closing occurred, second to any current rental period following the Closing and third to satisfy delinquent rental obligations for any period before Closing not prorated at Closing. Seller will retain all ownership rights relating to any such delinquent rents for any period prior to Closing; if Buyer has not collected the same within ninety (90) days from the Closing Date, then Seller may take such action as it deems necessary to collect such delinquent rents, including the commencement of an action against the tenants under the Leases or any other person liable for such delinquent rents, but not including any action for unlawful detainer or other action seeking to terminate such tenant's occupancy of its premises. Notwithstanding the foregoing, if any of such operating expenses and other charges and expenses are payable by tenants under the Leases (collectively, the "**Tenant Charges**") on an estimated basis, then the Tenant Charges shall be reconciled against actual charges and expenses as of and at the Closing, to the extent then possible, and Seller shall provide a proposed reconciliation for Buyer's approval (upon reasonable approval by Buyer, such reconciliation shall be deemed the "**Final Reconciliation**"). Seller shall have until the later of (i) first April 1 following the Close of Escrow, and (ii) ninety (90) days after the actual Closing Date, to provide Buyer with a proposed final reconciliation of Tenant Charges for Seller's period of ownership and the parties shall have thirty (30) days thereafter to reach agreement as to the Final Reconciliation. If the Final Reconciliation shows that Seller owes Buyer additional sums, Seller shall deliver such amount to Buyer, together with the delivery of the Final Reconciliation of the Tenant Charges, within ten (10) days after the agreement as to the Final Reconciliation (the "**Reconciliation Payment Deadline**"). If the Final Reconciliation shows that Buyer owes Seller additional sums, Buyer shall pay such amount to Seller by the Reconciliation Payment Deadline. If any payment described in the previous two sentences is not received by applicable party by the Reconciliation Payment Deadline, then, in addition to the amounts owed by the previous two sentences, on the day after the Reconciliation Payment Deadline and every thirty (30) days thereafter until any such party is paid in full, the party owing such amounts shall pay to the other party a monthly late charge equal to 1.5% of the amounts due. Other than as set forth above, there shall not be any further reconciliation of such Tenant Charges after the Final Reconciliation, the proration of such Tenant Charges pursuant to the Final Reconciliation being conclusively presumed to be accurate. After the Final Reconciliation of Tenant Charges is made by and between the parties, Buyer shall be solely liable and responsible to the tenants under the Leases for such reconciliation of Tenant Charges under the Leases. The foregoing covenants made by the parties with respect to the Final Reconciliation of the Tenant Charges shall survive the Closing.

8.3 Security Deposit. Buyer shall be credited and Seller shall be charged with the balance of the unapplied cash security deposits then held by Seller under the Leases. In the event that Seller holds any letters of credit as a tenant security deposit, then Seller shall (i) execute and deliver to Escrow Holder at Closing such assignment and/or transfer documents as may be called for under such letters of credit for the transfer of such letters of credit to Buyer, and (ii) at Buyer's option, either deliver into Escrow or deliver to Buyer, upon confirmation of the Closing, the originals of such letters of credit. Buyer shall be responsible for the payment of the amount of the transfer fee required under such letters of credit.

8.4 Operating Expenses. All utility service charges for electricity, heat and air conditioning service, other utilities, elevator maintenance, common area maintenance, taxes other than real estate taxes such as rental taxes, other expenses incurred in operating the Property that Seller customarily pays and that are not paid by tenants directly, and any other costs incurred in the ordinary course of business or the management and operation of the Property not so paid by tenants, shall be prorated on an accrual basis. Seller shall pay all such expenses that accrue prior to the Close of Escrow and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. Seller and Buyer shall obtain billings and meter readings as of the Close of Escrow to aid in such prorations.

8.5 Leasing Costs. If the Closing occurs, (a) Seller shall be responsible and shall pay for the costs of tenant improvement work or allowances, third-party leasing commissions and free/abated rent inducements (collectively, the "**Leasing Costs**") relating to the currently existing term of those Leases executed as of the Effective Date and relating to any option, expansion or extension term to the Leases to the extent such option, expansion or extension was exercised prior to the Effective Date, including those Leasing Costs set forth in Exhibit "K" hereto, and (b) except as set forth in clause (a) above, Buyer shall be responsible and shall pay for the Leasing Costs relating to or arising from (i) the exercise by any tenant, after the Effective Date, of a renewal, expansion or extension option contained in any of the Leases executed as of the Effective Date; and (ii) any New Leases, or modifications to Leases in effect as of the Effective Date, entered into after the Effective Date in accordance with the terms of Section 9.2 below. Any Leasing Costs which are the responsibility of Buyer which are paid by Seller prior to the Closing shall be reimbursed by Buyer to Seller at the Closing through the Escrow. If, on the Closing, there are any due and owing Leasing Costs which are the responsibility of Seller as set forth herein, then on the Closing Buyer shall be entitled to a credit toward the payment of the Purchase Price at Closing in the amount of such unpaid Leasing Costs, and following the Closing Buyer shall assume and be responsible for the payment of such Leasing Costs to the extent of such credit (or, if such Leasing Cost is free/abated rent, then Buyer shall take the Leases subject to such free/abated rent pertaining to the period from and after Closing), Seller shall assign to Buyer all construction contracts relating to such outstanding Leasing Costs, and Buyer shall indemnify and defend Seller for the failure to complete such work related to such outstanding Leasing Costs for which Buyer received a credit. Additionally, Buyer shall indemnify and defend Seller from any liability associated with any Leasing Costs which are Buyer's responsibility pursuant to this Section 8.5. This Section 8.5 shall survive the Closing.

8.6 Contracts. Amounts payable under the Approved Contracts shall be prorated on an accrual basis. Seller shall pay all amounts due thereunder which accrue prior to the Close of Escrow and Buyer shall pay all amounts accruing on the Close of Escrow and thereafter.

At least two (2) business days prior to the Close of Escrow, the parties shall agree upon all of the prorations to be made and submit a statement to Escrow Holder setting forth the same (the "**Closing Statement**"). In the event that any prorations, apportionments or computations made under this Section 8 shall require final adjustment, then the parties shall make the appropriate adjustments promptly when accurate information becomes available and either party hereto shall be entitled to an adjustment to correct the same, but in no event shall such final adjustment occur later than the later of (i) ninety (90) days following the Close of Escrow, and (ii) the first April 1 following the Close of Escrow, other than with respect to the Final Reconciliation, which shall be subject to the provisions of Section 8.2. Any corrected adjustment or proration shall be paid in cash to the party entitled thereto. The provisions of this Section 8 shall survive the Close of Escrow.

9. Covenants of Seller. Seller hereby covenants with Buyer, as follows:

9.1 Contracts. Between the Effective Date and the date which is two (2) business days prior to the Contingency Date, (i) Seller will keep Buyer informed of any new Contracts that are entered into by Seller or any amendments or modifications to the existing Contracts, which new Contracts or modifications will survive Closing or otherwise affect the use, operation or enjoyment of the Property after Closing (collectively, "**New Contracts**"), and (ii) Buyer shall have no right to object or consent to the terms or conditions of any such New Contracts or amendments or extensions thereto; provided, (a) pursuant to Section 4.1.2 above, Seller shall have at least ten (10) business days to approve of any New Contract, and (b) Seller shall not enter into any New Contract that cannot be terminated on the Closing Date without cost without the consent of Buyer, which consent may be withheld in Buyer's reasonable discretion. Without limiting the generality of the foregoing, Seller will provide Buyer with copies of all New Contracts within five (5) days of execution thereof. Subsequent to the date which is two (2) business days prior to the Contingency Date, and continuing until the Closing (provided the Agreement has not been terminated), Seller will not enter into any New Contracts without Buyer's prior written consent, which consent may be withheld in Buyer's reasonable discretion, and which consent will be deemed to have been given by Buyer if Buyer does not notify Seller in writing to the contrary within five (5) business days after Seller provides written notice to Buyer of such New Contract. Seller may cancel or terminate any Contract or commence an action against any Contract vendor without Buyer's consent. Buyer hereby agrees that it shall not be a default by Seller hereunder (nor shall Buyer be entitled to object or fail to close) if any Contract vendor is in default under its Contract as of the Closing Date.

9.2 Leases. From the Effective Date and continuing until the Closing (provided the Agreement has not been terminated), Seller will not enter into any new Leases that are proposed to be entered into by Seller or any amendments or any extensions of existing Leases for a period which will survive Closing or otherwise affect the use, operation or enjoyment of the Property after Closing (collectively, "**New Leases**") or any contracts Seller proposes to enter into for construction obligations of Seller relating to any Lease, in each case, without Buyer's prior written consent, which consent may be withheld in Buyer's reasonable discretion, and which consent will be deemed to have been given by Buyer if Buyer does not notify Seller in writing to the contrary within five (5) business days after Seller provides written notice to Buyer of such New Lease or contract; provided, however, that notwithstanding the foregoing, Buyer's consent shall not be required for (a) any modification or termination of any Lease for which Seller, in its reasonable judgment, is required to enter into such modification or termination as a result of the tenant's exercise of an option or other right under such Lease, or (b) Seller's consent or approval of any sublease, assignment or similar transfer of the tenant's interest in any Lease for which Seller, in its reasonable judgment, is required to provide such consent or approval under such Lease.

9.3 Operation in the Ordinary Course. Subject to Sections 9.1 and 9.2 above and Section 13 below, from the Effective Date until the Close of Escrow, Seller shall (i) operate and manage the Property in the ordinary course and consistent with Seller's past practices, (ii) maintain all present services and amenities, (iii) subject to Section 13 below, maintain the Property in good condition, repair and working order (but Seller shall not be required to make capital improvements other than tenant improvements required to be made by Seller in accordance with any Lease), (iv) keep on hand sufficient materials, supplies, equipment and other personal property for the efficient operation and management of the Property, (v) shall maintain insurance coverage with respect to the Property consistent with Seller's past practices, and (vi) perform when due, and otherwise comply with, all of Seller's obligations and duties under the Leases and Approved Contracts. None of the Personal Property shall be removed from the Real Property, unless replaced by unencumbered personal property of equal or greater utility and value.

10. AS-IS Sale and Purchase. Buyer acknowledges, by its initials as set forth below, that the provisions of this Section 10 have been required by Seller as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Buyer by Buyer's counsel and have been understood and agreed to by Buyer.

10.1 Buyer's Acknowledgment. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees that:

10.1.1 AS-IS. Except as otherwise expressly set forth in this Agreement, and subject to Seller's representations and warranties set forth in this Agreement, Buyer is purchasing the Property in its existing condition, "AS-IS, WHERE-IS, WITH ALL FAULTS," and upon the Closing Date has made or has waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

/s/ AW and /s/ RB

Buyer's Initials

10.1.2 No Representations. Other than the express representations and warranties of Seller contained in this Agreement, neither Seller, nor any person or entity acting by or on behalf of Seller, nor any direct or indirect member, manager, parent, partner, officer, director, shareholder or employee of Seller or any of the foregoing, nor any agent, affiliate, successor or assign of Seller or any of the foregoing (collectively, the "**Seller Group**") has made any representation, warranty, inducement, promise, agreement, assurance or statement, oral or written, of any kind to Buyer upon which Buyer is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including, without limitation, its use, condition, value, square footage, compliance with "Governmental Regulations," existence or absence of Hazardous Substances, the availability or existence of any utilities (including, without limitation, any water or any rights thereto), or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including, without limitation, its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used herein, the term "Governmental Regulations" means any laws (including Environmental Laws), ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, Hazardous Substances, occupational health and safety, handicapped access, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property. As used in this Agreement, the following definitions shall apply: "**Environmental Laws**" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, whether statutory or common law, as amended from time to time, and all federal and state court decisions, consent decrees and orders interpreting or enforcing any of the foregoing, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., and the Clean Water Act, 33 U.S.C. § 1251, et seq., and the relevant provisions of Washington's Health and Safety Code (or relevant equivalent), Washington's Water Code (or relevant equivalent) and all similar statutes and local ordinances, and all regulations promulgated thereunder. "**Hazardous Substances**" shall mean any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum-based products and petroleum additives and derived substances, lead-based paint, mold, fungi or bacterial matter, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity.

/s/ AW and /s/ RB

Buyer's Initials

10.1.3 No Implied Warranties. Excluding any representation or warranty set forth herein, Seller hereby specifically disclaims: (a) all warranties implied by law arising out of or with respect to the execution of this Agreement, any aspect or element of the Property, or the performance of Seller's obligations hereunder including, without limitation, all implied warranties of merchantability, habitability and/or fitness for a particular purpose; and (b) any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (i) the nature and condition of the Property or other items conveyed hereunder, including, without limitation, the water, soil, and geology, the suitability thereof and of the Property or other items conveyed hereunder for any and all activities and uses which Buyer may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos or other Hazardous Substances) or compliance with applicable Environmental Laws; (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise; and (iii) the compliance of the Property or other items conveyed hereunder or its operation with any Governmental Regulations.

/s/ AW and /s/ RB

Buyer's Initials

10.1.4 Information Supplied by Seller. Buyer specifically acknowledges and agrees that, except as expressly contained in this Agreement, the Seller has made no representation or warranty of any nature concerning the accuracy or completeness of any documents delivered or made available for inspection by Seller to Buyer, including, without limitation, the Due Diligence Items, and that Buyer has undertaken such inspections of the Property as Buyer deems necessary and appropriate and that Buyer is relying solely upon such investigations and not on any of the Due Diligence Items or any other information provided to Buyer by or on behalf of Seller. Buyer specifically acknowledges that some of the Due Diligence Items have been prepared by third parties with whom Buyer has no privity and Buyer acknowledges and agrees that no warranty or representation, express or implied, has been made, nor shall any be deemed to have been made, to Buyer with respect thereto, either by Seller or the Seller Group or by any third parties that prepared the same.

/s/ AW and /s/ RB

Buyer's Initials

10.1.5 Release. As of the Close of Escrow, Buyer hereby fully and irrevocably releases Seller and the Seller Group from any and all claims that the Buyer and/or any party claiming by, through or under Buyer (each, a "**Buyer Related Party**") may have or thereafter acquire against Seller and/or the Seller Group for any cost, loss, liability, damage, expense, demand, action or cause of action ("**Claims**") arising from or related to any matter of any nature relating to the Property including, without limitation, the physical condition of the Property, any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Substances and other environmental matters within, under or upon, or in the vicinity of the Real Property, including, without limitation, any Environmental Laws. The foregoing release by Buyer and the Buyer Related Parties shall include, without limitation, any Claims Buyer and/or the Buyer Related Parties may have pursuant to any statutory or common law right Buyer may have to receive disclosures from Seller, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the presence of Hazardous Substances on or beneath the Real Property, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes Claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist in its favor which, if known by Buyer, would materially affect Buyer's release of the Seller and/or the Seller Group. Notwithstanding anything to the contrary set forth in this Section 10.1.5, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of Seller's representations or warranties set forth in this Agreement (subject to all limitations on Seller's liability for such a breach as expressly set forth in the Agreement) or (ii) any other breach by Seller of an express obligation of Seller under this Agreement which by its terms survives the Close of Escrow.

BUYER HEREBY RELEASES AND WAIVES ANY AND ALL CLAIMS WHICH BUYER OR ANY AGENT OF BUYER HAS OR MAY HAVE AGAINST SELLER RELATED TO CONTRACTING COVID-19 AT THE PROPERTY AFTER THE EFFECTIVE DATE.

THE DISCLAIMERS, RELEASES AND LIMITATIONS OF LIABILITY SET FORTH IN THIS ARTICLE 10 AND ELSEWHERE IN THIS AGREEMENT FOR THE BENEFIT OF SELLER ARE INTENDED TO APPLY TO AND BE BINDING ON BUYER AND ALL PARTIES CLAIMING BY OR THROUGH BUYER, DIRECTLY OR INDIRECTLY, AND INCLUDING ANY ASSIGNEE OR SUCCESSOR OF BUYER'S RIGHTS, CLAIMS OR CAUSES OF ACTION UNDER THIS AGREEMENT. FOR PURPOSES OF CLARITY, IN THE EVENT BUYER OR ANY SUCCESSOR OF BUYER ELECTS TO CONVERT THE PROPERTY INTO A CONDOMINIUM, ANY CLAIMS BY A CONDOMINIUM UNIT OWNER OR HOMEOWNERS ASSOCIATION BY OR THROUGH BUYER OR AS AN ASSIGNEE OF BUYER AGAINST SELLER SHALL BE SUBJECT TO SUCH DISCLAIMERS, RELEASES AND LIMITATIONS, AND BUYER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SELLER, ITS DIRECT AND INDIRECT CONSTITUENT OWNERS AND AFFILIATES, AND THE EMPLOYEES, AGENTS, OFFICERS, DIRECTORS AND/OR REPRESENTATIVES OF SUCH PERSONS FROM AND AGAINST ANY AND ALL LOSSES, LIABILITIES, DAMAGES, CLAIMS, ACTIONS, CAUSES OF ACTION, JUDGMENTS AND/OR COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES) INCURRED OR SUFFERED BY SUCH PERSONS ARISING OUT OF OR RELATED TO SUCH CLAIMS.

10.1.6 Waiver of Right to Receive Seller Disclosure Statement and Waiver of Right to Rescind. **PURSUANT TO RCW CH. 64.06, BUYER HEREBY WAIVES ITS RIGHT TO RECEIVE THE SELLER DISCLOSURE STATEMENT REFERRED TO THEREIN. THIS WAIVER DOES NOT EXTEND TO THE SECTION OF THE DISCLOSURE STATEMENT ENTITLED "ENVIRONMENTAL". Seller shall provide to Buyer the "Environmental" section of the Seller Disclosure Statement during the Property Approval Period, and by executing this Agreement, Buyer waives its right to receive the balance of the completed Seller Disclosure Statement. Buyer further agrees that any information discovered by Buyer concerning the Property shall not obligate Seller to prepare and deliver to Buyer a revised or updated Seller Disclosure Statement. Buyer hereby waives any right to receive an updated or revised Seller Disclosure Statement, regardless of the source of any new information. Buyer further warrants that it is a sophisticated buyer who is familiar with the ownership and development of real estate projects similar to the Property and Buyer has or will have adequate opportunity to complete such independent inspections of the Property it deems necessary, and will acquire the Property solely on the basis of and in reliance upon such examinations and not on any information provided in any**

Seller Disclosure Statement or, except as set forth in this Agreement or the Closing Documents, any information otherwise provided or to be provided by Seller or by anyone acting or claiming to act by, though or under or on Seller's behalf.

BUYER HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, THE RIGHT TO RESCIND THIS AGREEMENT PURSUANT TO ANY PROVISION OF RCW 64.06. IT IS THE INTENT OF BUYER THAT ANY SELLER DISCLOSURE STATEMENT PROVIDED BY SELLER WILL NOT BE RELIED UPON BY BUYER, AND SHALL GIVE BUYER NO RIGHTS WITH RESPECT TO SELLER OR UNDER THIS AGREEMENT. THIS WAIVER OF THE RIGHT TO RESCIND APPLIES TO THE SELLER DISCLOSURE STATEMENT PROVIDED TO BUYER DURING THE PROPERTY APPROVAL PERIOD AND APPLIES PROSPECTIVELY TO ANY UPDATED OR REVISED SELLER DISCLOSURE STATEMENTS THAT MAY BE PROVIDED BY SELLER TO BUYER. THE PROVISIONS OF THIS SECTION 10.1.6 SHALL SURVIVE THE CLOSING.

/s/ AW and /s/ RB

Buyer's Initials

11. Seller's Representations and Warranties. Seller represents and warrants to Buyer as of the Effective Date and as of the Closing Date as follows:

11.1 Formation; Authority. Seller is duly formed, validly existing, and in good standing under laws of the state of its formation. Seller has full power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents and approvals have been duly obtained. All requisite action has been taken by Seller in connection with the entering into of this Agreement and the instruments referenced herein and the consummation of the transactions contemplated hereby. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

11.2 No Conflicts. Neither the execution and delivery of this Agreement or the Other Documents by Seller, nor the performance of the obligations of Seller hereunder or thereunder will result in the violation of any law or any provision of the organizational documents of Seller or will conflict with any order or decree of any court or governmental authority of any nature by which Seller is bound.

11.3 Leases. Other than the Leases listed on Exhibit "I" hereto and any New Leases executed in accordance with Section 9.2 above, Seller is not a party to any other leases, licenses or other similar occupancy agreements with respect to the leasing or occupancy of the Property, and as of the Effective Date only, Seller has neither delivered nor received any written notice of default under any Lease, which default remains uncured. Other than contracts disclosed in the Due Diligence Items, as of the Effective Date only, Seller is not party to any construction contract for the construction of tenant improvements.

11.4 Contracts. Other than the Contracts listed on Exhibit "J" hereto and any Approved Contracts executed in accordance with Section 9.1 above (other than any Excluded Contracts), Seller is not a party to any other service contracts or service agreements relating to the operation and maintenance of the Property to which Seller is a party, and as of the Effective Date only, Seller has neither delivered nor received any written notice of default under Contract, which default remains uncured.

11.5 Code Compliance. Except as otherwise disclosed in the Due Diligence Items or any other written information made available to Buyer prior to the Contingency Date, as of the Effective Date only, Seller has not received any written notice from any governmental agency that the Property or any condition existing thereon or any present use thereof currently violates any law or regulations applicable to the Property, which violation remains uncured.

11.6 Litigation. To Seller's knowledge, and except for (a) slip and fall and similar claims or matters covered by Seller's commercial liability insurance policy, and (b) matters disclosed in the Due Diligence Items or any other written information delivered to Buyer prior to the Contingency Date, as of the Effective Date only, there is no litigation, arbitration or other legal or administrative suit, action, proceeding or investigation of any kind pending or threatened in writing (which writing has been received by Seller) against or involving Seller relating to the Property or any part thereof, including, but not limited to, any condemnation action relating to the Property or any part thereof.

11.7 Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

11.8 Employees. Seller has no employees.

11.9 Subsequent Changes. If prior to Closing Buyer becomes aware, by any means, of any fact or circumstance which evidences a material breach by Seller of its representations or warranties contained herein or would otherwise constitute a material breach thereof by Seller, which material breach will not be cured by the Closing Date, then Buyer, as its sole remedy, shall have the option of (i) waiving the breach and proceeding with the Close of Escrow, or (ii) terminating this Agreement, in which event the Deposit and any other funds deposited by Buyer into the Escrow shall be returned to Buyer, and Buyer shall be responsible to pay for certain costs in accordance with the terms of Section 4.4 of this Agreement. Any such election shall be made by Buyer not later than five (5) business days from Buyer becoming aware of such fact; provided, however, that if Buyer does not provide written notice of such election to Seller within such five (5) business day period, Buyer shall irrevocably be deemed to have elected to proceed under clause (i) above. Notwithstanding the foregoing, if Buyer elects to proceed under clause (ii) above, Seller shall have the right, in its sole discretion, within three (3) business days following receipt of such election from Buyer, to elect by written notice to Buyer to cure such matter prior to Closing (and Seller shall have the right to delay the Closing for up to thirty (30) days to effectuate such cure) and if such notice is provided within three (3) business days prior to the Closing Date, the Closing Date shall automatically be extended for three (3) business days in order to allow Seller to make such election. If Seller makes such foregoing election and cures such matter, then Buyer's original notice under clause (ii) above shall be deemed Buyer's election to not terminate this Agreement and proceed pursuant to clause (i) above. If Buyer does not (or is deemed to not) so elect to terminate this Agreement pursuant to this Section 11.9, then Buyer shall be deemed to have elected to waive its rights to terminate this Agreement pursuant to this Section 11.9, elected to acquire the Property on the terms set forth in this Agreement, and waived all remedies at law or in equity with respect to any representations or warranties. If the changed fact or circumstance does not materially and adversely change any of the representations or warranties contained herein when made, Seller shall deliver to Buyer updated schedules, as applicable, prior to Closing and the parties shall proceed to the Closing in accordance with the terms hereof. Buyer shall be deemed to be aware of all matters contained in the Due Diligence Materials made available to Buyer, as of the date such Due Diligence Materials are made available to Buyer.

11.10 Seller's Knowledge. Whenever phrases such as "**to Seller's knowledge**" or "**Seller has no knowledge**" or similar phrases are used in the foregoing representations and warranties, they will be deemed to refer exclusively to matters within the current actual conscious (as opposed to constructive or imputed) knowledge of the Seller's Representative. No duty of inquiry or investigation on the part of Seller or Seller's Representative will be required or implied by the making of any representation or warranty which is so limited to matters within Seller's actual knowledge, and in no event shall Seller's Representative have any personal liability therefor.

11.11 Survival. All of the foregoing representations and warranties of Seller will survive Closing for a period of six (6) months after the Closing Date. No claim for a breach of any representation or warranty of Seller will be actionable or payable if (i) Buyer does not notify Seller in writing of such breach and commence a "legal action" thereon within said six (6) months, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Buyer prior to Closing.

12. Buyer's Representations and Warranties. In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer:

12.1 Formation; Authority. Buyer is duly formed, validly existing and in good standing under the laws of the state of its formation. Buyer has full power and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby. All requisite action has been taken by Buyer in connection with the entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

12.2 Anti-Terrorism Laws.

12.2.1 Neither Buyer nor, to Buyer's knowledge, its affiliates, officers, directors, partners or members, is in violation of, has been charged with or is under indictment for the violation of, or has pled guilty to or been found guilty of the violation of, any laws relating to anti-corruption, anti-bribery, terrorism, money laundering, drug-trafficking or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Action of 2001, Public Law 107-56, as amended, and Executive Order No. 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) (the "**Executive Order**") (collectively, the "**Anti-Bribery, Anti-Money Laundering and Anti-Terrorism Laws**").

12.2.2 None of Buyer or, to Buyer's knowledge, its affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time.

12.2.3 Neither Buyer, nor any person controlling or controlled by Buyer, is a country, territory, individual or entity named on a Government List, and the monies used in connection with this Agreement and amounts committed with respect thereto, were not and are not derived from any activities that contravene any of the Anti-Bribery, Anti-Money Laundering and Anti-Terrorism Laws or any other applicable anti-money laundering or anti-bribery Laws and regulations (including funds being derived from any person, entity, country or territory on a Government List or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)). "**Government List**" shall mean any of (i) the two lists maintained by the United States Department of Commerce (Denied Persons and

Entities), (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons), and (iii) the two lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties).

12.2.4 Buyer is not engaging in the transactions contemplated hereunder, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering or drug trafficking. None of the funds of Buyer have been or will be derived from any unlawful activity with the result that the investment of direct or indirect equity owners in Buyer is prohibited by laws or that the transactions contemplated hereunder or this Agreement is or will be in violation of laws.

12.3 Litigation. No pending or, to the knowledge of Buyer, threatened litigation exists which if determined adversely would restrain the consummation of the transactions contemplated by this Agreement or would declare illegal, invalid or non-binding any of Buyer's obligations or covenants to Seller.

13. Casualty and Condemnation.

13.1 Material Casualty. In the event that prior to the Close of Escrow a material portion of the Real Property is destroyed or materially damaged, Buyer shall have the right, exercisable by giving written notice to Seller within ten (10) days after receipt of written notice of such damage or destruction, either (i) to terminate this Agreement in which event the Deposit shall be immediately returned to Buyer, any other money or documents in Escrow shall be returned to the party depositing the same, and the fee payment provisions of Section 4.4 shall apply, or (ii) to accept the Real Property in its then condition and to proceed with the consummation of the transaction contemplated by this Agreement, with an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and to receive an assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction, other than business interruption, rental abatement/rent loss insurance attributable to the period of time prior to the Closing which shall be retained by or paid to Seller. If Buyer elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent.

13.2 Non-Material Casualty. In the event that prior to the Close of Escrow a non-material portion of the Real Property is damaged or destroyed, Seller may, subject to the following sentence, repair or replace such damage prior to the Close of Escrow. Notwithstanding the preceding sentence, in the event Seller elects not to or is unable to repair or replace such damage, Seller shall notify Buyer in writing of such fact and Buyer shall thereafter accept the Real Property in its then condition, and proceed with the transaction contemplated by this Agreement and Buyer shall receive an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and Buyer shall be entitled to an assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction, other than rental abatement/rent loss insurance attributable to the period of time prior to the Closing which shall be retained by or paid to Seller. In the event Seller does not repair or replace such damages, Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent.

13.3 Material Condemnation. In the event that prior to the Close of Escrow, all or any material portion of the Real Property is subject to a taking by a public or governmental authority, Buyer shall have the right, exercisable by giving written notice to Seller within ten (10) days after receiving written notice of such taking, either (i) to terminate this Agreement, in which event the Deposit shall be returned to Buyer, any other money or documents in Escrow shall be returned to the party depositing the same, and the fee payment provisions of Section 4.4 shall apply, or (ii) to accept the Real Property in its then condition, without a reduction in the Purchase Price, and to receive an assignment of all of Seller's rights to any condemnation award or proceeds payable by reason of such taking. If Buyer elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.4 Non-Material Condemnation. In the event that prior to the Close of Escrow, any non-material portion of the Real Property is subject to a taking by any public or governmental authority, Buyer shall accept the Real Property in its then condition and proceed with the consummation of the transaction contemplated by this Agreement, in which event Buyer shall be entitled to an assignment of all of Seller's rights to any award or proceeds payable in connection with such taking. In the event of any such non-material taking, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.5 Materiality Standard. For purposes of this Section 13, damage to the Real Property or a taking of a portion thereof shall be deemed to involve a material portion thereof if (a) the estimated cost of restoration or repair, as estimated by Buyer and Seller in their reasonable discretion, of such damage or the amount of the condemnation award with respect to such taking shall exceed five percent (5%) of the Purchase Price, (b) such damage or taking results in access to the Property being materially impaired, or (c) such damage or termination results in more than ten percent (10%) of the parking spaces being taken or being no longer usable.

13.6 Notice of Casualty and Condemnation. Seller agrees to give Buyer prompt written notice of any taking of, proposed taking of, damage to or destruction of the Real Property.

14. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be either (i) personally delivered (including by means of professional messenger service or reputable air express service utilizing receipts), and shall be deemed received upon the date of receipt thereof if received prior to 5:00 p.m. of the recipient's business day, and if not so received, shall be deemed received upon the following business day, or (ii) sent by PDF via electronic mail (e-mail), and shall be deemed received upon entry of such message into the recipient's e-mail server. Notices shall be delivered to the following addresses:

To Seller: 151 S. El Camino Drive
Beverly Hills, CA 90212
Attention: Alexis Olivier
Email: aolivier@kennedywilson.com

With copies to: 151 S. El Camino Drive
Beverly Hills, CA 90212
Attention: Kent Y. Mouton, Esq.
Email: kmouton@kennedywilson.com

And Allen Matkins Leck Gamble Mallory & Natsis LLP
865 S. Figueroa Street, 28th Floor
Los Angeles, California 90017
Attn: Stephen N. Etheredge, Esq.
Email: setheredge@allenmatkins.com

To Buyer: At Buyer's Notice Address set forth in the Summary of Business Terms.

With copies to: 12670 High Bluff Drive
San Diego, CA 92130
Attention: James Mann, Esq.
Email: james.mann@lw.com

To Escrow Holder: At Escrow Holder's Address set forth in the Summary of Business Terms.

Notice of change of address shall be given by written notice in the manner detailed in this Section 14.

15. Broker Commissions. Upon the Close of Escrow, Seller shall pay a real estate brokerage commission to Seller's Broker with respect to this Agreement in accordance with Seller's separate agreement with Seller's Broker, and Seller hereby agrees to indemnify, defend and hold Buyer free and harmless from and against any and all commissions or other claims Seller's Broker may assert in connection with the transactions contemplated by this Agreement. Seller represents and warrants to Buyer that no other broker or finder has been engaged by it in connection with the transaction contemplated by this Agreement. Buyer represents and warrants to Seller that no broker or finder has been engaged by it in connection with the transaction contemplated by this Agreement. In the event of any additional claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then as a covenant which shall survive the termination of this Agreement or the Close of Escrow, Buyer shall indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any statement or representation or agreement by Buyer, and Seller shall indemnify, save harmless and defend Buyer if such claims shall be based upon any statement, representation or agreement made by Seller.

16. Default.

16.1 Default by Seller. In the event that Seller fails to perform any of the material covenants or agreements contained herein which are to be performed by Seller, Buyer may, at its option and as its exclusive remedy, either (i) terminate this Agreement by giving written notice of termination to Seller whereupon Escrow Holder will return to Buyer the Deposit, Seller shall reimburse Buyer for its reasonable third-party out-of-pocket costs and expenses (including attorneys' fees) in an amount not to exceed $50,000 (which obligation shall survive termination of this Agreement) and both Buyer and Seller will be relieved of any further obligations or liabilities hereunder, except for those obligations which expressly survive any termination hereof, or (ii) seek specific performance of this Agreement. **SELLER AND BUYER AGREE THAT THIS SECTION 16.1 IS INTENDED TO AND DOES LIMIT THE AMOUNT OF DAMAGES DUE BUYER AND THE REMEDIES AVAILABLE TO BUYER, AND SHALL BE BUYER'S EXCLUSIVE REMEDY AGAINST SELLER, BOTH AT LAW AND IN EQUITY ARISING FROM OR RELATED TO A BREACH BY SELLER OF ITS REPRESENTATIONS, WARRANTIES, OR COVENANTS OR ITS OBLIGATION TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. UNDER NO CIRCUMSTANCES MAY BUYER SEEK OR BE ENTITLED TO RECOVER ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR INDIRECT DAMAGES, ALL OF WHICH BUYER SPECIFICALLY WAIVES, FROM SELLER FOR ANY BREACH BY SELLER, OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS OR ITS OBLIGATIONS UNDER THIS AGREEMENT. BUYER SPECIFICALLY WAIVES THE RIGHT**

TO FILE ANY LIS PENDENS OR ANY LIEN AGAINST THE PROPERTY UNLESS AND UNTIL BUYER HAS IRREVOCABLY ELECTED TO SEEK SPECIFIC PERFORMANCE OF THIS AGREEMENT AND HAS FILED AN ACTION SEEKING SUCH REMEDY. If Buyer elects the remedy in subsection (ii) above, Buyer must commence and file such specific performance action in the appropriate court not later than thirty (30) days following the Closing Date.

16.2 Default by Buyer. **IN THE EVENT THE CLOSE OF ESCROW DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF BUYER AND PROVIDED SELLER IS NOT OTHERWISE IN DEFAULT, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE BUYER AND SELLER DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT BUYER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IS AND SHALL BE AN AMOUNT EQUAL TO THE DEPOSIT; AND, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY), SAID AMOUNT SHALL BE DISBURSED TO SELLER AS THE FULL, AGREED AND LIQUIDATED DAMAGES FOR A BREACH OF THIS AGREEMENT BY BUYER WHICH RESULTS IN THE CLOSE OF ESCROW NOT OCCURRING, ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES IN RESPECT OF BUYER'S BREACH OF THIS AGREEMENT BEING HEREIN EXPRESSLY WAIVED BY SELLER. SUCH PAYMENT OF THE DEPOSIT IS NOT INTENDED AS A PENALTY, BUT AS FULL LIQUIDATED DAMAGES. NOTHING CONTAINED IN THIS SECTION SHALL LIMIT SELLER'S RIGHT TO RECEIVE REIMBURSEMENT FOR COSTS AND EXPENSES PURSUANT TO SECTION 18.5 BELOW, NOR WAIVE OR AFFECT BUYER'S INDEMNITY AND CONFIDENTIALITY OBLIGATIONS.**

/s/ KM	/s/ AW and /s/ RB
Seller's Initials	Buyer's Initials

16.3 Indemnities; Breaches after Closing or Termination. The limitations on the parties' remedies set forth in Sections 16.1 and 16.2 will not be deemed to prohibit either party from (i) specifically seeking indemnification from the other for any matter with respect to which such other party has agreed hereunder to provide indemnification or from seeking damages from such other party in the event it fails or refuses to provide such indemnification; (ii) subject to the terms, conditions and limitations of this Agreement, including, without limitation, Section 16.4 below, seeking damages incurred during the period of time after Closing that a representation or warranty given as of the Closing Date by the other party hereunder survives Closing, for the other party's breach of such representation or warranty first discovered after such Closing; or (iii) subject to the terms, conditions and limitations of this Agreement seeking damages or such equitable relief as may be available for the other party's failure to perform after any termination of this Agreement any obligation hereunder which expressly survives such termination; provided, however, that in no event whatsoever will either party be entitled to recover from the other any punitive, consequential or speculative damages.

/s/ KM	/s/ AW and /s/ RB
Seller's Initials	Buyer's Initials

16.4 Limited Liability. Notwithstanding anything to the contrary herein, Buyer on its own behalf and on behalf of its agents, members, partners, employees, representatives, officers, directors, related and affiliated entities, successors and assigns (collectively, the "**Buyer Parties**") covenants not to sue and hereby agrees that in no event or circumstance shall any of the Seller Group (specifically excluding Seller), Seller's property management company or affiliated or related entities of Seller have any personal liability under this Agreement. Notwithstanding anything to the contrary contained herein: (a) the maximum aggregate liability of Seller, and the maximum aggregate amount which may be awarded to and collected by Buyer (including, without limitation, for any breach of any representation, warranty and/or covenant of Seller) under this Agreement or any documents executed pursuant hereto or in connection herewith, including, without limitation, the Exhibits attached hereto (collectively, the "**Other Documents**"), other than amounts owed under Sections 4.3.2, 8 or 15, shall, under no circumstances whatsoever, exceed 1.5% of the Purchase Price (the "**CAP Amount**"); and (b) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or any of the Other Documents may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant, is for an aggregate amount in excess of $25,000.00 (the "**Floor Amount**"), in which event Seller's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the CAP Amount set forth in clause (a) above; provided, however, that if any such final judgment, together with all other final judgments, is for an amount that is less than or equal to the Floor Amount, then Seller shall have no liability with respect thereto. Notwithstanding anything to the contrary in this Agreement, Seller shall have no liability, and Buyer shall make no claim against Seller, for (and Buyer shall be deemed to have waived any failure of a condition hereunder by reason of) a failure of any condition or a breach of any representation or warranty, covenant or other obligation of Seller under this Agreement, or any Other Documents executed by Seller (including for this purpose any matter that would have constituted a breach of Seller's representations and warranties had they been made on the Closing Date) if (a) the failure or breach in question constitutes or results from a condition, state of facts or other matter that Buyer was aware of prior to the expiration of the Property Approval Period or (b) the failure or breach in question constitutes or results from a condition, state of facts or other matter that Buyer was aware of prior to Closing and Buyer proceeds with the Closing. In connection with any action alleging a breach of any warranty of title in the Deed, Buyer agrees that it shall in good faith pursue the Title Company under Buyer's title policy(ies) with respect to any claim relating to the warranty of title under the Deed prior to bringing an action against Seller.

17. Assignment. Buyer may not assign, transfer or convey its rights and obligations under this Agreement or in the Property without the prior written consent of Seller, and no such assignment so consented to by Seller shall relieve Buyer from its liability under this Agreement. Seller agrees to consent to an assignment by Buyer to any entity controlling, controlled by, or under common control with Buyer. Any assignment must be made pursuant to a written assignment and assumption agreement, executed by both the assignor and assignee, which assignment and assumption agreement must (a) have the assignee assume all of Buyer's obligations hereunder and succeed to all of Buyer's rights and remedies hereunder (b) be in a form reasonably approved by Seller, (c) be delivered to Seller at least five (5) business days prior to the Closing Date, and (d) must include the assignee remaking all of Buyer's representations and warranties set forth in this Agreement.

18. Miscellaneous.

18.1 Governing Law. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of Washington.

18.2 Partial Invalidity. If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18.3 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

18.4 Successors and Assigns. Subject to the provisions of Section 17, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

18.5 Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit and any appeals therefrom, and enforcement of any judgment in connection therewith, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom.

18.6 Entire Agreement. This Agreement (including all Exhibits attached hereto) is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute a single instrument. Each of the parties to this Agreement (a) has agreed to permit the use from time to time, where appropriate, of telecopy, .PDF or other electronic signatures in order to expedite the transaction contemplated by this Agreement, (b) intends to be bound by its respective telecopy or other electronic signature, (c) is aware that the other will rely on the telecopied or other electronically transmitted signature, and (d) acknowledges such reliance and waives any defenses to the enforcement of this Agreement and the documents affecting the transaction contemplated by this Agreement based on the fact that a signature was sent by telecopy or electronic transmission only. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

18.7 Time of Essence/Business Days. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not Saturday, Sunday or a legal holiday under the laws of the State of Washington. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or a legal holiday under the laws of the State of Washington, the termination of such period shall be on the next succeeding business day.

18.8 Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. In the event the date on which Buyer or Seller is required to take any action under the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day.

18.9 Submission to Jurisdiction. To the fullest extent permissible by applicable laws, Buyer and Seller each irrevocably submits to the jurisdiction of (a) the State Court of King County, Washington and (b) the United States District Court with jurisdiction in King County (Washington) or the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Buyer and Seller each further agree that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in the State of Washington with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Buyer and Seller each irrevocably and unconditionally waive, to the fullest extent permissible by applicable laws, any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (x) the State Court of Washington with jurisdiction in King County, Washington, and (y) the United States District Court with jurisdiction in King County (Washington), and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

18.10 WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

19. Exchange. Upon the request of a party hereto (the "**Requesting Party**"), the other party (the "**Cooperating Party**") shall cooperate with the Requesting Party in Closing the sale of the Property in accordance with this Agreement so as to qualify such transaction as an exchange of like-kind property; provided, however, the Cooperating Party shall not be required to take title to any exchange property and the Cooperating Party will not be required to agree to or assume any covenant, obligation or liability in connection therewith, the Closing hereunder shall not be delayed as a result of, or conditioned upon, such exchange, the Requesting Party shall pay all costs associated with such exchange, and the Requesting Party shall remain primarily liable under this Agreement and indemnify the Cooperating Party from any liability in connection with such exchange.

20. Confidentiality. Buyer agrees that, (a) except as otherwise provided or required by valid law, (b) except to the extent Buyer considers such documents or information reasonably necessary to prosecute and/or defend any claim made with respect to the Property or this Agreement, (c) except to the extent reasonably necessary to deliver such documents or information to Buyer's employees, paralegals, attorneys and/or consultants in connection with Buyer's evaluation of this transaction, and (d) except the

disclosure and filing of the purchase agreement and the disclosure of the Closing, in each case pursuant to public filings, as required by governmental regulations applicable to Buyer's direct and indirect parent entities, (i) Buyer, the Buyer Parties, potential lenders and Buyer's agents and consultants (collectively, "**Buyer's Representatives**"), shall keep the contents of any materials, reports, documents, data, test results, and other information related to the transaction contemplated hereby, including, without limitation, the Due Diligence Items and all information regarding Buyer's acquisition or ownership of the Property strictly confidential, (ii) Buyer and Buyer's Representatives shall keep and maintain the contents of this Agreement, including, without limitation, the amount of consideration being paid by Buyer for the Property strictly confidential, and (iii) Buyer and Buyer's Representatives shall refrain from generating or participating in any publicity or press release regarding this transaction without the prior written consent of Seller. Buyer acknowledges that significant portions of the Due Diligence Items are proprietary in nature and that Seller would suffer significant and irreparable harm in the event of the misuse or disclosure of the Due Diligence Items. Without affecting any other rights or remedies that either party may have, Buyer acknowledges and agrees that Seller shall be entitled to seek the remedies of injunction, specific performance and other equitable relief for any breach, threatened breach or anticipatory breach of the provisions of this Section 20 by Buyer or any of Buyer's Representatives. The provisions of this Section 20 shall survive any termination of this Agreement but shall not survive the Closing except for Buyer's covenants in clauses (ii) and (iii) hereof which covenants shall survive the Closing.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year hereinabove written.

"SELLER" KW FUND V – EASTGATE, LLC,
a Delaware limited liability company

By: /s/ Kent Mouton
Name: Kent Mouton
Title: President

"BUYER" AAT EASTGATE, LLC,
a Delaware limited liability company

By: /s/ Robert F. Barton
Name: Robert F. Barton
Title: Executive Vice President and Chief Financial Officer

By: /s/ Adam Wyll
Name: Adam Wyll
Title: Executive Vice President and Chief Operating Officer

JOINDER BY ESCROW HOLDER

Escrow Holder (as defined in Section 7 of Article I above) hereby acknowledges that it has received this Agreement executed by the Seller and Buyer and accepts the obligations of and instructions for the Escrow Holder set forth herein. Escrow Holder agrees to disburse and/or handle the Deposit, the Purchase Price and all closing documents in accordance with this Agreement.

Dated: May 24, 2021 FIRST AMERICAN TITLE INSURANCE COMPANY

By: /s/Maurice Neri
Name: Maurice Neri
Title: AVP

<u>EXHIBIT "A"</u>

LEGAL DESCRIPTION

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "B"</u>

SPECIAL WARRANTY DEED

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "C"

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "D"

ASSIGNMENT OF LEASES

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "E-1"

TENANT'S ESTOPPEL CERTIFICATE

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "E-2"</u>

SELLER'S ESTOPPEL CERTIFICATE

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "F"</u>

ASSIGNMENT OF CONTRACTS AND ASSUMPTION AGREEMENT

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "G"</u>

BILL OF SALE

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "H"</u>

GENERAL ASSIGNMENT

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "I"

LIST OF LICENSE AGREEMENTS

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "J"

LIST OF SERVICE CONTRACTS

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

EXHIBIT "K"

OUTSTANDING LEASING COSTS AS OF EFFECTIVE DATE

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>EXHIBIT "L"</u>

FORM OF TITLE AFFIDAVIT

Contents have been omitted pursuant to Item 601(a)(5) of Regulation S-K. See exhibit title for identification of the contents of this exhibit that have been omitted.

<u>**FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS**</u>

This FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS (this "<u>**First Amendment**</u>") is entered into as of June 28, 2021, by and between AAT EASTGATE, LLC, a Delaware limited liability company ("<u>**Buyer**</u>"), and KW FUND V – EASTGATE, LLC, a Delaware limited liability company ("<u>**Seller**</u>").

R E C I T A L S:

A. Seller and Buyer entered into that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of May 24, 2021 (the "<u>**Purchase Agreement**</u>"), relating to the purchase and sale of that certain property located at 15325, 15355, 15375 and 15395 SE 30th Place, Bellevue, Washington, as more fully described in the Purchase Agreement.

B. Seller and Buyer hereby desire to amend the Purchase Agreement in certain respects as set forth herein.

C. All capitalized terms not otherwise specifically defined in this First Amendment shall have the meanings ascribed to such terms in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. <u>Closing Date</u>. The Closing Date is hereby revised to be the fixed date of July 7, 2021.

2. <u>Counterparts</u>. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

3. <u>Ratification</u>. Buyer and Seller hereby ratify and confirm all of their obligations under the Purchase Agreement. Except as set forth in this First Amendment, all of the terms and provisions of the Purchase Agreement shall remain unmodified and in full force and effect. In the event of conflict between the terms of this First Amendment and the Purchase Agreement, this First Amendment shall control.

4. <u>Electronic Signatures</u>. Buyer and Seller each (i) have agreed to permit the use of telecopy or other electronic signatures in order to expedite the execution of this First Amendment, (ii) intends to be bound by its respective telecopy or other electronic signature, (iii) is aware that the other will rely on such telecopied or other electronically transmitted signature, and (iv) acknowledges such reliance and waives any defenses to the enforcement of this First Amendment based on the fact that a signature was sent by telecopy or electronic transmission only.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first written above.

BUYER: AAT EASTGATE, LLC,
a Delaware limited liability company

By: /s/ Ernest Rady
Name: Ernest Rady
Title: President

By: /s/ Adam Wyll
Name: Adam Wyll
Title: Executive Vice President and Chief Operating Officer

SELLER: KW FUND V – EASTGATE, LLC,
a Delaware limited liability company

By: /s/ Kent Mouton
Name: Kent Mouton
Title: President

Exhibit 31.1

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ernest Rady, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Assets Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2021

/s/ ERNEST RADY
Ernest Rady
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ernest Rady, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Assets Trust, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 30, 2021	/s/ ERNEST RADY
		Ernest Rady
		Chairman and Chief Executive Officer

Exhibit 31.3

**CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert F. Barton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Assets Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 30, 2021	/s/ ROBERT F. BARTON
		Robert F. Barton
		EVP and Chief Financial Officer

Exhibit 31.4

**CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert F. Barton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Assets Trust, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 30, 2021	/s/ ROBERT F. BARTON
		Robert F. Barton
		EVP and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

The undersigned, Ernest Rady and Robert F. Barton, the Chief Executive Officer and Chief Financial Officer, respectively, of American Assets Trust, Inc. (the “Company”), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each hereby certifies that, to the best of his knowledge:

(i) the Quarterly Report for the period ended June 30, 2021 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ERNEST RADY
Ernest Rady
Chairman and Chief Executive Officer

/s/ ROBERT F. BARTON
Robert F. Barton
EVP and Chief Financial Officer

Date: July 30, 2021

Exhibit 32.2

CERTIFICATION

The undersigned, Ernest Rady and Robert F. Barton, the Chief Executive Officer and Chief Financial Officer, respectively, of American Assets Trust, L.P. (the “Operating Partnership”), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each hereby certifies that, to the best of his knowledge:

(i) the Quarterly Report for the period ended June 30, 2021 of the Operating Partnership (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ ERNEST RADY

Ernest Rady
Chairman and Chief Executive Officer

/s/ ROBERT F. BARTON

Robert F. Barton
EVP and Chief Financial Officer

Date: July 30, 2021