

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, 2022

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.)  
Maryland (American Assets Trust, L.P.)  
(State or other jurisdiction of incorporation or organization)

27-3338708 (American Assets Trust, Inc.)  
27-3338894 (American Assets Trust, L.P.)  
(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:

<u>Name of Registrant</u>	<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
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 60,528,115 shares of common stock, par value \$0.01 per share, outstanding as of July 29, 2022.

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## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2022 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, 2022, 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.

American Assets Trust, Inc. 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.

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

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 American Assets Trust, Inc., directly or indirectly holds the ownership interests in American Assets Trust, Inc.’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 American Assets Trust, Inc.’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 American Assets Trust, Inc. 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.

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

QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED JUNE 30, 2022

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## PART 1 - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
Real estate, at cost		
Operating real estate	\$ 3,454,499	\$ 3,389,726
Construction in progress	176,582	139,098
Held for development	547	547
	3,631,628	3,529,371
Accumulated depreciation	(894,202)	(847,390)
Real estate, net	2,737,426	2,681,981
Cash and cash equivalents	60,750	139,524
Accounts receivable, net	7,218	7,445
Deferred rent receivables, net	87,579	82,724
Other assets, net	114,217	106,253
<b>TOTAL ASSETS</b>	<b>\$ 3,007,190</b>	<b>\$ 3,017,927</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Secured notes payable, net	\$ 110,986	\$ 110,965
Unsecured notes payable, net	1,538,519	1,538,238
Accounts payable and accrued expenses	66,334	64,531
Security deposits payable	8,519	7,855
Other liabilities and deferred credits, net	82,864	86,215
Total liabilities	1,807,222	1,807,804
Commitments and contingencies (Note 11)		
<b>EQUITY:</b>		
American Assets Trust, Inc. stockholders' equity		
Common stock, \$0.01 par value, 490,000,000 shares authorized, 60,528,115 and 60,525,580 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	605	605
Additional paid-in capital	1,456,747	1,453,272
Accumulated dividends in excess of net income	(235,107)	(217,785)
Accumulated other comprehensive income	9,457	2,872
Total American Assets Trust, Inc. stockholders' equity	1,231,702	1,238,964
Noncontrolling interests	(31,734)	(28,841)
Total equity	1,199,968	1,210,123
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,007,190</b>	<b>\$ 3,017,927</b>

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,	
	2022	2021	2022	2021
<b>REVENUE:</b>				
Rental income	\$ 99,016	\$ 87,639	\$ 196,002	\$ 168,769
Other property income	5,139	4,170	9,623	7,026
Total revenue	104,155	91,809	205,625	175,795
<b>EXPENSES:</b>				
Rental expenses	25,853	20,204	49,998	38,450
Real estate taxes	11,287	10,612	22,716	21,966
General and administrative	7,612	6,924	14,754	13,747
Depreciation and amortization	31,087	27,646	61,499	55,147
Total operating expenses	75,839	65,386	148,967	129,310
<b>OPERATING INCOME</b>	<b>28,316</b>	<b>26,423</b>	<b>56,658</b>	<b>46,485</b>
Interest expense	(14,547)	(14,862)	(29,213)	(28,867)
Loss on early extinguishment of debt	—	—	—	(4,271)
Other (expense) income, net	(181)	(74)	(343)	(127)
<b>NET INCOME</b>	<b>13,588</b>	<b>11,487</b>	<b>27,102</b>	<b>13,220</b>
Net income attributable to restricted shares	(154)	(135)	(309)	(272)
Net income attributable to unitholders in the Operating Partnership	(2,852)	(2,411)	(5,688)	(2,750)
<b>NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS</b>	<b>\$ 10,582</b>	<b>\$ 8,941</b>	<b>\$ 21,105</b>	<b>\$ 10,198</b>
<b>EARNINGS PER COMMON SHARE</b>				
Earnings per common share, basic	\$ 0.18	\$ 0.15	\$ 0.35	\$ 0.17
Weighted average shares of common stock outstanding - basic	60,040,243	59,985,787	60,039,467	59,985,065
Earnings per common share, diluted	\$ 0.18	\$ 0.15	\$ 0.35	\$ 0.17
Weighted average shares of common stock outstanding - diluted	76,221,780	76,167,324	76,221,004	76,166,602
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.32</b>	<b>\$ 0.28</b>	<b>\$ 0.64</b>	<b>\$ 0.56</b>
<b>COMPREHENSIVE INCOME</b>				
Net income	\$ 13,588	\$ 11,487	\$ 27,102	\$ 13,220
Other comprehensive income - unrealized income on swap derivatives during the period	3,314	475	8,910	1,222
Reclassification of amortization of forward-starting swap realized gains included in interest expense	(275)	(275)	(550)	(550)
Reclassification of amortization of forward-starting swap realized gain included in loss on early extinguishment of debt	—	—	—	(193)
Comprehensive income	16,627	11,687	35,462	13,699
Comprehensive income attributable to non-controlling interests	(3,496)	(2,453)	(7,462)	(2,860)
Comprehensive income attributable to American Assets Trust, Inc.	\$ 13,131	\$ 9,234	\$ 28,000	\$ 10,839

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		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					
<b>Balance at December 31, 2021</b>	60,525,580	\$ 605	\$ 1,453,272	\$ (217,785)	\$ 2,872	\$ (28,841)	\$ 1,210,123
Net income	—	—	—	10,678	—	2,836	13,514
Forfeiture of restricted stock	(3,121)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(19,367)	—	(5,178)	(24,545)
Stock-based compensation	—	—	1,489	—	—	—	1,489
Shares withheld for employee taxes	(416)	—	(15)	—	—	—	(15)
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	4,408	1,188	5,596
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(217)	(58)	(275)
<b>Balance at March 31, 2022</b>	60,522,043	605	1,454,746	(226,474)	7,063	(30,053)	1,205,887
Net income	—	—	—	10,736	—	2,852	13,588
Issuance of restricted stock	6,072	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(19,369)	—	(5,178)	(24,547)
Stock-based compensation	—	—	2,001	—	—	—	2,001
Shares withheld for employee taxes	—	—	—	—	—	—	—
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	2,610	704	3,314
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(216)	(59)	(275)
<b>Balance at June 30, 2022</b>	60,528,115	\$ 605	\$ 1,456,747	\$ (235,107)	\$ 9,457	\$ (31,734)	\$ 1,199,968



American Assets Trust, Inc. Stockholders' Equity							
	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					
<b>Balance at December 31, 2020</b>	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 income - 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 gains included in loss on early extinguishment of debt	—	—	—	—	(152)	(41)	(193)
<b>Balance at March 31, 2021</b>	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)
<b>Balance at June 30, 2021</b>	60,474,866	\$ 605	\$ 1,448,612	\$ (199,955)	\$ 2,122	\$ (24,238)	\$ 1,227,146

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,	
	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 27,102	\$ 13,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(5,425)	(8,938)
Depreciation and amortization	61,499	55,147
Amortization of debt issuance costs and debt discounts	1,279	1,156
Loss on early extinguishment of debt	—	4,271
Provision for uncollectable rental income	(86)	776
Stock-based compensation expense	3,490	2,968
Unearned rents	(1,714)	(2,540)
Other, net	(559)	(554)
Changes in operating assets and liabilities		
Change in accounts receivable	314	70
Change in other assets	(1,459)	(4,419)
Change in accounts payable and accrued expenses	(46)	14,540
Change in security deposits payable	474	139
Change in other liabilities and deferred credits	1,188	890
<b>Net cash provided by operating activities</b>	<b>86,057</b>	<b>76,726</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of real estate	(45,167)	—
Capital expenditures	(63,060)	(35,526)
Leasing commissions	(4,252)	(1,528)
Purchases of marketable securities	—	(47,760)
Proceeds from the sale of marketable securities	—	47,723
<b>Net cash used in investing activities</b>	<b>(112,479)</b>	<b>(37,091)</b>
<b>FINANCING ACTIVITIES</b>		
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	(3,245)	(5,075)
Dividends paid to common stock and unitholders	(49,092)	(42,927)
Shares withheld for employee taxes	(15)	—
<b>Net cash (used in) provided by financing activities</b>	<b>(52,352)</b>	<b>191,298</b>
Net (decrease) increase in cash and cash equivalents	(78,774)	230,933
Cash, cash equivalents and restricted cash, beginning of period	139,524	139,049
Cash, cash equivalents and restricted cash, end of period	<u>\$ 60,750</u>	<u>\$ 369,982</u>

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,	
	2022	2021
Cash and cash equivalents	\$ 60,750	\$ 368,266
Restricted cash	—	1,716
<b>Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows</b>	<b>\$ 60,750</b>	<b>\$ 369,982</b>

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, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
Real estate, at cost		
Operating real estate	\$ 3,454,499	\$ 3,389,726
Construction in progress	176,582	139,098
Held for development	547	547
	<u>3,631,628</u>	<u>3,529,371</u>
Accumulated depreciation	(894,202)	(847,390)
Real estate, net	2,737,426	2,681,981
Cash and cash equivalents	60,750	139,524
Accounts receivable, net	7,218	7,445
Deferred rent receivables, net	87,579	82,724
Other assets, net	114,217	106,253
<b>TOTAL ASSETS</b>	<u>\$ 3,007,190</u>	<u>\$ 3,017,927</u>
<b>LIABILITIES AND CAPITAL</b>		
<b>LIABILITIES:</b>		
Secured notes payable, net	\$ 110,986	\$ 110,965
Unsecured notes payable, net	1,538,519	1,538,238
Accounts payable and accrued expenses	66,334	64,531
Security deposits payable	8,519	7,855
Other liabilities and deferred credits, net	82,864	86,215
Total liabilities	<u>1,807,222</u>	<u>1,807,804</u>
Commitments and contingencies (Note 11)		
<b>CAPITAL:</b>		
Limited partners' capital, 16,181,537 and 16,181,537 units issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	(34,806)	(30,138)
General partner's capital, 60,528,115 and 60,525,580 units issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	1,222,245	1,236,092
Accumulated other comprehensive income	12,529	4,169
Total capital	<u>1,199,968</u>	<u>1,210,123</u>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<u>\$ 3,007,190</u>	<u>\$ 3,017,927</u>

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,	
	2022	2021	2022	2021
<b>REVENUE:</b>				
Rental income	\$ 99,016	\$ 87,639	\$ 196,002	\$ 168,769
Other property income	5,139	4,170	9,623	7,026
Total revenue	104,155	91,809	205,625	175,795
<b>EXPENSES:</b>				
Rental expenses	25,853	20,204	49,998	38,450
Real estate taxes	11,287	10,612	22,716	21,966
General and administrative	7,612	6,924	14,754	13,747
Depreciation and amortization	31,087	27,646	61,499	55,147
Total operating expenses	75,839	65,386	148,967	129,310
<b>OPERATING INCOME</b>	<b>28,316</b>	<b>26,423</b>	<b>56,658</b>	<b>46,485</b>
Interest expense	(14,547)	(14,862)	(29,213)	(28,867)
Loss on early extinguishment of debt	—	—	—	(4,271)
Other (expense) income, net	(181)	(74)	(343)	(127)
<b>NET INCOME</b>	<b>13,588</b>	<b>11,487</b>	<b>27,102</b>	<b>13,220</b>
Net income attributable to restricted shares	(154)	(135)	(309)	(272)
<b>NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.</b>	<b>\$ 13,434</b>	<b>\$ 11,352</b>	<b>\$ 26,793</b>	<b>\$ 12,948</b>
<b>EARNINGS PER UNIT - BASIC</b>				
Earnings per unit, basic	\$ 0.18	\$ 0.15	\$ 0.35	\$ 0.17
Weighted average units outstanding - basic	76,221,780	76,167,324	76,221,004	76,166,602
<b>EARNINGS PER UNIT - DILUTED</b>				
Earnings per unit, diluted	\$ 0.18	\$ 0.15	\$ 0.35	\$ 0.17
Weighted average units outstanding - diluted	76,221,780	76,167,324	76,221,004	76,166,602
<b>DISTRIBUTIONS PER UNIT</b>	<b>\$ 0.32</b>	<b>\$ 0.28</b>	<b>\$ 0.64</b>	<b>\$ 0.56</b>
<b>COMPREHENSIVE INCOME</b>				
Net income	\$ 13,588	\$ 11,487	\$ 27,102	\$ 13,220
Other comprehensive income (loss) - unrealized income (loss) on swap derivatives during the period	3,314	475	8,910	1,222
Reclassification of amortization of forward-starting swap realized gains included in interest expense	(275)	(275)	(550)	(550)
Reclassification of amortization of forward-starting swap realized gain included in loss on early extinguishment of debt	—	—	—	(193)
Comprehensive income	16,627	11,687	35,462	13,699
Comprehensive income attributable to Limited Partners	(3,496)	(2,453)	(7,462)	(2,860)
Comprehensive income attributable to General Partner	\$ 13,131	\$ 9,234	\$ 28,000	\$ 10,839

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 <sup>(1)</sup>		General Partner's Capital <sup>(2)</sup>		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
<b>Balance at December 31, 2021</b>	16,181,537	\$ (30,138)	60,525,580	\$ 1,236,092	\$ 4,169	\$ 1,210,123
Net income	—	2,836	—	10,678	—	13,514
Forfeiture of restricted units	—	—	(3,121)	—	—	—
Distributions	—	(5,178)	—	(19,367)	—	(24,545)
Stock-based compensation	—	—	—	1,489	—	1,489
Units withheld for employee taxes	—	—	(416)	(15)	—	(15)
Other comprehensive income - change in value of interest rate swap	—	—	—	—	5,596	5,596
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(275)	(275)
<b>Balance at March 31, 2022</b>	16,181,537	(32,480)	60,522,043	1,228,877	9,490	1,205,887
Net income	—	2,852	—	10,736	—	13,588
Issuance of restricted units	—	—	6,072	—	—	—
Forfeiture of restricted units	—	—	—	—	—	—
Distributions	—	(5,178)	—	(19,369)	—	(24,547)
Stock-based compensation	—	—	—	2,001	—	2,001
Other comprehensive income - change in value of interest rate swap	—	—	—	—	3,314	3,314
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(275)	(275)
<b>Balance at June 30, 2022</b>	16,181,537	\$ (34,806)	60,528,115	\$ 1,222,245	\$ 12,529	\$ 1,199,968

	Limited Partners' Capital <sup>(1)</sup>		General Partner's Capital <sup>(2)</sup>		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
<b>Balance at December 31, 2020</b>	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 income - 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 loss on early extinguishment of debt	—	\$ —	—	\$ —	\$ (193)	(193)
<b>Balance at March 31, 2021</b>	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 included in loss on early extinguishment of debt	—	—	—	—	(275)	(275)
<b>Balance at June 30, 2021</b>	16,181,537	\$ (25,332)	60,474,866	\$ 1,249,262	\$ 3,216	\$ 1,227,146

(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,	
	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 27,102	\$ 13,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(5,425)	(8,938)
Depreciation and amortization	61,499	55,147
Amortization of debt issuance costs and debt discounts	1,279	1,156
Loss on early extinguishment of debt	—	4,271
Provision for uncollectable rental income	(86)	776
Stock-based compensation expense	3,490	2,968
Unearned rents	(1,714)	(2,540)
Other, net	(559)	(554)
Changes in operating assets and liabilities		
Change in accounts receivable	314	70
Change in other assets	(1,459)	(4,419)
Change in accounts payable and accrued expenses	(46)	14,540
Change in security deposits payable	474	139
Change in other liabilities and deferred credits	1,188	890
<b>Net cash provided by operating activities</b>	<b>86,057</b>	<b>76,726</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of real estate	(45,167)	—
Capital expenditures	(63,060)	(35,526)
Leasing commissions	(4,252)	(1,528)
Purchases of marketable securities	—	(47,760)
Proceeds from the sale of marketable securities	—	47,723
<b>Net cash used in investing activities</b>	<b>(112,479)</b>	<b>(37,091)</b>
<b>FINANCING ACTIVITIES</b>		
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	(3,245)	(5,075)
Distributions	(49,092)	(42,927)
Shares withheld for employee taxes	(15)	—
<b>Net cash (used in) provided by financing activities</b>	<b>(52,352)</b>	<b>191,298</b>
Net (decrease) increase in cash and cash equivalents	(78,774)	230,933
Cash, cash equivalents and restricted cash, beginning of period	139,524	139,049
Cash, cash equivalents and restricted cash, end of period	<b>\$ 60,750</b>	<b>\$ 369,982</b>

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,	
	2022	2021
Cash and cash equivalents	\$ 60,750	\$ 368,266
Restricted cash	—	1,716
<b>Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows</b>	<b>\$ 60,750</b>	<b>\$ 369,982</b>

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

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

## Notes to Consolidated Financial Statements

June 30, 2022

(Unaudited)

**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 206 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, 2022, we owned or had a controlling interest in 31 office, retail, multifamily and mixed-use operating properties, the operations of which we consolidate. Additionally, as of June 30, 2022, 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	Gateway Marketplace	Alamo Quarry Market
Carmel Mountain Plaza	Del Monte Center	Hassalo on Eighth - Retail
South Bay Marketplace	Geary Marketplace	
Lomas Santa Fe Plaza	The Shops at Kalakaua	
Solana Beach Towne Centre	Waikale Center	

*Office*

La Jolla Commons	One Beach Street	Corporate Campus East III
Torrey Reserve Campus	First & Main	Bel-Spring 520
Torrey Point	Lloyd Portfolio	
Solana Crossing	City Center Bellevue	
The Landmark at One Market	Eastgate Office Park	

*Multifamily*

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

*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



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

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2022

(Unaudited)

**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, 2021.

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,	
	2022	2021
<b>Supplemental cash flow information</b>		
Total interest costs incurred	\$ 31,774	\$ 30,092
Interest capitalized	\$ 2,561	\$ 1,225
Interest expense	\$ 29,213	\$ 28,867
Cash paid for interest, net of amounts capitalized	\$ 28,201	\$ 22,093
Cash paid for income taxes	\$ 474	\$ 222
<b>Supplemental schedule of noncash investing and financing activities</b>		
Accounts payable and accrued liabilities for construction in progress	\$ 19,489	\$ 9,695
Accrued leasing commissions	\$ 2,936	\$ 972

**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, 2021. There have been no changes to our significant accounting policies during the six months ended June 30, 2022.

**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 for 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, 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 tenants to perform under the terms of their lease agreement. The provision for doubtful accounts at June 30, 2022 and December 31, 2021 was approximately \$3.7 million and \$4.6 million, respectively.

**Rent Concessions – COVID-19**

In 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 modification under Accounting Standards Codification Topic 842, Leases ("ASC 842"). During the second quarter of 2022, we provided an immaterial amount of lease concessions to certain tenants that continued being impacted by the COVID-19 pandemic.

**Recent Accounting Pronouncements**

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, and permits 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, it is generally only available through December 31, 2022, with a newly proposed sunset date of December 31, 2024. We are still evaluating the impact of reference rate reform and whether we will apply any of these practical expedients.

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

**NOTE 2. REAL ESTATE****Property Asset Acquisitions**

On March 8, 2022, we acquired Bel-Spring 520 in Bellevue, Washington, consisting of an approximately 93,000 square feet, multi-tenant office campus. The purchase price was \$45.5 million, less seller credits of approximately \$0.1 million of future rent abatement, and approximately \$0.6 million of contractual tenant improvements. Additionally, closing costs were approximately \$0.1 million.

The property was acquired with cash on hand.

The financial information set forth below summarizes the Company's purchase price allocation for Bel-Spring 520 during the six months ended June 30, 2022 (in thousands):

	<b>Bel-Spring 520</b>	
Land	\$	13,744
Building		27,793
Land improvements		713
Furniture, fixtures, and equipment		1,833
Total real estate		44,083
Lease intangibles		2,036
Prepaid expenses and other assets		10
<b>Assets acquired</b>	<b>\$</b>	<b>46,129</b>
Accounts payable and accrued expenses	\$	(14)
Security deposits payable		(189)
Other liabilities and deferred credits		(641)
<b>Liabilities assumed</b>	<b>\$</b>	<b>(844)</b>

The value allocated to lease intangibles is amortized over the related lease term as depreciation and amortization expense in the statement of income. The remaining weighted average amortization period as of June 30, 2022, is 3.5.

The following table summarizes the operating results for Bel-Spring 520 included in the Company's historical consolidated statement of operations for the period of acquisition through June 30, 2022 (in thousands):

	<b>Bel-Spring 520</b>	
Revenues	\$	953
Operating expenses		947
Operating income		6
Net income attributable to American Assets Trust, Inc.	\$	6

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

**NOTE 3. 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, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
In-place leases	\$ 65,654	\$ 67,215
Accumulated amortization	(39,236)	(38,130)
Above market leases	1,987	2,532
Accumulated amortization	(1,859)	(2,383)
Acquired lease intangible assets, net	<u>\$ 26,546</u>	<u>\$ 29,234</u>
Below market leases	\$ 57,368	\$ 58,655
Accumulated accretion	(36,042)	(36,253)
Acquired lease intangible liabilities, net	<u>\$ 21,326</u>	<u>\$ 22,402</u>

**NOTE 4. 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.

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2022**
**(Unaudited)**

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, 2022 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, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Deferred compensation liability	\$ —	\$ 2,231	\$ —	\$ 2,231	\$ —	\$ 2,503	\$ —	\$ 2,503
Interest rate swap asset	\$ —	\$ 7,103	\$ —	\$ 7,103	\$ —	\$ —	\$ —	\$ —
Interest rate swap liability	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,807	\$ —	\$ 1,807

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 3.6% to 5.4%.

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 term loans set forth below are deemed to be at fair value since the outstanding debt related to Term Loans B and C are directly tied to monthly LIBOR contracts and Term Loan A is directly tied to the monthly SOFR contract. 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, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable, net	\$ 110,986	\$ 111,548	\$ 110,965	\$ 113,207
Unsecured term loans, net	\$ 249,214	\$ 250,000	\$ 249,654	\$ 250,000
Unsecured senior guaranteed notes, net	\$ 798,158	\$ 783,692	\$ 797,953	\$ 832,795
Senior unsecured notes, net	\$ 491,147	\$ 429,470	\$ 490,631	\$ 503,000

**NOTE 5. 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, 2022 (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	\$ 938
Wells Fargo Bank, N.A.	\$ 50,000	5/2/2016	3/1/2023	\$ 459
Bank of America, N.A.	\$ 50,000	1/14/2022	1/5/2027	\$ 2,865
Wells Fargo Bank, N.A.	\$ 50,000	1/14/2022	1/5/2027	\$ 2,841

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

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

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 6. OTHER ASSETS**

Other assets consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Leasing commissions, net of accumulated amortization of \$41,664 and \$40,595, respectively	\$ 39,687	\$ 38,589
Interest rate swap asset	7,103	—
Acquired above market leases, net	128	149
Acquired in-place leases, net	26,418	29,085
Lease incentives, net of accumulated amortization of \$943 and \$913, respectively	714	595
Other intangible assets, net of accumulated amortization of \$1,544 and \$1,382, respectively	2,355	2,445
Debt issuance costs, net of accumulated amortization of \$2,394 and \$2,070, respectively	2,268	—
Right-of-use lease asset, net	25,098	26,254
Prepaid expenses and other	10,446	9,136
Total other assets	<u>\$ 114,217</u>	<u>\$ 106,253</u>

**NOTE 7. OTHER LIABILITIES AND DEFERRED CREDITS**

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

	June 30, 2022	December 31, 2021
Acquired below market leases, net	\$ 21,326	\$ 22,402
Prepaid rent and deferred revenue	16,112	16,309
Interest rate swap liability	—	1,807
Deferred rent expense and lease intangible	—	3
Deferred compensation	2,231	2,503
Deferred tax liability	967	967
Straight-line rent liability	15,340	14,274
Lease liability	26,831	27,917
Other liabilities	57	33
Total other liabilities and deferred credits, net	<u>\$ 82,864</u>	<u>\$ 86,215</u>

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.

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

**NOTE 8. 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.

***Debt of American Assets Trust, L.P.*****Secured notes payable**

The following table is a summary of our total secured notes payable outstanding as of June 30, 2022 and December 31, 2021 (in thousands):

Description of Debt	Principal Balance as of		Stated Interest Rate as of June 30, 2022	Stated Maturity Date
	June 30, 2022	December 31, 2021		
City Center Bellevue <sup>(1)</sup>	\$ 111,000	\$ 111,000	3.98 %	November 1, 2022
	111,000	111,000		
Debt issuance costs, net of accumulated amortization of \$408 and \$387, respectively	(14)	(35)		
<b>Total Secured Notes Payable Outstanding</b>	<b>\$ 110,986</b>	<b>\$ 110,965</b>		

(1) Interest only.

Additionally, the Operating Partnership has provided a carve-out guarantee on the property-level mortgage debt at City Center Bellevue. Certain loans require the Operating Partnership to comply with various financial covenants. As of June 30, 2022, the Operating Partnership was in compliance with these financial covenants.

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**Notes to Consolidated Financial Statements—(Continued)**
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**(Unaudited)**
**Unsecured notes payable**

The following table is a summary of the Operating Partnership's total unsecured notes payable outstanding as of June 30, 2022 and December 31, 2021 (in thousands):

Description of Debt	Principal Balance as of		Stated Interest Rate		Stated Maturity Date
	June 30, 2022	December 31, 2021	as of June 30, 2022		
Term Loan A	\$ 100,000	\$ 100,000	Variable	(1)	January 5, 2027
Term Loan B	100,000	100,000	Variable	(2)	March 1, 2023
Term Loan C	50,000	50,000	Variable	(3)	March 1, 2023
Senior Guaranteed Notes, Series F	100,000	100,000	3.78	% (4)	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	% (5)	March 1, 2027
Senior Guaranteed Notes, Series E	100,000	100,000	4.24	% (6)	May 23, 2029
Senior Guaranteed Notes, Series G	150,000	150,000	3.91	% (7)	July 30, 2030
3.375% Senior Unsecured Notes	500,000	500,000	3.38	%	February 1, 2031
	1,550,000	1,550,000			
Debt discount and issuance costs, net of accumulated amortization of \$10,925 and \$9,462, respectively	(11,481)	(11,762)			
<b>Total Unsecured Notes Payable</b>	<b>\$ 1,538,519</b>	<b>\$ 1,538,238</b>			

- (1) The Operating Partnership has entered into two interest rate swap agreements that are intended to fix the interest rate associated with Term Loan A at approximately 2.70% through its maturity date, subject to adjustments based on our consolidated leverage ratio.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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 the Operating Partnership to comply with various financial covenants. As of June 30, 2022, 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.

**Third 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 had an accordion feature that allowed us to increase the availability thereunder up to an additional \$250 million, subject to meeting specified requirements and obtaining additional commitments from lenders.

Borrowings under the Second Amended and Restated Credit Agreement initially bore 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.

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 bore 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 were 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.

On January 5, 2022, we entered into the Third Amended and Restated Credit Facility, which provides for aggregate, unsecured borrowings of up to \$500 million, consisting of a revolving line of credit of \$400 million (the "2022 Revolver Loan") and a term loan of \$100 million (the "2022 Term Loan A"). The 2022 Revolver Loan initially matures on January 5, 2026, subject to two, six-month extension options. The 2022 Term Loan A matures on January 5, 2027, with no further extension options. Borrowings under the Third Amended and Restated Credit Agreement bear interest at floating rates equal to, at the Operating Partnership's option, either (1) the applicable Secured Overnight Financing Rate ("SOFR"), plus the applicable SOFR Adjustment, and a spread which ranges from (a) 1.05% to 1.50% (with respect to the 2022 Revolver Loans) and (b) 1.20% to 1.70% (with respect to the 2022 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, (c) the Term SOFR Screen Rate with a term of one month plus 100 bps and (d) 1.00%, plus a spread which ranges from (i) 0.10% to 0.50% (with respect to the 2022 Revolver Loan) and (ii) 0.20% to 0.70% (with respect to the 2022 Term Loan A), in each case based on our consolidated leverage ratio. On January 14, 2022, the Operating Partnership entered into two interest rate swap agreements that are intended to fix the interest rate associated with the 2022 Term Loan A at approximately 2.70% through January 5, 2027, subject to adjustments based on our consolidated leverage ratio. At June 30, 2022, there were no amounts outstanding under the 2022 Revolver Loan and we had incurred approximately \$2.3 million of debt issuance costs, net, which are recorded in other assets,

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net on the consolidated balance sheets. For the six months ended June 30, 2022, the weighted average interest rate on the 2022 Revolver Loan was 1.45%

Additionally, the Third 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 Third 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, 2022, the Operating Partnership was in compliance with the financial covenants in the Third Amended and Restated Credit Facility.

**NOTE 9. 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, 2022. 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, 2022, 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, 2022 and 2021 does not include the weighted average of 483,110 and 486,035 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, 2022 and 2021 does not include the weighted average of 484,295 and 487,895 unvested 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.

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**NOTE 10. EQUITY OF AMERICAN ASSETS TRUST, INC.****Stockholders' Equity**

On December 3, 2021, 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 million. 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. For the six months ended June 30, 2022, 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, 2022, we had the capacity to issue up to \$250 million in shares of our common stock under our current ATM equity program. 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. As of June 30, 2022, 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, 2022:

Period	Amount per Share/Unit	Period Covered	Dividend Paid Date
First Quarter 2022	\$ 0.32	January 1, 2022 to March 31, 2022	March 24, 2022
Second Quarter 2022	\$ 0.32	April 1, 2022 to June 30, 2022	June 23, 2022

**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, 2022:

	Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2022	487,397	\$ 23.78
Granted	6,072	32.94
Vested	(6,350)	35.66
Forfeited	(3,121)	23.18
Nonvested at June 30, 2022	483,998	\$ 23.74

We recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized \$2.0 million and \$1.5 million in noncash compensation expense for the three months ended June 30, 2022 and 2021, respectively, which is included in general and administrative expenses on the consolidated statements of comprehensive income. We recognized \$3.5 million and \$3.0 million in noncash compensation expense for the six months ended June 30, 2022 and 2021, respectively. Unrecognized compensation expense was \$7.2 million at June 30, 2022.

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**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 483,110 and 486,035 for the three months ended June 30, 2022 and 2021, respectively, and 484,295 and 487,895 for the six months ended June 30, 2022 and 2021, 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, 2022 and 2021, 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,	
	2022	2021	2022	2021
<b>NUMERATOR</b>				
Net income	\$ 13,588	\$ 11,487	\$ 27,102	\$ 13,220
Less: Net income attributable to restricted shares	(154)	(135)	(309)	(272)
Less: Income from operations attributable to unitholders in the Operating Partnership	(2,852)	(2,411)	(5,688)	(2,750)
<b>Net income attributable to common stockholders—basic</b>	<b>\$ 10,582</b>	<b>\$ 8,941</b>	<b>\$ 21,105</b>	<b>\$ 10,198</b>
Income from operations attributable to American Assets Trust, Inc. common stockholders—basic	\$ 10,582	\$ 8,941	\$ 21,105	\$ 10,198
Plus: Income from operations attributable to unitholders in the Operating Partnership	2,852	2,411	5,688	2,750
<b>Net income attributable to common stockholders—diluted</b>	<b>\$ 13,434</b>	<b>\$ 11,352</b>	<b>\$ 26,793</b>	<b>\$ 12,948</b>
<b>DENOMINATOR</b>				
Weighted average common shares outstanding—basic	60,040,243	59,985,787	60,039,467	59,985,065
Effect of dilutive securities—conversion of Operating Partnership units	16,181,537	16,181,537	16,181,537	16,181,537
Weighted average common shares outstanding—diluted	76,221,780	76,167,324	76,221,004	76,166,602
<b>Earnings per common share, basic</b>	<b>\$ 0.18</b>	<b>\$ 0.15</b>	<b>\$ 0.35</b>	<b>\$ 0.17</b>
<b>Earnings per common share, diluted</b>	<b>\$ 0.18</b>	<b>\$ 0.15</b>	<b>\$ 0.35</b>	<b>\$ 0.17</b>

**NOTE 11. 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 \$1.0 million and \$1.0 million as of June 30, 2022 and December 31, 2021, 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, 2022, we recorded income tax expense of \$0.2 million and \$0.4 million. For the three and six months ended June 30, 2021, we recorded income tax expense of \$0.2 million and \$0.3 million.

## NOTE 12. 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 13 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. Additionally, we have a management agreement with Outrigger pursuant to which Outrigger manages our Waikale Center and Shops at Kalakaua. In connection with such management agreement, we pay Outrigger a fixed management fee of \$12,000 per month in the aggregate plus additional amounts for any lease renewal services provided by Outrigger at our request. This management agreement can be terminated by us at any time and for any reason on 30 days' notice without any cancellation or termination fees.

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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 2022 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 \$4.8 million based on operating performance through June 30, 2022.

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, Washington, Oregon, Texas and Hawaii. 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 23.9% of total revenues for the six months ended June 30, 2022. 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 48.7% of total revenues for the six months ended June 30, 2022. 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, 2022 and 2021, no tenant accounted for more than 10% of our total rental revenue.

**NOTE 13. 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.

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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, 2022, 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,		
2022 (six months ending December 31, 2022)	\$	95,859
2023		242,131
2024		214,853
2025		190,574
2026		175,043
Thereafter		432,730
Total	\$	<u>1,351,190</u>

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.

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

Current annual payments under the operating leases are as follows, as of June 30, 2022 (in thousands):

Year Ending December 31,		
2022 (six months ending December 31, 2022)	\$	1,640
2023		3,328
2024		3,428
2025		3,531
2026		3,584
Thereafter		16,126
Total lease payments		31,637
Imputed interest		(4,806)
Present value of lease liability	\$	26,831

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 844	\$ 1,132	\$ 1,689	\$ 2,265
Sublease income	(944)	(938)	(1,707)	(2,133)
Total lease (income) cost	\$ (100)	\$ 194	\$ (18)	\$ 132

Weighted-average remaining lease term - operating leases (in years)	9.0
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,	
	2022	2021
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,592	\$ 1,730

**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.



**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

**NOTE 14. 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,	
	2022	2021	2022	2021
Lease rental income				
Office	\$ 48,949	\$ 43,012	\$ 96,999	\$ 86,374
Retail	23,286	21,575	47,327	42,428
Multifamily	13,167	11,763	26,083	23,515
Mixed-use	2,814	3,438	5,614	4,233
Percentage rent	756	1,098	1,238	1,624
Hotel revenue	9,414	6,191	17,469	9,462
Other	630	562	1,272	1,133
<b>Total rental income</b>	<b>\$ 99,016</b>	<b>\$ 87,639</b>	<b>\$ 196,002</b>	<b>\$ 168,769</b>

Lease rental income includes \$0.1 million and \$1.9 million for the three months ended June 30, 2022 and 2021, respectively, and \$3.8 million and \$7.0 million for the six months ended June 30, 2022 and 2021, 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 \$0.8 million and \$0.7 million for the three months ended June 30, 2022 and 2021, respectively, and \$1.7 million and \$1.5 million for the six months ended June 30, 2022 and 2021, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Rental operating	\$ 11,379	\$ 9,655	\$ 22,523	\$ 19,151
Hotel operating	6,474	4,134	12,122	6,858
Repairs and maintenance	5,309	4,029	10,069	7,771
Marketing	469	311	988	704
Rent	781	1,158	1,590	2,310
Hawaii excise tax	923	634	1,732	1,166
Management fees	518	283	974	490
<b>Total rental expenses</b>	<b>\$ 25,853</b>	<b>\$ 20,204</b>	<b>\$ 49,998</b>	<b>\$ 38,450</b>

**NOTE 15. 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,	
	2022	2021	2022	2021
Interest and investment income	\$ 21	\$ 100	\$ 57	\$ 174
Income tax expense	(202)	(174)	(400)	(301)
<b>Total other (expense) income, net</b>	<b>\$ (181)</b>	<b>\$ (74)</b>	<b>\$ (343)</b>	<b>\$ (127)</b>

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

**NOTE 16. 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 Chief Executive Officer and Chairman of the 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, 2022 and 2021, 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, 2022 and 2021, we incurred approximately \$0.1 million and \$0.1 million of expenses, respectively, related to aircraft services of AAIA or reimbursement to Mr. Rady (or his trust) 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, 2022 and 2021, respectively, are included in rental expenses on the consolidated statements of comprehensive income.

**NOTE 17. 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, 2022**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Total Office</b>				
Property revenue	\$ 50,593	\$ 44,570	\$ 100,162	\$ 89,034
Property expense	(14,063)	(11,648)	(27,393)	(23,012)
Segment profit	36,530	32,922	72,769	66,022
<b>Total Retail</b>				
Property revenue	24,338	22,981	49,179	44,755
Property expense	(7,430)	(6,735)	(15,158)	(14,177)
Segment profit	16,908	16,246	34,021	30,578
<b>Total Multifamily</b>				
Property revenue	14,214	12,739	28,103	25,291
Property expense	(6,221)	(5,493)	(12,300)	(10,984)
Segment profit	7,993	7,246	15,803	14,307
<b>Total Mixed-Use</b>				
Property revenue	15,010	11,519	28,181	16,715
Property expense	(9,426)	(6,940)	(17,863)	(12,243)
Segment profit	5,584	4,579	10,318	4,472
<b>Total segments' profit</b>	<b>\$ 67,015</b>	<b>\$ 60,993</b>	<b>\$ 132,911</b>	<b>\$ 115,379</b>

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,	
	2022	2021	2022	2021
Total segments' profit	\$ 67,015	\$ 60,993	\$ 132,911	\$ 115,379
General and administrative	(7,612)	(6,924)	(14,754)	(13,747)
Depreciation and amortization	(31,087)	(27,646)	(61,499)	(55,147)
Interest expense	(14,547)	(14,862)	(29,213)	(28,867)
Loss on early extinguishment of debt	—	—	—	(4,271)
Other income (expense), net	(181)	(74)	(343)	(127)
<b>Net income</b>	<b>13,588</b>	<b>11,487</b>	<b>27,102</b>	<b>13,220</b>
Net income attributable to restricted shares	(154)	(135)	(309)	(272)
Net income attributable to unitholders in the Operating Partnership	(2,852)	(2,411)	(5,688)	(2,750)
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<b>\$ 10,582</b>	<b>\$ 8,941</b>	<b>\$ 21,105</b>	<b>\$ 10,198</b>

**American Assets Trust, Inc. and American Assets Trust, L.P.**  
**Notes to Consolidated Financial Statements—(Continued)**  
**June 30, 2022**  
**(Unaudited)**

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

	June 30, 2022	December 31, 2021
<b>Net Real Estate</b>		
Office	\$ 1,603,702	\$ 1,536,212
Retail	587,082	591,107
Multifamily	376,012	381,315
Mixed-Use	170,630	173,347
	<u>\$ 2,737,426</u>	<u>\$ 2,681,981</u>
<b>Secured Notes Payable <sup>(1)</sup></b>		
Office	\$ 111,000	\$ 111,000
	<u>\$ 111,000</u>	<u>\$ 111,000</u>

(1) Excludes debt issuance costs of \$0.01 million and \$0.04 million for each of the periods ended June 30, 2022 and December 31, 2021, respectively.

Capital expenditures for each segment for the three and six months ended June 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Capital Expenditures <sup>(1)</sup></b>				
Office	\$ 30,051	\$ 21,343	\$ 56,717	\$ 30,870
Retail	3,697	1,778	7,257	3,500
Multifamily	1,315	1,033	2,886	1,996
Mixed-Use	121	684	452	688
	<u>\$ 35,184</u>	<u>\$ 24,838</u>	<u>\$ 67,312</u>	<u>\$ 37,054</u>

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

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

### Forward-Looking Statements

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, ("the Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, ("the Exchange Act"). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, 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," "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. 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 outbreak of COVID-19 and its variants) 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 office, retail, 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 American Assets Trust, Inc. to continue to qualify as a 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, 2021.

## 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, Washington, Oregon, Texas and Hawaii. As of June 30, 2022, our portfolio was comprised of twelve retail shopping centers; twelve 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, 2022, 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, California; the San Francisco Bay Area, California; Bellevue, Washington; Portland, Oregon 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, 2022. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

## Acquisitions

On March 8, 2022, we acquired Bel-Spring 520 in Bellevue, Washington, consisting of an approximately 93,000 square feet, multi-tenant office campus. The purchase price was \$45.5 million, excluding closing costs and prorations. We acquired the property with cash on hand.

## 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, 2021. 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, 2022 and 2021. Waikiki Beach Walk Retail and Embassy Suites™ Hotel is reclassified to same-store properties due to significant spalling repair activity disrupting the hotel portion of the property's operations, which was completed as of September 30, 2020. Eastgate Office Park is classified as a non-same-store property, as it was acquired on July 7, 2021. Corporate Campus East III is also classified as a non-same-store property, as it was acquired on September 10, 2021. Bel-Spring 520 is also classified as a non-same-store property, as it was acquired on March 8, 2022.

In our determination of same-store and redevelopment same-store properties for the six months ended June 30, 2022, One Beach Street has been identified as a same-store redevelopment property due to significant redevelopment activity. Retail same-store net operating income increased approximately 11.3% for the six months ended June 30, 2022 compared to the same period in 2021. Office same-store net operating income increased 0.4% for the six months ended June 30, 2022 compared to the same period in 2021. Office redevelopment same-store net operating income increased 0.3% for the six months ended June 30, 2022 compared to the same period in 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Same-Store	27	26	27	26
Non-Same-Store	4	2	4	2
<b>Total Properties</b>	<b>31</b>	<b>28</b>	<b>31</b>	<b>28</b>
Redevelopment Same-Store	28	27	28	27
<b>Total Development Properties</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

## 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, Washington, Oregon and Hawaii, which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration and/or retrenching. We evaluate our properties on an ongoing basis to identify these types of opportunities.

We intend to opportunistically pursue projects in our development pipeline, including future phases of La Jolla Commons and Lloyd Portfolio, as well as other redevelopments at Waikole Center and One Beach Street. The commencement of these developments is 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 continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it has and will impact our tenants and business partners. We are unable to predict the future 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 (including as the pandemic evolves due to future mutations of the COVID-19 virus), the ongoing governmental, business and individual actions taken to contain the pandemic or mitigate its impact, the availability and adoption of COVID-19 vaccines 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 continues to rapidly evolve. 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, and restrictions on business operations and/or construction projects (including, required shut-downs in some instances). It is unclear how customers' concerns about COVID-19 transmission and sensitivities to the transmission of other diseases will impact their willingness to visit certain of our tenants' businesses. As a result, the COVID-19 pandemic has negatively impacted almost every industry directly or indirectly, including industries in which the Company and our tenants operate, and may continue to do so. 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.

We believe our financial condition and liquidity are currently strong. Although there is uncertainty related to the COVID-19 pandemic's impact on our future results, we believe our efficient business model and steps we have taken to strengthen our balance sheet will continue to allow us to manage our business through this evolving crisis. 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 constantly changing nature of the COVID-19 pandemic, we cannot reasonably estimate with any degree of certainty the future impact the pandemic may have on our results of operations, financial position, and liquidity.

## 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; 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, 2022, we signed 15 office leases for a total of 148,677 square feet of office space including 128,335 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 21.1% and 20.7%, respectively. New office leases for comparable spaces were signed for 12,365 square feet at an average rental rate increase on a cash and GAAP basis of 15.1% and 48.9%, respectively. Renewals for comparable office spaces were signed for 115,970 square feet at an average rental rate increase on a cash and GAAP basis of 21.8% and 18.3%, respectively. Tenant improvements and incentives were \$91.28 per square foot of office space for comparable new leases for the three months ended June 30, 2022, mainly due to tenants at Torrey Reserve Campus.

During the three months ended June 30, 2022, we signed 21 retail leases for a total of 77,201 square feet of retail space including 67,209 square feet of comparable renewal retail space leases (leases for which there was a prior tenant), at an average rental rate increase on a cash basis of 5.7% and increase on a GAAP basis of 20.2%, respectively. New retail leases for comparable spaces were signed for 4,004 square feet at an average rental rate increase on a cash basis of 5.1%. Renewals for comparable retail spaces were signed for 63,205 square feet at an average rental rate increase on a cash basis of 5.8% and increase on a GAAP basis of 11.9%, respectively. Tenant improvements and incentives were \$44.89 per square foot of retail space for comparable new leases for the three months ended June 30, 2022, mainly due to tenants at Carmel Mountain Plaza.



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 2022 generally become effective over the following year, though some may not become effective until 2023 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.

### **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 \$22.8 million and \$15.9 million for the three months ended June 30, 2022 and 2021, respectively, and \$45.5 million and \$19.8 million for the six months ended June 30, 2022 and 2021, respectively.

We capitalized external and internal costs related to other property improvements combined of \$10.2 million and \$13.5 million for the three months ended June 30, 2022 and 2021, respectively, and \$19.1 million and \$22.9 million for the six months ended June 30, 2022 and 2021, 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 \$1.4 million and \$0.7 million for the three months ended June 30, 2022 and 2021, respectively, and \$2.6 million and \$1.2 million for the six months ended June 30, 2022 and 2021, 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, 2022 to the three months ended June 30, 2021***

The following summarizes our consolidated results of operations for the three months ended June 30, 2022 compared to our consolidated results of operations for the three months ended June 30, 2021. As of June 30, 2022, our operating portfolio was comprised of 31 retail, office, multifamily and mixed-use properties with an aggregate of approximately 7.2 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, 2022, we owned land at three of our properties that we classified as held for development and/or construction in progress. 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.

The following table sets forth selected data from our unaudited consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Change	%
	2022	2021		
<b>Revenues</b>				
Rental income	\$ 99,016	\$ 87,639	\$ 11,377	13 %
Other property income	5,139	4,170	969	23
Total property revenues	104,155	91,809	12,346	13
<b>Expenses</b>				
Rental expenses	25,853	20,204	5,649	28
Real estate taxes	11,287	10,612	675	6
Total property expenses	37,140	30,816	6,324	21
Total property income	67,015	60,993	6,022	10
General and administrative	(7,612)	(6,924)	(688)	10
Depreciation and amortization	(31,087)	(27,646)	(3,441)	12
Interest expense	(14,547)	(14,862)	315	(2)
Other (expense) income, net	(181)	(74)	(107)	145
<b>Net income</b>	13,588	11,487	2,101	18
Net income attributable to restricted shares	(154)	(135)	(19)	14
Net income attributable to unitholders in the Operating Partnership	(2,852)	(2,411)	(441)	18
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<b>\$ 10,582</b>	<b>\$ 8,941</b>	<b>\$ 1,641</b>	<b>18 %</b>

#### Revenue

*Total property revenues.* Total property revenue consists of rental revenue and other property income. Total property revenue increased \$12.3 million, or 13%, to \$104.2 million for the three months ended June 30, 2022 compared to \$91.8 million for the three months ended June 30, 2021. The percentage leased was as follows for each segment as of June 30, 2022 and 2021:

	Percentage Leased <sup>(1)</sup>	
	June 30, 2022	2021
Office	91.0 %	90.3 %
Retail	92.5 %	91.1 %
Multifamily	92.0 %	87.8 %
Mixed-Use <sup>(2)</sup>	94.9 %	89.2 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of June 30, 2022 or 2021, as applicable.

(2) Includes the retail portion of the mixed-use property only.

The increase in total property revenue was attributable primarily to the new acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520, the increase in occupancy and rate at Waikiki Beach Walk Embassy Suites™, the increase in occupancy and annualized base rent in our multifamily portfolio and factors discussed below.

**Rental revenues.** Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue increased \$11.4 million, or 13%, to \$99.0 million for the three months ended June 30, 2022 compared to \$87.6 million for the three months ended June 30, 2021. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio					Same-Store Portfolio <sup>(1)</sup>				
	Three Months Ended June 30,		Change	%	Three Months Ended June 30,		Change	%		
	2022	2021			2022	2021				
Office	\$ 49,291	\$ 43,282	\$ 6,009	14	\$ 44,618	\$ 43,496	\$ 1,122	3		
Retail	24,035	22,525	1,510	7	24,035	22,525	1,510	7		
Multifamily	13,225	11,825	1,400	12	13,225	11,825	1,400	12		
Mixed-Use	12,465	10,007	2,458	25	12,465	10,007	2,458	25		
	\$ 99,016	\$ 87,639	\$ 11,377	13 %	\$ 94,343	\$ 87,853	\$ 6,490	7 %		

(1) For this table and tables following, the same-store portfolio excludes: (i) One Beach Street, due to significant redevelopment activity; (ii) Eastgate Office Park, which was acquired on July 7, 2021; (iii) Corporate Campus East III, which was acquired on September 10, 2021; (iv) Bel-Spring 520, which was acquired on March 8, 2022 and (v) land held for development.

Total office rental revenue increased \$6.0 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520, which accounted for \$4.7 million of the increase. 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. Same-store office rental revenue increased by \$1.1 million due to higher occupancy at La Jolla Commons and Torrey Reserve Campus, and higher annualized base rent at La Jolla Commons and The Landmark at One Market.

Total retail rental revenue increased \$1.5 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to approximately \$1.0 million for new tenant leases and previous tenants on alternate rent reverting back to basic monthly rent. Additionally, there was an increase in cost recoveries of \$0.5 million as COVID-related rent concessions were provided during 2020 and 2021.

Multifamily revenue increased \$1.4 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to an overall increase in occupancy and average monthly base rent of 93.2% and \$2,297, respectively for the three months ended June 30, 2022 compared to 87.8% and \$2,187, respectively for the three months ended June 30, 2021.

Total mixed-use rental revenue increased \$2.5 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to lifting of COVID-19 travel restrictions, which led to an increase in average occupancy and revenue per available room to 78.8% and \$280 for the three months ended June 30, 2022, respectively, compared to 67.2% and \$184 for three months ended June 30, 2021, respectively. The retail portion of our mixed-use property had a decrease in revenue of \$0.8 million due to the termination of the Quicksilver lease during the second quarter of 2021 and alternate rent provided to certain tenants.

*Other property income.* Other property income increased \$1.0 million, or 23%, to \$5.1 million for the three months ended June 30, 2022 compared to \$4.2 million for the three months ended June 30, 2021. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,		Change	%	Three Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 1,302	\$ 1,288	\$ 14	1	\$ 1,221	\$ 1,141	\$ 80	7
Retail	303	456	(153)	(34)	303	456	(153)	(34)
Multifamily	989	914	75	8	989	914	75	8
Mixed-Use	2,545	1,512	1,033	68	2,545	1,512	1,033	68
	\$ 5,139	\$ 4,170	\$ 969	23 %	\$ 5,058	\$ 4,023	\$ 1,035	26 %

Same-Store Office other property income increased \$0.1 million for the three months ended June 30, 2022 primarily due to an increase in parking garage income at City Center Bellevue, First & Main and Lloyd Portfolio, partially offset by lease termination fees received at City Center Bellevue during 2021.

Retail other property income decreased by \$0.2 million for the three months ended June 30, 2022 primarily due to lease settlement and termination fees received during 2021 at Alamo Quarry Market and Del Monte Center.

Multifamily other property income increased by \$0.1 million for the three months ended June 30, 2022 primarily due to an increase in parking garage income at Hassalo on Eighth - Residential and meter income at Loma Palisades, Pacific Ridge Apartments and Santa Fe Park RV Resort.

Mixed-use other property income increased by \$1.0 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to increased tourism and hotel occupancy which led to an increase in other room rental income and excise tax at the hotel portion of our mixed-use property and an increase in parking garage income at the retail portion of our mixed-use property.

#### Property Expenses

*Total Property Expenses.* Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased \$6.3 million, or 21%, to \$37.1 million, for the three months ended June 30, 2022 compared to \$30.8 million for the three months ended June 30, 2021.

*Rental Expenses.* Rental expenses increased \$5.6 million, or 28%, to \$25.9 million for the three months ended June 30, 2022 compared to \$20.2 million for the three months ended June 30, 2021. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,		Change	%	Three Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 8,911	\$ 6,815	\$ 2,096	31	\$ 7,733	\$ 6,624	\$ 1,109	17
Retail	3,909	3,713	196	5	3,909	3,713	196	5
Multifamily	4,458	3,788	670	18	4,458	3,788	670	18
Mixed-Use	8,575	5,888	2,687	46	8,575	5,888	2,687	46
	\$ 25,853	\$ 20,204	\$ 5,649	28 %	\$ 24,675	\$ 20,013	\$ 4,662	23 %

Office rental expense increased \$2.1 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to \$1.0 million related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520. Same-store office rental expenses increased \$1.1 million due to an increase in repairs and maintenance services, utilities expenses and facility services, as the "stay-at home" orders issued by state and local governments related to the COVID-19 pandemic were relaxed in 2021 and our tenants' employees have started returning to the office in-person.

Retail rental expense increased \$0.2 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to an increase in repairs and maintenance and facilities services in the period, as restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic were eased during the first half of 2021.

Multifamily rental expense increased \$0.7 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to an increase in repairs and maintenance, landscaping and facilities services. Additionally there was an increase in property personnel compensation expenses.

Mixed-use rental expense increased \$2.7 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to an increase in hotel room expenses and general excise tax expenses at the hotel portion of our mixed-use property during the period. These increases are in line with increased tourism and higher hotel occupancy as travel restrictions to Hawaii have been relaxed.

*Real Estate Taxes.* Real estate taxes increased \$0.7 million, or 6%, to \$11.3 million for the three months ended June 30, 2022 compared to \$10.6 million for the three months ended June 30, 2021. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,		Change	%	Three Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 5,152	\$ 4,833	\$ 319	7	\$ 4,733	\$ 4,776	\$ (43)	(1)
Retail	3,521	3,022	499	17	3,521	3,022	499	17
Multifamily	1,763	1,705	58	3	1,763	1,705	58	3
Mixed-Use	851	1,052	(201)	(19)	851	1,052	(201)	(19)
	\$ 11,287	\$ 10,612	\$ 675	6 %	\$ 10,868	\$ 10,555	\$ 313	3 %

Office real estate taxes increased \$0.3 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to \$0.3 million related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520.

Retail real estate taxes increased \$0.5 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 due to a 2021 catch-up for prior year tax assessment reconciliations which led to a decrease in the overall taxes owed at Alamo Quarry Market, which was recorded in June 2021.

Mixed-use real estate taxes decreased \$0.2 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to the COVID-19 pandemic and its financial burden on the hospitality industry, as a result of which the Honolulu County reduced the tax burden for hotels for 2021 through 2022.

#### Property Operating Income

Property operating income increased \$6.0 million, or 10%, to \$67.0 million for the three months ended June 30, 2022, compared to \$61.0 million for the three months ended June 30, 2021. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Three Months Ended June 30,		Change	%	Three Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 36,530	\$ 32,922	\$ 3,608	11	\$ 33,373	\$ 33,237	\$ 136	—
Retail	16,908	16,246	662	4	16,908	16,246	662	4
Multifamily	7,993	7,246	747	10	7,993	7,246	747	10
Mixed-Use	5,584	4,579	1,005	22	5,584	4,579	1,005	22
	\$ 67,015	\$ 60,993	\$ 6,022	10 %	\$ 63,858	\$ 61,308	\$ 2,550	4 %

Total office property operating income increased \$3.6 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to the recent acquisitions of Eastgate Office Park, Corporate Campus East III, Bel-Spring 520, which had incremental property operating income of approximately \$3.4 million during the period. Same-store property operating income increased \$0.1 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to higher occupancy at La Jolla Commons and Torrey Reserve Campus, and higher annualized base rent at La Jolla Commons and The Landmark at One Market.

Total retail property operating income increased \$0.7 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to approximately \$1.0 million for new tenant leases and previous tenants on alternate rent reverting back to basic monthly rent. Additionally, there was an increase in cost recoveries of \$0.5 million as COVID-related rent concessions were provided during 2020 and 2021. This increase in revenue was partially offset by an

increase in rental expenses of \$0.2 million related to repairs and maintenance and facilities services, and an increase in real estate taxes of \$0.5 million related to prior year tax assessment reconciliations.

Total multifamily property operating income increased \$0.7 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to an overall increase in occupancy and average monthly base rent of 93.2% and \$2,297, respectively, for the three months ended June 30, 2022 compared to 87.8% and \$2,187, respectively for the three months ended June 30, 2021. This increase in revenue was partially offset by an increase in rental expenses related to repairs and maintenance, landscaping and facilities services.

Total mixed-use property operating income increased \$1.0 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 primarily due to the return of tourism and related increase in hotel occupancy as travel to Hawaii has increased through 2021. This led to an increase in average occupancy and revenue per available room to 78.8% and \$280, respectively, for the three months ended June 30, 2022, compared to 67.2% and \$184, respectively, for three months ended June 30, 2021. This also led to an increase in other room rental income and excise tax at the hotel portion of our mixed-use property and an increase in parking garage income at the retail portion of our mixed-use property. These increases were offset by higher hotel room expenses and general excise tax expenses at the hotel portion of our mixed-use property during the period.

*Other*

*General and Administrative.* General and administrative expenses increased to \$7.6 million for the three months ended June 30, 2022, compared to \$6.9 million for the three months ended June 30, 2021. This increase was primarily due to an increase in stock-based compensation expense and employee-related costs, including, without limitation, with respect to base pay for certain salaried and hourly workers and benefits.

*Depreciation and Amortization.* Depreciation and amortization expense increased to \$31.1 million for the three months ended June 30, 2022, compared to \$27.6 million for the three months ended June 30, 2021. This increase was primarily due to \$2.9 million related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520. Additionally, there was higher depreciation and amortization at The Landmark at One Market and Alamo Quarry Market due to new tenant improvements that were put into service in 2021. This increase was offset by a decrease at One Beach Street due to acceleration of certain assets during the first quarter of 2021 related to the modernization of the building.

*Interest Expense.* Interest expense decreased by \$0.3 million, or 2%, to \$14.5 million for the three months ended June 30, 2022, compared to \$14.9 million for the three months ended June 30, 2021. This decrease was primarily due to an increase in capitalized interest related to our development projects, partially offset by an increase in interest expense related to our Term Loan A, which changed from an unhedged variable interest rate to a fixed interest rate at the beginning of 2022 as we entered into two interest rate swaps agreements to lock the rate against future fluctuations.

*Other (Expense) Income, Net.* Other expense, net increased \$0.1 million, or 145%, to other expense, net of \$0.2 million for the three months ended June 30, 2022, compared to other expense, net of \$0.1 million for the three months ended June 30, 2021 primarily due to the decrease in interest and investment income attributed to the lower yield on our average cash balance during the period.

**Comparison of the Six Months Ended June 30, 2022 to the Six Months Ended June 30, 2021**

The following summarizes our consolidated results of operations for the six months ended June 30, 2022 compared to our consolidated results of operations for the six months ended June 30, 2021.

The following table sets forth selected data from our unaudited consolidated statements of income for the six months ended June 30, 2022 and 2021 (dollars in thousands):

	Six Months Ended June 30,		Change	%
	2022	2021		
<b>Revenues</b>				
Rental income	\$ 196,002	\$ 168,769	\$ 27,233	16 %
Other property income	9,623	7,026	2,597	37
Total property revenues	205,625	175,795	29,830	17
<b>Expenses</b>				
Rental expenses	49,998	38,450	11,548	30
Real estate taxes	22,716	21,966	750	3
Total property expenses	72,714	60,416	12,298	20
Total property income	132,911	115,379	17,532	15
General and administrative	(14,754)	(13,747)	(1,007)	7
Depreciation and amortization	(61,499)	(55,147)	(6,352)	12
Interest expense	(29,213)	(28,867)	(346)	1
Loss on early extinguishment of debt	—	(4,271)	4,271	100
Other (expense) income, net	(343)	(127)	(216)	170
<b>Net income</b>	27,102	13,220	13,882	105
Net income attributable to restricted shares	(309)	(272)	(37)	14
Net income attributable to unitholders in the Operating Partnership	(5,688)	(2,750)	(2,938)	107
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<u>\$ 21,105</u>	<u>\$ 10,198</u>	<u>\$ 10,907</u>	<u>107 %</u>

**Revenue**

*Total property revenues.* Total property revenue consists of rental revenue and other property income. Total property revenue increased \$29.8 million, or 17%, to \$205.6 million for the six months ended June 30, 2022 compared to \$175.8 million for the six months ended June 30, 2021. The percentage leased was as follows for each segment as of June 30, 2022 and 2021:

	Percentage Leased <sup>(1)</sup>	
	2022	2021
Office	91.0 %	90.3 %
Retail	92.5 %	91.1 %
Multifamily	92.0 %	87.8 %
Mixed-Use <sup>(2)</sup>	94.9 %	89.2 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of June 30, 2022 or June 30, 2021, as applicable.

(2) Includes the retail portion of the mixed-use property only.

The increase 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 increased \$27.2 million, or 16%, to \$196.0 million for the six months ended June 30, 2022 compared to \$168.8 million for the six months ended June 30, 2021. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio <sup>(1)</sup>			
	Six Months Ended June 30,		Change	%	Six Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 97,702	\$ 86,918	\$ 10,784	12	\$ 88,750	\$ 86,914	\$ 1,836	2
Retail	48,552	44,009	4,543	10	48,552	44,009	4,543	10
Multifamily	26,199	23,640	2,559	11	26,199	23,640	2,559	11
Mixed-Use	23,549	14,202	9,347	66	23,549	14,202	9,347	66
	\$ 196,002	\$ 168,769	\$ 27,233	16 %	\$ 187,050	\$ 168,765	\$ 18,285	11 %

(1) For this table and the tables following, the same-store portfolio excludes: (i) One Beach Street, due to significant redevelopment activity; (ii) Eastgate Office Park which was acquired on July 7, 2021; (iii) Corporate Campus East III which was acquired on September 10, 2021; (iv) Bel-Spring 520, which was acquired on March 8, 2022 and (v) land held for development.

Total office rental revenue increased \$10.8 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 due to the new acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520 which accounted for \$9 million of the increase. Same store office rental revenue increased by \$1.8 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to higher annualized base rents at The Landmark at One Market and higher occupancy at Torrey Reserve Campus. Additionally, there was an increase of \$0.7 million related to cost recoveries at La Jolla Commons, First & Main and The Landmark at One Market.

Retail rental revenue increased \$4.5 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to approximately \$2.4 million for tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 and 2021 as the collectability of rent was determined to be no longer probable for certain tenants. There was also an increase of \$0.8 million for new tenant leases signed and tenants previously on alternate rent reverting back to basic monthly rent. Additionally, there was an increase in cost recoveries of \$1.3 million as COVID-related rent concessions were provided during 2020 and 2021.

Multifamily revenue increased \$2.6 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an overall increase in occupancy and average monthly base rent of 94.2% and \$2,257, respectively for the six months ended June 30, 2022 compared to 88.6% and \$2,181, respectively for the six months ended June 30, 2021.

Mixed-use rental revenue increased \$9.3 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase of \$8 million related to the Waikiki Beach Walk hotel portion of our mixed use property. This increase was due to the lifting of COVID-19 travel restrictions, which led to an increase in average occupancy and revenue per available room to 75.8% and \$262 for the six months ended June 30, 2022, respectively, compared to 57.4% and \$142 for the six months ended June 30, 2021, respectively. Waikiki Beach Walk retail portion increased \$1.3 million as tenants were changed to alternate rent or to cash basis of revenue recognition during 2020 and 2021 as the collectability of rent was determined to be no longer probable for certain tenants.



*Other property income.* Other property income increased \$2.6 million, or 37%, to \$9.6 million for the six months ended June 30, 2022 compared to \$7.0 million for the six months ended June 30, 2021. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,		Change	%	Six Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 2,460	\$ 2,116	\$ 344	16	\$ 2,308	\$ 1,944	\$ 364	19
Retail	627	746	(119)	(16)	627	746	(119)	(16)
Multifamily	1,904	1,651	253	15	1,904	1,651	253	15
Mixed-Use	4,632	2,513	2,119	84	4,632	2,513	2,119	84
	\$ 9,623	\$ 7,026	\$ 2,597	37 %	\$ 9,471	\$ 6,854	\$ 2,617	38 %

Office other property income increased \$0.3 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in parking garage income at Lloyd Portfolio, City Center Bellevue and First & Main, partially offset by lease termination and settlement fees received at One Beach and City Center Bellevue during 2021.

Retail other property income decreased \$0.1 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to the lease termination fees received at Alamo Quarry Market and Del Monte Center during 2021.

Multifamily other property income increased \$0.3 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily to an increase in parking garage income at Hassalo on Eighth - Residential and an increase in meter income at Loma Palisades and Santa Fe Park RV Resort.

Total mixed-use other property income increased \$2.1 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in other room rental income and rent excise tax at the hotel portion and an increase in parking garage income at the retail portion of our mixed-use property. 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 \$12.3 million, or 20%, to \$72.7 million for the six months ended June 30, 2022, compared to \$60.4 million for the six months ended June 30, 2021. This increase in total property expenses was attributable primarily to the factors discussed below.

*Rental Expenses.* Rental expenses increased \$11.5 million, or 30%, to \$50.0 million for the six months ended June 30, 2022, compared to \$38.5 million for the six months ended June 30, 2021. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,		Change	%	Six Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 17,151	\$ 13,497	\$ 3,654	27	\$ 14,978	\$ 13,097	\$ 1,881	14
Retail	7,913	7,240	673	9	7,913	7,240	673	9
Multifamily	8,773	7,574	1,199	16	8,773	7,574	1,199	16
Mixed-Use	16,161	10,139	6,022	59	16,161	10,139	6,022	59
	\$ 49,998	\$ 38,450	\$ 11,548	30 %	\$ 47,825	\$ 38,050	\$ 9,775	26 %

Office rental expenses increased \$3.7 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to \$1.8 million related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520. Same-store office rental expenses increased \$1.9 million due to an increase in repairs and maintenance services, utilities expenses and facility services, as the "stay-at home" orders issued by state and local governments related to the COVID-19 pandemic were relaxed in 2021 and our tenants' employees have started returning to the office in-person.

Retail rental expenses increased \$0.7 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in repairs and maintenance, facilities services, utilities expenses and marketing expenses in the period, as restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic were eased during the first half of 2021.

Multifamily rental expenses increased \$1.2 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in utilities expenses and repairs and maintenance, related to landscaping, plumbing and painting services. Additionally, there was an increase in property-level personnel compensation expenses.

Total mixed-use rental expenses increased \$6.0 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in hotel room expenses and personnel 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 tax expense increased \$0.8 million, or 3%, to \$22.7 million for the six months ended June 30, 2022 compared to \$22.0 million for the six months ended June 30, 2021. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,		Change	%	Six Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 10,242	\$ 9,515	\$ 727	8	\$ 9,452	\$ 9,400	\$ 52	1
Retail	7,245	6,937	308	4	7,245	6,937	308	4
Multifamily	3,527	3,410	117	3	3,527	3,410	117	3
Mixed-Use	1,702	2,104	(402)	(19)	1,702	2,104	(402)	(19)
	\$ 22,716	\$ 21,966	\$ 750	3 %	\$ 21,926	\$ 21,851	\$ 75	— %

Office real estate taxes increased \$0.7 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to \$0.7 million related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520.

Retail real estate taxes increased \$0.3 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to a 2021 catch-up for prior year tax assessment reconciliations which led to a decrease in the overall taxes owed at Alamo Quarry Market, which was recorded in June 2021.

Multifamily real estate taxes increased \$0.1 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase in tax assessments for Hassalo on Eighth - Residential.

Mixed-use real estate taxes decreased \$0.4 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to the COVID-19 pandemic and its financial burden on the hospitality industry, as a result of which the Honolulu County reduced the tax burden for hotels for 2021 through 2022.

#### Property Operating Income

Property operating income increased \$17.5 million, or 15%, to \$132.9 million for the six months ended June 30, 2022, compared to \$115.4 million for the six months ended June 30, 2021. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Six Months Ended June 30,		Change	%	Six Months Ended June 30,		Change	%
	2022	2021			2022	2021		
Office	\$ 72,769	\$ 66,022	\$ 6,747	10	\$ 66,628	\$ 66,361	\$ 267	—
Retail	34,021	30,578	3,443	11	34,021	30,578	3,443	11
Multifamily	15,803	14,307	1,496	10	15,803	14,307	1,496	10
Mixed-Use	10,318	4,472	5,846	131	10,318	4,472	5,846	131
	\$ 132,911	\$ 115,379	\$ 17,532	15 %	\$ 126,770	\$ 115,718	\$ 11,052	10 %

Total office property operating income increased \$6.7 million during the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to the recent acquisitions of Eastgate Office Park, Corporate Campus East III, and Bel-Spring 520, which had incremental property operating income of approximately \$6.5 million during the period. Same-store property operating income increased \$0.3 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to higher occupancy at La Jolla Commons and Torrey Reserve Campus, and higher annualized base rent at La Jolla Commons and The Landmark at One Market.

Total retail property operating income increased \$3.4 million during the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase of \$2.4 million for tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 and 2021 as the collectability of rent was determined to be no longer probable for certain tenants. Additionally, there was an increase in cost recoveries of \$1.3 million as COVID-related rent concessions were provided during 2020 and 2021. These increases were partially offset by higher repairs and maintenance expense, facilities services, utilities expenses and marketing expenses in the period, as restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic were eased during the first half of 2021.

Total multifamily property operating income increased \$1.5 million during the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an overall increase in occupancy and average monthly base rent of 94.2% and \$2,257, respectively, for the six months ended June 30, 2022 compared to 88.6% and \$2,181, respectively for the six months ended June 30, 2021. These increases were partially offset by higher utilities expenses and repairs and maintenance.

Total mixed-use property operating income increased \$5.8 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to an increase of \$3.9 million related to the Waikiki Beach Walk hotel portion of our mixed use property. This increase was due to the lifting of COVID-19 travel restrictions, which led to an increase in average occupancy and revenue per available room to 75.8% and \$262 for the six months ended June 30, 2022, respectively, compared to 57.4% and \$142 for the six months ended June 30, 2021, respectively. Additionally, there was an increase of \$1.9 million at the retail portion of our mixed-use property related to parking garage income and tenants who were changed to alternate rent or to cash basis of revenue recognition during 2020 and 2021 as the collectability of rent was determined to be no longer probable for certain tenants.

#### *Other*

*General and Administrative.* General and administrative expenses increased \$1.0 million, or 7%, to \$14.8 million for the six months ended June 30, 2022, compared to \$13.7 million for the six months ended June 30, 2021. This increase was primarily due to stock-based compensation expense and employee-related costs, including, without limitation, with respect to base pay for certain salaried and hourly workers and benefits.

*Depreciation and Amortization.* Depreciation and amortization expense increased \$6.4 million, or 12%, to \$61.5 million for the six months ended June 30, 2022, compared to \$55.1 million for the six months ended June 30, 2021. This increase was primarily due to a \$5.9 million increase related to the recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520. Additionally, there was an increase in depreciation and amortization at The Landmark at One Market due to building and tenant improvements that were put into service in 2021. These increases were offset by lower depreciation and amortization at One Beach due to the modernization of the property and depreciation of assets, which was accelerated in 2021.

*Interest Expense.* Interest expense increased \$0.3 million, or 1%, to \$29.2 million for the six months ended June 30, 2022 compared to \$28.9 million for the six months ended June 30, 2021. This increase was primarily due to the closing of our 3.375% Senior Notes offering on January 26, 2021. Additionally, an increase in interest expense related to our Term Loan A, which changed from an unhedged variable interest rate to a fixed interest rate at the beginning of 2022, as we entered into two interest rate swaps agreements to lock the rate against future fluctuation. These increases were offset by an increase in capitalized interest related to our development projects.

*Loss on Early Extinguishment of Debt.* Early extinguishment of debt expense decreased \$4.3 million for the six months ended June 30, 2022 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, net increased \$0.2 million, or 170%, to other expense, net of \$0.3 million for the six months ended June 30, 2022, compared to other expense, net of \$0.1 million for the six months ended June 30, 2021 primarily due to the decrease in interest and investment income attributed to the lower yield on our average cash balance during the period and an increase in income tax 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, 2022, 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 8 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, 2022, 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 has temporarily impacted, and is expected to continue 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.

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.

On December 3, 2021, we entered into a new ATM equity program with five sales agents under 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. The sale of shares of our common stock made through the ATM equity program are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended. For the three months ended June 30, 2022, no shares of common stock were sold through the ATM equity program.

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, 2022, we held \$60.8 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 2022 and first quarter 2023 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 has impacted, and 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, 2022 to the six months ended June 30, 2021***

Cash, cash equivalents, and restricted cash were \$60.8 million and \$370.0 million at June 30, 2022 and 2021, respectively.

Net cash provided by operating activities increased \$9.3 million to \$86.1 million for the six months ended June 30, 2022 compared to \$76.7 million for the six months ended June 30, 2021. The increase in cash from operations was primarily due to the increase in rental revenue from the hotel portion of our mixed-use property, our recent acquisitions of Eastgate Office Park, Corporate Campus East III and Bel-Spring 520 and changes in operating assets and liabilities.

Net cash used in investing activities increased \$75.4 million to \$112.5 million for the six months ended June 30, 2022 compared to \$37.1 million for the six months ended June 30, 2021. The increase was primarily due to our newest acquisition of Bel-Spring 520 on March 8, 2022, and capital expenditures at La Jolla Commons III and One Beach Street.

Net cash used in financing activities increased \$243.7 million to \$52.4 million for the six months ended June 30, 2022 compared to cash provided by financing activities of \$191.3 million for the six months ended June 30, 2021. The increase in cash used in financing activities was primarily due to quarterly dividends for the first half of 2022 and debt issuance costs related to our Third Amended and Restated Credit Facility. Whereas, the cash provided by financing activities through the second quarter of 2021 was related to the issuance of the 3.375% Senior Notes on January 26, 2021, partially offset by the repayment of 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, 2022 and 2021 computed in accordance with GAAP (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net operating income	\$ 67,015	\$ 60,993	\$ 132,911	\$ 115,379
General and administrative	(7,612)	(6,924)	(14,754)	(13,747)
Depreciation and amortization	(31,087)	(27,646)	(61,499)	(55,147)
Interest expense	(14,547)	(14,862)	(29,213)	(28,867)
Loss on early extinguishment of debt	—	—	—	(4,271)
Other (expense) income, net	(181)	(74)	(343)	(127)
<b>Net income</b>	<b>\$ 13,588</b>	<b>\$ 11,487</b>	<b>\$ 27,102</b>	<b>\$ 13,220</b>

#### Funds from Operations

We calculate funds from operations ("FFO"), in accordance with the standards established by the National Association of Real Estate Investment Trusts ("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, 2022 to net income, the nearest GAAP equivalent (in thousands, except per share and share data):

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
<b>Funds from Operations (FFO)</b>		
Net income	\$ 13,588	\$ 27,102
Plus: Real estate depreciation and amortization	31,087	61,499
Funds from operations	44,675	88,601
Less: Nonforfeitable dividends on incentive restricted stock awards	(153)	(306)
FFO attributable to common stock and units	\$ 44,522	\$ 88,295
FFO per diluted share/unit	\$ 0.58	\$ 1.16
Weighted average number of common shares and units, diluted <sup>(1)</sup>	76,222,271	76,221,747

(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, 2022, we had \$1.41 billion of fixed rate debt outstanding with an estimated fair value of \$1.32 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 or SOFR contracts. If interest rates at June 30, 2022 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$50.3 million. If interest rates at June 30, 2022 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$73.8 million. Additionally, we consider \$250.0 million related to Term Loan A, Term Loan B and Term Loan C outstanding as of June 30, 2022 to be fixed rate debt as the rate is effectively fixed by an interest rate swap agreement.

*Variable Interest Rate Debt*

At June 30, 2022, 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 \$0.0 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 \$0.0 million with a corresponding increase in our net income and cash flows for the year.

*Prospective Mortgage Interest Rate Risk*

On July 25, 2022, we entered into an interest rate lock agreement with PNC Bank, National Association ("PNC"), in an original principal amount not to exceed \$75 million and a fixed interest rate of 5.08%. In connection with the interest rate lock agreement, PNC hedged the fixed interest rate itself, which is intended to reduce the interest rate variability exposure of a prospective five-year non-recourse mortgage of our City Center Bellevue property, which we expect to close in the third or fourth quarter of 2022, subject to customary closing conditions. We intend for the net proceeds from the prospective mortgage of our City Center Bellevue property to be applied to pay off our expiring mortgage of our City Center Bellevue property. The prospective mortgage of our City Center Bellevue property is in lieu of a prospective \$63 million mortgage of our Lomas Santa Fe Plaza property, which we terminated with no interest rate breakage fees associated therewith.

**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, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2021.

**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 (1)	<a href="#">Third Amended and Restated Credit Agreement dated January 5, 2022, by and among American Assets Trust, Inc., American Assets Trust, L.P., Bank of America, N.A., as Administrative Agent, and other entities named therein.</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.</a>
31.2*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.</a>
31.3*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.</a>
31.4*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.</a>
32.1*	<a href="#">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</a>
32.2*	<a href="#">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</a>
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 5, 2022.

**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

Ernest Rady  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ ROBERT F. BARTON

Robert F. Barton  
Executive Vice President, Chief Financial  
Officer  
(Principal Financial and Accounting  
Officer)

Date: July 29, 2022

/s/ ERNEST RADY

Ernest Rady  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ ROBERT F. BARTON

Robert F. Barton  
Executive Vice President, Chief Financial  
Officer  
(Principal Financial and Accounting  
Officer)

Date: July 29, 2022

**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 29, 2022

/s/ ERNEST RADY

Ernest Rady

Chairman and Chief Executive Officer

**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 29, 2022

/s/ ERNEST RADY

Ernest Rady

Chairman and Chief Executive Officer

**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 29, 2022

/s/ ROBERT F. BARTON

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Robert F. Barton  
EVP and Chief Financial Officer

**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 29, 2022

/s/ ROBERT F. BARTON

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Robert F. Barton  
EVP and Chief Financial Officer



**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, 2022 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 29, 2022

**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, 2022 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 29, 2022