

**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, 2023

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_



**AMERICAN ASSETS TRUST, INC.**

(Exact Name of Registrant as Specified in its Charter)

Commission file number: 001-35030

**AMERICAN ASSETS TRUST, L.P.**

(Exact Name of Registrant as Specified in its Charter)

Commission file number: 333-202342-01

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

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

(858) 350-2600

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

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

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

American Assets Trust, Inc.

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

American Assets Trust, L.P.

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

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

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

American Assets Trust, Inc.  Yes  No

American Assets Trust, L.P.  Yes  No

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

<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 60,724,630 shares of common stock, par value \$0.01 per share, outstanding as of July 28, 2023.

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## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2023 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, 2023, 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 the company, directly or indirectly holds the ownership interests in the company's real estate ventures, conducts the operations of the business and is structured as a partnership with no publicly-traded equity. Except for net proceeds from public equity issuances by American Assets Trust, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by 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, 2023**

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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, 2023 (unaudited)	December 31, 2022
<b>ASSETS</b>		
Real estate, at cost		
Operating real estate	\$ 3,489,314	\$ 3,468,537
Construction in progress	220,906	202,385
Held for development	547	547
	<u>3,710,767</u>	<u>3,671,469</u>
Accumulated depreciation	(988,560)	(936,913)
Real estate, net	2,722,207	2,734,556
Cash and cash equivalents	84,709	49,571
Accounts receivable, net	7,348	7,848
Deferred rent receivables, net	89,042	87,192
Other assets, net	109,154	108,714
<b>TOTAL ASSETS</b>	<u>\$ 3,012,460</u>	<u>\$ 2,987,881</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Secured notes payable, net	\$ 74,623	\$ 74,578
Unsecured notes payable, net	1,613,663	1,539,453
Unsecured line of credit, net	—	34,057
Accounts payable and accrued expenses	62,961	65,992
Security deposits payable	8,680	8,699
Other liabilities and deferred credits, net	76,417	79,577
<b>Total liabilities</b>	<u>1,836,344</u>	<u>1,802,356</u>
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, 60,724,630 and 60,718,653 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	607	607
Additional paid-in capital	1,465,346	1,461,201
Accumulated dividends in excess of net income	(262,745)	(251,167)
Accumulated other comprehensive income	11,524	10,624
<b>Total American Assets Trust, Inc. stockholders' equity</b>	<u>1,214,732</u>	<u>1,221,265</u>
Noncontrolling interests	(38,616)	(35,740)
<b>Total equity</b>	<u>1,176,116</u>	<u>1,185,525</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 3,012,460</u>	<u>\$ 2,987,881</u>

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,	
	2023	2022	2023	2022
<b>REVENUE:</b>				
Rental income	\$ 103,901	\$ 99,016	\$ 206,611	\$ 196,002
Other property income	5,820	5,139	10,864	9,623
Total revenue	109,721	104,155	217,475	205,625
<b>EXPENSES:</b>				
Rental expenses	28,711	25,853	56,216	49,998
Real estate taxes	11,086	11,287	22,718	22,716
General and administrative	8,609	7,612	17,608	14,754
Depreciation and amortization	29,823	31,087	59,724	61,499
Total operating expenses	78,229	75,839	156,266	148,967
<b>OPERATING INCOME</b>	<b>31,492</b>	<b>28,316</b>	<b>61,209</b>	<b>56,658</b>
Interest expense, net	(16,368)	(14,547)	(32,097)	(29,213)
Other income (expense), net	273	(181)	6,951	(343)
<b>NET INCOME</b>	<b>15,397</b>	<b>13,588</b>	<b>36,063</b>	<b>27,102</b>
Net income attributable to restricted shares	(190)	(154)	(379)	(309)
Net income attributable to unitholders in the Operating Partnership	(3,224)	(2,852)	(7,565)	(5,688)
<b>NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS</b>	<b>\$ 11,983</b>	<b>\$ 10,582</b>	<b>\$ 28,119</b>	<b>\$ 21,105</b>
<b>EARNINGS PER COMMON SHARE</b>				
Earnings per common share, basic	\$ 0.20	\$ 0.18	\$ 0.47	\$ 0.35
Weighted average shares of common stock outstanding - basic	60,146,210	60,040,243	60,145,414	60,039,467
Earnings per common share, diluted	\$ 0.20	\$ 0.18	\$ 0.47	\$ 0.35
Weighted average shares of common stock outstanding - diluted	76,327,747	76,221,780	76,326,951	76,221,004
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.33</b>	<b>\$ 0.32</b>	<b>\$ 0.66</b>	<b>\$ 0.64</b>
<b>COMPREHENSIVE INCOME</b>				
Net income	\$ 15,397	\$ 13,588	\$ 36,063	\$ 27,102
Other comprehensive income - unrealized income on swap derivatives during the period	4,360	3,314	2,091	8,910
Reclassification of amortization of forward-starting swap included in interest expense	(98)	(275)	(952)	(550)
Comprehensive income	19,659	16,627	37,202	35,462
Comprehensive income attributable to non-controlling interests	(4,127)	(3,496)	(7,804)	(7,462)
Comprehensive income attributable to American Assets Trust, Inc.	\$ 15,532	\$ 13,131	\$ 29,398	\$ 28,000

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, 2022</b>	60,718,653	\$ 607	\$ 1,461,201	\$ (251,167)	\$ 10,624	\$ (35,740)	\$ 1,185,525
Net income	—	—	—	16,325	—	4,341	20,666
Forfeiture of restricted stock	(818)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(20,037)	—	(5,340)	(25,377)
Stock-based compensation	—	—	2,035	—	—	—	2,035
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	(1,786)	(483)	(2,269)
Reclassification of amortization of forward-starting swap included in interest expense	—	—	—	—	(673)	(181)	(854)
<b>Balance at March 31, 2023</b>	60,717,835	607	1,463,236	(254,879)	8,165	(37,403)	1,179,726
Net income	—	—	—	12,173	—	3,224	15,397
Issuance of restricted stock	10,348	—	—	—	—	—	—
Forfeiture of restricted stock	(3,553)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(20,039)	—	(5,340)	(25,379)
Stock-based compensation	—	—	2,110	—	—	—	2,110
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	3,436	924	4,360
Reclassification of amortization of forward-starting swap included in interest expense	—	—	—	—	(77)	(21)	(98)
<b>Balance at June 30, 2023</b>	60,724,630	\$ 607	\$ 1,465,346	\$ (262,745)	\$ 11,524	\$ (38,616)	\$ 1,176,116



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 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
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

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,	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 36,063	\$ 27,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(4,950)	(5,425)
Depreciation and amortization	59,724	61,499
Amortization of debt issuance costs and debt discounts	1,718	1,279
Provision for uncollectable rental income	739	(86)
Stock-based compensation expense	4,145	3,490
Other noncash interest expense, net	(952)	(549)
Other, net	432	(1,724)
Changes in operating assets and liabilities		
Change in accounts receivable	(3)	314
Change in other assets	(1,374)	(1,459)
Change in accounts payable and accrued expenses	1,723	(46)
Change in security deposits payable	(19)	474
Change in other liabilities and deferred credits	872	1,188
<b>Net cash provided by operating activities</b>	<b>98,118</b>	<b>86,057</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of real estate	—	(45,167)
Capital expenditures	(44,411)	(63,060)
Leasing commissions	(4,675)	(4,252)
<b>Net cash used in investing activities</b>	<b>(49,086)</b>	<b>(112,479)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from unsecured term loan	225,000	—
Repayment of unsecured line of credit	(36,000)	—
Repayment of unsecured term loan	(150,000)	—
Debt issuance costs	(2,138)	(3,245)
Dividends paid to common stock and unitholders	(50,756)	(49,092)
Shares withheld for employee taxes	—	(15)
<b>Net cash used in financing activities</b>	<b>(13,894)</b>	<b>(52,352)</b>
Net increase (decrease) in cash and cash equivalents	35,138	(78,774)
Cash and cash equivalents, beginning of period	49,571	139,524
Cash and cash equivalents, end of period	<b>\$ 84,709</b>	<b>\$ 60,750</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,	
	2023	2022
Cash and cash equivalents	\$ 84,709	60,750
Restricted cash	—	—
<b>Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows</b>	<b>\$ 84,709</b>	<b>\$ 60,750</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, 2023 (unaudited)	December 31, 2022
<b>ASSETS</b>		
Real estate, at cost		
Operating real estate	\$ 3,489,314	\$ 3,468,537
Construction in progress	220,906	202,385
Held for development	547	547
	<u>3,710,767</u>	<u>3,671,469</u>
Accumulated depreciation	(988,560)	(936,913)
Real estate, net	2,722,207	2,734,556
Cash and cash equivalents	84,709	49,571
Accounts receivable, net	7,348	7,848
Deferred rent receivables, net	89,042	87,192
Other assets, net	109,154	108,714
<b>TOTAL ASSETS</b>	<u>\$ 3,012,460</u>	<u>\$ 2,987,881</u>
<b>LIABILITIES AND CAPITAL</b>		
<b>LIABILITIES:</b>		
Secured notes payable, net	\$ 74,623	\$ 74,578
Unsecured notes payable, net	1,613,663	1,539,453
Unsecured line of credit, net	—	34,057
Accounts payable and accrued expenses	62,961	65,992
Security deposits payable	8,680	8,699
Other liabilities and deferred credits, net	76,417	79,577
<b>Total liabilities</b>	<u>1,836,344</u>	<u>1,802,356</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, 2023 and December 31, 2022, respectively	(42,242)	(39,127)
General partner's capital, 60,724,630 and 60,718,653 units issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	1,203,208	1,210,641
Accumulated other comprehensive income	15,150	14,011
<b>Total capital</b>	<u>1,176,116</u>	<u>1,185,525</u>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<u>\$ 3,012,460</u>	<u>\$ 2,987,881</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,	
	2023	2022	2023	2022
<b>REVENUE:</b>				
Rental income	\$ 103,901	\$ 99,016	\$ 206,611	\$ 196,002
Other property income	5,820	5,139	10,864	9,623
Total revenue	109,721	104,155	217,475	205,625
<b>EXPENSES:</b>				
Rental expenses	28,711	25,853	56,216	49,998
Real estate taxes	11,086	11,287	22,718	22,716
General and administrative	8,609	7,612	17,608	14,754
Depreciation and amortization	29,823	31,087	59,724	61,499
Total operating expenses	78,229	75,839	156,266	148,967
<b>OPERATING INCOME</b>	<b>31,492</b>	<b>28,316</b>	<b>61,209</b>	<b>56,658</b>
Interest expense, net	(16,368)	(14,547)	(32,097)	(29,213)
Other income (expense), net	273	(181)	6,951	(343)
<b>NET INCOME</b>	<b>15,397</b>	<b>13,588</b>	<b>36,063</b>	<b>27,102</b>
Net income attributable to restricted shares	(190)	(154)	(379)	(309)
<b>NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.</b>	<b>\$ 15,207</b>	<b>\$ 13,434</b>	<b>\$ 35,684</b>	<b>\$ 26,793</b>
<b>EARNINGS PER UNIT - BASIC</b>				
Earnings per unit, basic	\$ 0.20	\$ 0.18	\$ 0.47	\$ 0.35
Weighted average units outstanding - basic	76,327,747	76,221,780	76,326,951	76,221,004
<b>EARNINGS PER UNIT - DILUTED</b>				
Earnings per unit, diluted	\$ 0.20	\$ 0.18	\$ 0.47	\$ 0.35
Weighted average units outstanding - diluted	76,327,747	76,221,780	76,326,951	76,221,004
<b>DISTRIBUTIONS PER UNIT</b>	<b>\$ 0.33</b>	<b>\$ 0.32</b>	<b>\$ 0.66</b>	<b>\$ 0.64</b>
<b>COMPREHENSIVE INCOME</b>				
Net income	\$ 15,397	\$ 13,588	\$ 36,063	\$ 27,102
Other comprehensive income - unrealized income on swap derivatives during the period	4,360	3,314	2,091	8,910
Reclassification of amortization of forward-starting swap included in interest expense	(98)	(275)	(952)	(550)
Comprehensive income	19,659	16,627	37,202	35,462
Comprehensive income attributable to Limited Partners	(4,127)	(3,496)	(7,804)	(7,462)
Comprehensive income attributable to General Partner	\$ 15,532	\$ 13,131	\$ 29,398	\$ 28,000

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, 2022</b>	16,181,537	\$ (39,127)	60,718,653	\$ 1,210,641	\$ 14,011	\$ 1,185,525
Net income	—	4,341	—	16,325	—	20,666
Forfeiture of restricted units	—	—	(818)	—	—	—
Distributions	—	(5,340)	—	(20,037)	—	(25,377)
Stock-based compensation	—	—	—	2,035	—	2,035
Other comprehensive income - change in value of interest rate swap	—	—	—	—	(2,269)	(2,269)
Reclassification of amortization of forward starting swaps included in interest expense	—	—	—	—	(854)	(854)
<b>Balance at March 31, 2023</b>	16,181,537	(40,126)	60,717,835	1,208,964	10,888	1,179,726
Net income	—	3,224	—	12,173	—	15,397
Issuance of restricted units	—	—	10,348	—	—	—
Forfeiture of restricted units	—	—	(3,553)	—	—	—
Distributions	—	(5,340)	—	(20,039)	—	(25,379)
Stock-based compensation	—	—	—	2,110	—	2,110
Other comprehensive income - change in value of interest rate swap	—	—	—	—	4,360	4,360
Reclassification of amortization of forward-starting swap realized gains included in interest expense	—	—	—	—	(98)	(98)
<b>Balance at June 30, 2023</b>	16,181,537	\$ (42,242)	\$ 60,724,630	\$ 1,203,208	\$ 15,150	\$ 1,176,116

	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 swaps 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

(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,	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 36,063	\$ 27,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent revenue and amortization of lease intangibles	(4,950)	(5,425)
Depreciation and amortization	59,724	61,499
Amortization of debt issuance costs and debt discounts	1,718	1,279
Provision for uncollectable rental income	739	(86)
Stock-based compensation expense	4,145	3,490
Other noncash interest expense, net	(952)	(549)
Other, net	432	(1,724)
Changes in operating assets and liabilities		
Change in accounts receivable	(3)	314
Change in other assets	(1,374)	(1,459)
Change in accounts payable and accrued expenses	1,723	(46)
Change in security deposits payable	(19)	474
Change in other liabilities and deferred credits	872	1,188
<b>Net cash provided by operating activities</b>	<b>98,118</b>	<b>86,057</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of real estate	—	(45,167)
Capital expenditures	(44,411)	(63,060)
Leasing commissions	(4,675)	(4,252)
<b>Net cash used in investing activities</b>	<b>(49,086)</b>	<b>(112,479)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from unsecured term loan	225,000	—
Repayment of unsecured line of credit	(36,000)	—
Repayment of unsecured notes payable	(150,000)	—
Debt issuance costs	(2,138)	(3,245)
Distributions	(50,756)	(49,092)
Shares withheld for employee taxes	—	(15)
<b>Net cash used in financing activities</b>	<b>(13,894)</b>	<b>(52,352)</b>
Net increase (decrease) in cash and cash equivalents	35,138	(78,774)
Cash and cash equivalents, beginning of period	49,571	139,524
Cash and cash equivalents, end of period	<b>\$ 84,709</b>	<b>\$ 60,750</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,	
	2023	2022
Cash and cash equivalents	\$ 84,709	\$ 60,750
Restricted cash	—	—
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	<b>\$ 84,709</b>	<b>\$ 60,750</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, 2023

(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 220 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, 2023, 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, 2023, 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	Waialele 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, 2023

(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, 2022.

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,	
	2023	2022
<b>Supplemental cash flow information</b>		
Total interest costs incurred	\$ 35,863	\$ 31,774
Interest capitalized	\$ 3,766	\$ 2,561
Interest expense, net	\$ 32,097	\$ 29,213
Cash paid for interest, net of amounts capitalized	\$ 30,458	\$ 28,201
Cash paid for income taxes	\$ 779	\$ 474
<b>Supplemental schedule of noncash investing and financing activities</b>		
Accounts payable and accrued liabilities for construction in progress	\$ 17,223	\$ 19,489
Accrued leasing commissions	\$ 1,297	\$ 2,936

**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, 2022. There have been no changes to our significant accounting policies during the six months ended June 30, 2023.

**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 office real estate, retail real estate, multifamily real estate and mixed-use real estate. 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 retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

**Revenue Recognition and Accounts Receivable**

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

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which require significant judgment by management. The collectability of receivables is affected by numerous different factors including current economic conditions, 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, 2023 and December 31, 2022 was approximately \$1.8 million and \$2.1 million, respectively.

**Rent Concessions – COVID-19**

Due to the impacts of COVID-19, from 2020 through 2022 we provided lease concessions to certain tenants, primarily within the retail segment, in the form of rent deferrals and abatements. We assess each lease concession and determine whether it represents a lease modification under Accounting Standards Codification Topic 842, Leases ("ASC 842").

**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 have been or 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 with a 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, 2023

(Unaudited)

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

The following summarizes our acquired lease intangibles and leasing costs, which are included in other assets and other liabilities and deferred credits, as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
In-place leases	\$ 58,119	\$ 58,119
Accumulated amortization	(37,139)	(34,593)
Above market leases	1,885	1,885
Accumulated amortization	(1,799)	(1,778)
Acquired lease intangible assets, net	<u>\$ 21,066</u>	<u>\$ 23,633</u>
Below market leases	\$ 52,832	\$ 52,832
Accumulated accretion	(34,766)	(33,168)
Acquired lease intangible liabilities, net	<u>\$ 18,066</u>	<u>\$ 19,664</u>

**NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(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 our 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, 2023 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, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Deferred compensation liability	\$ —	\$ 2,429	\$ —	\$ 2,429	\$ —	\$ 2,411	\$ —	\$ 2,411
Interest rate swap asset	\$ —	\$ 11,881	\$ —	\$ 11,881	\$ —	\$ 9,986	\$ —	\$ 9,986
Interest rate swap liability	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 196	\$ —	\$ 196

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 5.0% to 6.0%.

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 is directly tied to monthly Secured Overnight Financing Rate (“SOFR”) contracts. A summary of the carrying amount and fair value of our secured financial instruments, all of which are based on Level 2 inputs, is as follows (in thousands):

	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable, net	\$ 74,623	\$ 75,301	\$ 74,578	\$ 75,129
Unsecured term loans, net	\$ 322,917	\$ 325,000	\$ 249,428	\$ 250,000
Unsecured senior guaranteed notes, net	\$ 798,567	\$ 767,584	\$ 798,362	\$ 761,470
Senior unsecured notes, net	\$ 492,178	\$ 387,150	\$ 491,663	\$ 403,500
Unsecured line of credit, net	\$ —	\$ —	\$ 34,057	\$ 36,000

**NOTE 4. DERIVATIVE AND HEDGING ACTIVITIES**

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

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

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2023

(Unaudited)

The following is a summary of the terms of our outstanding interest rate swaps as of June 30, 2023 (dollars in thousands):

Swap Counterparty	Notional Amount	Effective Date	Maturity Date	Fair Value
Bank of America, N.A.	\$ 50,000	1/14/2022	1/5/2027	\$ 4,552
Wells Fargo Bank, N.A.	\$ 50,000	1/14/2022	1/5/2027	\$ 4,556
Wells Fargo Bank, N.A.	\$ 150,000	1/5/2023	1/5/2025	\$ 2,213
Mizuho Capital Markets LLC	\$ 75,000	1/5/2023	1/5/2025	\$ 560

The effective portion of changes in the fair value of the derivatives that are designated as cash flow hedges are being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings for as long as hedged cash flows remain probable. During the next twelve months, we estimate the cash flow hedges in place will reduce interest expense by approximately \$0.4 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, and counterparty credit risk and uses observable market-based inputs, including interest rate curves, and implied volatilities. The fair value of the interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

**NOTE 5. OTHER ASSETS**

Other assets consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Leasing commissions, net of accumulated amortization of \$46,768 and \$43,078, respectively	\$ 38,044	\$ 38,436
Interest rate swap asset	11,881	9,986
Acquired above market leases, net	86	107
Acquired in-place leases, net	20,980	23,526
Lease incentives, net of accumulated amortization of \$1,111 and \$1,012, respectively	1,446	1,296
Other intangible assets, net of accumulated amortization of \$1,732 and \$1,549, respectively	1,986	2,165
Debt issuance costs, net of accumulated amortization of \$577 and \$0, respectively	1,620	—
Right-of-use lease asset, net	22,723	23,921
Prepaid expenses and other	10,388	9,277
Total other assets	\$ 109,154	\$ 108,714

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

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2023

(Unaudited)

**NOTE 6. OTHER LIABILITIES AND DEFERRED CREDITS**

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

	June 30, 2023	December 31, 2022
Acquired below market leases, net	\$ 18,066	\$ 19,664
Prepaid rent and deferred revenue	19,170	17,971
Interest rate swap liability	—	196
Deferred compensation	2,429	2,411
Deferred tax liability	852	852
Straight-line rent liability	11,349	12,746
Lease liability	24,501	25,676
Other liabilities	50	61
<b>Total other liabilities and deferred credits, net</b>	<b>\$ 76,417</b>	<b>\$ 79,577</b>

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

**NOTE 7. DEBT*****Debt of American Assets Trust, Inc.***

American Assets Trust, Inc. does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, American Assets Trust, Inc. has guaranteed the Operating Partnership's obligations under the (i) amended and restated credit facility, (ii) term loans, (iii) senior guaranteed notes, and (iv) senior unsecured notes.

***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, 2023 and December 31, 2022 (in thousands):

Description of Debt	Principal Balance as of		Stated Interest Rate	Stated Maturity Date
	June 30, 2023	December 31, 2022		
City Center Bellevue <sup>(1)</sup>	\$ 75,000	\$ 75,000	5.08 %	October 1, 2027
	75,000	75,000		
Debt issuance costs, net of accumulated amortization of \$497 and \$452, respectively	(377)	(422)		
<b>Total Secured Notes Payable Outstanding</b>	<b>\$ 74,623</b>	<b>\$ 74,578</b>		

(1) Interest only.

The Operating Partnership has provided a carve-out guarantee on the mortgage at City Center Bellevue. Certain loans require the Operating Partnership to comply with various financial covenants. As of June 30, 2023, the Operating Partnership was in compliance with these financial covenants.

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(Unaudited)**
**Unsecured notes payable**

The following table is a summary of the Operating Partnership's total unsecured notes payable outstanding as of June 30, 2023 and December 31, 2022 (in thousands):

Description of Debt	Principal Balance as of		Stated Interest Rate as of June 30, 2023	Stated Maturity Date
	June 30, 2023	December 31, 2022		
Term Loan A	\$ 100,000	\$ 100,000	Variable <sup>(1)</sup>	January 5, 2027
Term Loan B	150,000	100,000	Variable <sup>(3)</sup>	January 5, 2025 <sup>(2)</sup>
Term Loan C	75,000	50,000	Variable <sup>(4)</sup>	January 5, 2025 <sup>(2)</sup>
Senior Guaranteed Notes, Series F	100,000	100,000	3.78 % <sup>(5)</sup>	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 % <sup>(6)</sup>	March 1, 2027
Senior Guaranteed Notes, Series E	100,000	100,000	4.24 % <sup>(7)</sup>	May 23, 2029
Senior Guaranteed Notes, Series G	150,000	150,000	3.91 % <sup>(8)</sup>	July 30, 2030
3.375% Senior Unsecured Notes	500,000	500,000	3.38 %	February 1, 2031
	<u>1,625,000</u>	<u>1,550,000</u>		
Debt discount and issuance costs, net of accumulated amortization of \$6,353 and \$11,709, respectively	(11,337)	(10,547)		
<b>Total Unsecured Notes Payable</b>	<b>\$ <u>1,613,663</u></b>	<b>\$ <u>1,539,453</u></b>		

- (1) The Operating Partnership 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) On January 5, 2023, we extended Term Loan B and Term Loan C to a maturity date of January 5, 2025 with one, twelve-month extension option and increased the fully drawn borrowings thereunder to \$150 million and \$75 million, respectively.
- (3) The Operating Partnership entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan B as follows, in each case subject to adjustments based on our consolidated leverage ratio: (a) from March 1, 2018 through November 30, 2022, the effective interest rate associated with Term Loan B was approximately 2.65% (and such interest rate swap agreement was terminated as of November 30, 2022) and (b) from January 5, 2023 through January 4, 2025, the effective interest rate associated with Term Loan B is approximately 5.47% for the first year (January 5, 2023 through January 4, 2024) and 5.57% for the second year (January 5, 2024 through January 4, 2025) of Term Loan B. Note that variable interest was paid on Term Loan B from December 1, 2022 through January 4, 2023 at 5.32% as there were no interest rate swap agreements in place during such time period on Term Loan B.
- (4) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan C as follows, in each case subject to adjustments based on our consolidated leverage ratio: (a) from March 1, 2018 through November 30, 2022, the effective interest rate associated with Term Loan C was approximately 2.64% (and such interest rate swap agreement was terminated as of November 30, 2022) and (b) from January 5, 2023 through January 4, 2025, the effective interest rate associated with Term Loan C is approximately 5.47% for the first year (January 5, 2023 through January 4, 2024) and 5.57% for the second year (January 5, 2024 through January 4, 2025) of Term Loan C. Note that variable interest was paid on Term Loan C from December 1, 2022 through January 4, 2023 at 5.32% as there were no interest rate swap agreements in place during such time period on Term Loan C.
- (5) 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.
- (6) 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 rate swap contracts were deemed to be a highly effective cash flow hedge; accordingly, the effective interest rate is approximately 3.87% per annum.
- (7) 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.
- (8) 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.

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2023

(Unaudited)

**Senior Unsecured Notes**

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, 2023, 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.

On January 5, 2023, we entered into the Amended and Restated Term Loan Agreement, which increased the aggregate unsecured borrowings from \$150 million to \$225 million and extended the maturity date of Term Loan B and Term Loan C from March 1, 2023 to January 5, 2025, with one, twelve-month extension option, subject to certain conditions. Borrowings under the Amended and Restated Term Loan Agreement bear interest at floating rates equal to, at the Operating Partnership's option, either (1) the applicable SOFR, plus a SOFR adjustment and a spread (based on the Operating Partnership's consolidated leverage ratio and applicable year of Term Loan B and Term Loan C) ranging from 1.20% to 1.90%, or (2) a base rate equal to the highest of (a) 0%, (b) the prime rate, (c) the federal funds rate plus 50 bps and (d) the one-month SOFR, plus a SOFR adjustment and 100 bps, plus, in each case, a spread (based on the Operating Partnership's consolidated leverage ratio and applicable year of the Term Loan B and Term Loan C) ranging from 0.20% to 0.90%. Additionally, the Operating Partnership may elect for borrowings to bear interest based on a ratings-based pricing grid based on the Operating Partnership's then-applicable investment grade debt ratings under the terms set forth in the Amended and Restated Term Loan Agreement.

Prior to entering into the Amended and Restated Term Loan Agreement, the Operating Partnership entered into interest rate swap agreements that are intended to fix the interest rate associated with Term Loan B and Term Loan C at approximately (1) 5.47% for the first year of Term Loan B and Term Loan C and (2) 5.57% for the second year of Term Loan B and Term Loan C, subject to adjustments based on the company's consolidated leverage ratio.

**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.



**American Assets Trust, Inc. and American Assets Trust, L.P.****Notes to Consolidated Financial Statements—(Continued)****June 30, 2023****(Unaudited)**

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 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, 2023, there were no amounts outstanding under the 2022 Revolver Loan and we had incurred approximately \$1.6 million of net debt issuance costs which are recorded in other assets, net on the consolidated balance sheet. For the six months ended June 30, 2023, the weighted average interest rate on the 2022 Revolver Loan was 5.96%.

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, 2023, the Operating Partnership was in compliance with the financial covenants in the Third Amended and Restated Credit Facility.

**American Assets Trust, Inc. and American Assets Trust, L.P.****Notes to Consolidated Financial Statements—(Continued)****June 30, 2023****(Unaudited)****NOTE 8. PARTNERS' CAPITAL OF AMERICAN ASSETS TRUST, L.P.**

Noncontrolling interests in our Operating Partnership are interests in the Operating Partnership that are not owned by us. Noncontrolling interests consisted of 16,181,537 common units (the “noncontrolling common units”), and represented approximately 21.2% of the ownership interests in our Operating Partnership at June 30, 2023. 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, 2023, 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, 2023 and 2022 does not include the weighted average of 571,999 and 483,110 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, 2023 and 2022 does not include the weighted average of 572,623 and 484,295 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.

**NOTE 9. 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, 2023, 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, 2023, 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, 2023, 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, 2023:

<b>Period</b>	<b>Amount per Share/Unit</b>	<b>Period Covered</b>	<b>Dividend Paid Date</b>
First Quarter 2023	\$ 0.33	January 1, 2023 to March 31, 2023	March 23, 2023
Second Quarter 2023	\$ 0.33	April 1, 2023 to June 30, 2023	June 22, 2023

**American Assets Trust, Inc. and American Assets Trust, L.P.****Notes to Consolidated Financial Statements—(Continued)****June 30, 2023****(Unaudited)*****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, 2023:

	Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	574,044	\$ 20.98
Granted	10,348	19.33
Vested	(6,072)	32.94
Forfeited	(4,371)	20.92
Nonvested at June 30, 2023	573,949	\$ 20.87

We recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized \$2.1 million and \$2.0 million in noncash compensation expense for the three months ended June 30, 2023 and 2022, respectively, which is included in general and administrative expenses on the consolidated statements of comprehensive income. We recognized \$4.1 million and \$3.5 million in noncash compensation expense for the six months ended June 30, 2023 and 2022, respectively. Unrecognized compensation expense was \$7.9 million at June 30, 2023.

***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 571,999 and 483,110 for the three months ended June 30, 2023 and 2022, respectively, and 572,623 and 484,295 for the six months ended June 30, 2023 and 2022, 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, 2023 and 2022, 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.

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(Unaudited)**

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,	
	2023	2022	2023	2022
<b>NUMERATOR</b>				
Net income	\$ 15,397	\$ 13,588	\$ 36,063	\$ 27,102
Less: Net income attributable to restricted shares	(190)	(154)	(379)	(309)
Less: Income from operations attributable to unitholders in the Operating Partnership	(3,224)	(2,852)	(7,565)	(5,688)
<b>Net income attributable to common stockholders—basic</b>	<u>\$ 11,983</u>	<u>\$ 10,582</u>	<u>\$ 28,119</u>	<u>\$ 21,105</u>
Income from operations attributable to American Assets Trust, Inc. common stockholders—basic	\$ 11,983	\$ 10,582	\$ 28,119	\$ 21,105
Plus: Income from operations attributable to unitholders in the Operating Partnership	3,224	2,852	7,565	5,688
<b>Net income attributable to common stockholders—diluted</b>	<u>\$ 15,207</u>	<u>\$ 13,434</u>	<u>\$ 35,684</u>	<u>\$ 26,793</u>
<b>DENOMINATOR</b>				
Weighted average common shares outstanding—basic	60,146,210	60,040,243	60,145,414	60,039,467
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	<u>76,327,747</u>	<u>76,221,780</u>	<u>76,326,951</u>	<u>76,221,004</u>
<b>Earnings per common share, basic</b>	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.47</u>	<u>\$ 0.35</u>
<b>Earnings per common share, diluted</b>	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.47</u>	<u>\$ 0.35</u>

**NOTE 10. INCOME TAXES**

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

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

A deferred tax asset is included in our consolidated balance sheets of \$0.7 million and \$0.7 million, and a deferred tax liability is included in our consolidated balance sheets of \$0.9 million and \$0.9 million as of June 30, 2023 and December 31, 2022, 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, 2023, we recorded income tax expense of \$0.2 million and \$0.5 million, respectively. For the three and six months ended June 30, 2022, we recorded income tax expense of \$0.2 million and \$0.4 million, respectively.

**NOTE 11. COMMITMENTS AND CONTINGENCIES*****Legal***

We are sometimes involved in various disputes, lawsuits, warranty claims, environmental considerations, 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 amount within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also, under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

***Commitments***

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

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

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 5.0% of the hotel's gross room revenue, 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 \$7.0 million based on operating performance through June 30, 2023.

**American Assets Trust, Inc. and American Assets Trust, L.P.****Notes to Consolidated Financial Statements—(Continued)****June 30, 2023****(Unaudited)**

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 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 may 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. 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 23.7% of total revenues for the six months ended June 30, 2023. 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 47.4% of total revenues for the six months ended June 30, 2023. 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, 2023 and 2022, no tenant accounted for more than 10% of our total rental revenue.

**NOTE 12. LEASES*****Lessor Operating Leases***

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

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

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

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

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

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2023

(Unaudited)

As of June 30, 2023, 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,		
2023 (six months ending December 31, 2023)	\$	186,351
2024		241,130
2025		221,970
2026		205,360
2027		179,884
Thereafter		332,536
Total	\$	<u>1,367,231</u>

The above future minimum rentals exclude residential leases, which typically range from 7 to 15 months, and exclude the hotel, as rooms are rented on a nightly basis.

**Lessee Operating Leases**

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

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

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

Current annual payments under the operating leases are as follows, as of June 30, 2023 (in thousands):

Year Ending December 31,		
2023 (six months ending December 31, 2023)	\$	1,689
2024		3,428
2025		3,531
2026		3,584
2027		3,584
Thereafter		12,543
Total lease payments		<u>28,359</u>
Imputed interest		(3,858)
Present value of lease liability	\$	<u>24,501</u>

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(Unaudited)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 927	\$ 844	\$ 1,854	\$ 1,689
Sublease income	(836)	(944)	(1,839)	(1,707)
Total lease cost (income)	\$ 91	\$ (100)	\$ 15	\$ (18)

Weighted-average remaining lease term - operating leases (in years)

8.0

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,	
	2023	2022
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,640	\$ 1,592

**Subleases**

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

**NOTE 13. COMPONENTS OF RENTAL INCOME AND EXPENSE**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Lease rental income				
Office	\$ 50,269	\$ 48,949	\$ 99,595	\$ 96,999
Retail	24,707	23,286	49,385	47,327
Multifamily	14,146	13,167	28,663	26,083
Mixed-use	3,024	2,814	5,974	5,614
Percentage rent	605	756	1,160	1,238
Hotel revenue	10,491	9,414	20,509	17,469
Other	659	630	1,325	1,272
Total rental income	\$ 103,901	\$ 99,016	\$ 206,611	\$ 196,002

Lease rental income includes \$1.0 million and \$0.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$3.2 million and \$3.8 million for the six months ended June 30, 2023 and 2022, 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 \$0.8 million for the three months ended June 30, 2023 and 2022, respectively, and \$1.6 million and \$1.7 million for the six months ended June 30, 2023 and 2022, respectively.



**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(Unaudited)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Rental operating	\$ 12,911	\$ 11,379	\$ 25,351	\$ 22,523
Hotel operating	7,343	6,474	14,260	12,122
Repairs and maintenance	5,411	5,309	10,646	10,069
Marketing	569	469	1,077	988
Rent	883	781	1,766	1,590
Hawaii excise tax	1,016	923	1,987	1,732
Management fees	578	518	1,129	974
Total rental expenses	\$ 28,711	\$ 25,853	\$ 56,216	\$ 49,998

**NOTE 14. OTHER INCOME (EXPENSE), NET**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest and investment income	\$ 460	\$ 21	\$ 893	\$ 57
Income tax expense	(187)	(202)	(457)	(400)
Other non-operating income	—	—	6,515	—
Total other income (expense), net	\$ 273	\$ (181)	\$ 6,951	\$ (343)

**NOTE 15. RELATED PARTY TRANSACTIONS**

During the first quarter of 2019, we terminated a lease agreement with American Assets, Inc. ("AAI"), an entity owned and controlled by Ernest Rady, our 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, respectively, are included in rental expenses on the consolidated statements of comprehensive income.

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

## Notes to Consolidated Financial Statements—(Continued)

June 30, 2023

(Unaudited)

**NOTE 16. SEGMENT REPORTING**

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in four business segments: the acquisition, redevelopment, ownership and management of office real estate, retail real estate, multifamily real estate and mixed-use real estate. 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 retail segment primarily include rental of retail 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Total Office</b>				
Property revenue	\$ 52,219	\$ 50,593	\$ 103,189	\$ 100,162
Property expense	(14,894)	(14,063)	(29,714)	(27,393)
Segment profit	37,325	36,530	73,475	72,769
<b>Total Retail</b>				
Property revenue	25,901	24,338	51,528	49,179
Property expense	(7,555)	(7,430)	(15,259)	(15,158)
Segment profit	18,346	16,908	36,269	34,021
<b>Total Multifamily</b>				
Property revenue	15,193	14,214	30,756	28,103
Property expense	(6,786)	(6,221)	(13,317)	(12,300)
Segment profit	8,407	7,993	17,439	15,803
<b>Total Mixed-Use</b>				
Property revenue	16,408	15,010	32,002	28,181
Property expense	(10,562)	(9,426)	(20,644)	(17,863)
Segment profit	5,846	5,584	11,358	10,318
<b>Total segments' profit</b>	<b>\$ 69,924</b>	<b>\$ 67,015</b>	<b>\$ 138,541</b>	<b>\$ 132,911</b>

**American Assets Trust, Inc. and American Assets Trust, L.P.**
**Notes to Consolidated Financial Statements—(Continued)**
**June 30, 2023**
**(Unaudited)**

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,	
	2023	2022	2023	2022
Total segments' profit	\$ 69,924	\$ 67,015	\$ 138,541	\$ 132,911
General and administrative	(8,609)	(7,612)	(17,608)	(14,754)
Depreciation and amortization	(29,823)	(31,087)	(59,724)	(61,499)
Interest expense, net	(16,368)	(14,547)	(32,097)	(29,213)
Other income (expense), net	273	(181)	6,951	(343)
<b>Net income</b>	<b>15,397</b>	<b>13,588</b>	<b>36,063</b>	<b>27,102</b>
Net income attributable to restricted shares	(190)	(154)	(379)	(309)
Net income attributable to unitholders in the Operating Partnership	(3,224)	(2,852)	(7,565)	(5,688)
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<b>\$ 11,983</b>	<b>\$ 10,582</b>	<b>\$ 28,119</b>	<b>\$ 21,105</b>

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

	June 30, 2023	December 31, 2022
<b>Net Real Estate</b>		
Office	\$ 1,617,689	\$ 1,615,479
Retail	570,556	579,219
Multifamily	366,231	370,993
Mixed-Use	167,731	168,865
	<u>\$ 2,722,207</u>	<u>\$ 2,734,556</u>
<b>Secured Notes Payable <sup>(1)</sup></b>		
Office	\$ 75,000	\$ 75,000
	<u>\$ 75,000</u>	<u>\$ 75,000</u>

(1) Excludes debt issuance costs of \$0.4 million and \$0.4 million for each of the periods ended June 30, 2023 and December 31, 2022, respectively.

Capital expenditures for each segment for the three and six months ended June 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Capital Expenditures <sup>(1)</sup></b>				
Office	\$ 19,812	\$ 30,051	\$ 40,537	\$ 56,717
Retail	1,645	3,697	4,170	7,257
Multifamily	1,216	1,315	2,529	2,886
Mixed-Use	718	121	1,850	452
	<u>\$ 23,391</u>	<u>\$ 35,184</u>	<u>\$ 49,086</u>	<u>\$ 67,312</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, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, 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:

- adverse economic or real estate developments in our markets;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- decreased rental rates or increased vacancy rates;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing;
- our inability to develop or redevelop our properties due to market conditions;
- 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;
- 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;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;
- risks related to joint venture arrangements;
- on-going litigation;
- difficulties in completing dispositions;
- 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, or new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, 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, 2022.

## 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, 2023, 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, 2023, 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, 2023. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

## Critical Accounting Policies

We identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2022. 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 provide 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, 2023 and 2022. Because Bel-Spring 520 was acquired on March 8, 2022, it was reclassified as a same-store property and is comparable for the three months ended June 30, 2023, and is classified as non-same-store property for the six months ended June 30, 2023.

In our determination of same-store and redevelopment same-store properties for the three and six months ended June 30, 2023, 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 6.6% for the six months ended June 30, 2023 compared to the same period in 2022. Office same-store net operating income increased 0.6% for the six months ended June 30, 2023 compared to the same period in 2022. Office redevelopment same-store net operating income increased 0.3% for the six months ended June 30, 2023 compared to the same period in 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Same-Store	30	27	29	27
Non-Same-Store	1	4	2	4
Total Properties	31	31	31	31
Redevelopment Same-Store	31	28	30	28
Total Development Properties	3	3	3	3

## Outlook

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

We intend to opportunistically pursue projects in our development pipeline, including future phases of La Jolla Commons and Lloyd Portfolio, as well as other redevelopments at Waikēle 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 COVID-19 on our business. We are unable to predict the future impact that COVID-19 will have on our financial condition, results of operations and cash flows due to numerous uncertainties, including the scope, severity and duration of the virus (including future mutations), governmental, business and individual actions taken to stop its the spread or to mitigate its impact, the availability and adoption of COVID-19 vaccines, and the economic effects of the virus and containment measures, among others. Although many measures aimed to stop the spread of COVID-19 have been lifted, we cannot predict whether they will be reinstated or whether more restrictive measures may be imposed. It is also unclear whether customers' concerns about the transmission of COVID-19 or other diseases will impact their willingness to visit certain of our tenants' businesses.

We believe our financial condition and liquidity are currently strong. Although there is uncertainty related to COVID-19'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.

## 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 2020 through 2022 due to COVID-19, we saw 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 COVID-19, will adversely affect our financial condition and results of operations.

During the three months ended June 30, 2023, we signed 13 office leases for a total of 120,365 square feet of office space including 119,307 square feet of comparable renewal office space leases (leases for which there was a prior tenant), at an average rental rate decrease on a cash basis and increase on a GAAP basis of 3.5% and 4.5%, respectively. New office leases for comparable spaces were signed for 6,431 square feet at an average rental rate increase on a cash and GAAP basis of 23.0% and 19.6%, respectively. Renewals for comparable office spaces were signed for 112,876 square feet at an average rental rate decrease on a cash basis and increase on a GAAP basis of 4.1% and 4.2%, respectively. Tenant improvements and incentives were \$30.27 per square foot of office space for comparable new leases for the three months ended June 30, 2023, mainly due to a tenant at Solana Crossing.

During the three months ended June 30, 2023, we signed 21 retail leases for a total of 121,955 square feet of retail space including 96,955 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 and GAAP basis of 2.9% and 2.1%, respectively. Renewals for comparable retail spaces were signed for 96,955 square feet at an average rental rate increase on a cash and GAAP basis of 2.9% and 2.1%, respectively. There were no new retail leases for comparable spaces signed during the three months ended June 30, 2023.

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 paid on the expiring lease and minimum 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 2023 generally become effective over the following year, though some may not become effective until 2024 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.

## 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 \$5.6 million and \$22.8 million for the three months ended June 30, 2023 and 2022, respectively, and \$15.3 million and \$45.5 million for the six months ended June 30, 2023 and 2022, respectively.

We capitalized external and internal costs related to other property improvements combined of \$13.2 million and \$10.2 million for the three months ended June 30, 2023 and 2022, respectively, and \$25.5 million and \$19.1 million for the six months ended June 30, 2023 and 2022, 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 \$1.9 million and \$1.4 million for the three months ended June 30, 2023 and 2022, respectively, and \$3.8 million and \$2.6 million for the six months ended June 30, 2023 and 2022, 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, 2023 to the three months ended June 30, 2022*

The following summarizes our consolidated results of operations for the three months ended June 30, 2023 compared to our consolidated results of operations for the three months ended June 30, 2022. As of June 30, 2023, 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, 2,110 residential units (including 120 RV spaces) and a 369-room hotel. Additionally, as of June 30, 2023, we owned land at three of our properties that we classified as held for development and/or construction in progress. 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, 2,110 residential units (including 120 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.



The following table sets forth selected data from our unaudited consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended June 30,		Change	%
	2023	2022		
<b>Revenues</b>				
Rental income	\$ 103,901	\$ 99,016	\$ 4,885	5 %
Other property income	5,820	5,139	681	13
Total property revenues	109,721	104,155	5,566	5
<b>Expenses</b>				
Rental expenses	28,711	25,853	2,858	11
Real estate taxes	11,086	11,287	(201)	(2)
Total property expenses	39,797	37,140	2,657	7
Total property income	69,924	67,015	2,909	4
General and administrative	(8,609)	(7,612)	(997)	13
Depreciation and amortization	(29,823)	(31,087)	1,264	(4)
Interest expense, net	(16,368)	(14,547)	(1,821)	13
Other income (expense), net	273	(181)	454	(251)
<b>Net income</b>	15,397	13,588	1,809	13
Net income attributable to restricted shares	(190)	(154)	(36)	23
Net income attributable to unitholders in the Operating Partnership	(3,224)	(2,852)	(372)	13
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<b>\$ 11,983</b>	<b>\$ 10,582</b>	<b>\$ 1,401</b>	<b>13 %</b>

#### Revenue

*Total property revenues.* Total property revenue consists of rental revenue and other property income. Total property revenue increased \$5.6 million, or 5%, to \$109.7 million for the three months ended June 30, 2023 compared to \$104.2 million for the three months ended June 30, 2022. The percentage leased was as follows for each segment as of June 30, 2023 and 2022:

	Percentage Leased <sup>(1)</sup>	
	June 30,	
	2023	2022
Office	87.4 %	91.0 %
Retail	94.6 %	92.5 %
Multifamily	85.9 %	92.0 %
Mixed-Use <sup>(2)</sup>	94.6 %	94.9 %

(1) The percentage leased for our retail and office segments and the retail portion of the mixed-use segment includes square footage under leases, including leases which may not have commenced as of June 30, 2023 or 2022, as applicable. Percentage leased for our multifamily properties includes total units rented and occupied as of June 30, 2023 or 2022, as applicable.

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

The increase in total property revenue was attributable primarily to new retail leases, higher annualized base rents within the office segment and an increase in occupancy and rate at Waikiki Beach Walk Embassy Suites™ and factors discussed below.

**Rental revenues.** Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue increased \$4.9 million, or 5%, to \$103.9 million for the three months ended June 30, 2023 compared to \$99.0 million for the three months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 50,598	\$ 49,291	\$ 1,307	3	\$ 50,598	\$ 49,291	\$ 1,307	3
Retail	25,438	24,035	1,403	6	25,438	24,035	1,403	6
Multifamily	14,224	13,225	999	8	14,224	13,225	999	8
Mixed-Use	13,641	12,465	1,176	9	13,641	12,465	1,176	9
	<u>\$ 103,901</u>	<u>\$ 99,016</u>	<u>\$ 4,885</u>	<u>5 %</u>	<u>\$ 103,901</u>	<u>\$ 99,016</u>	<u>\$ 4,885</u>	<u>5 %</u>

(1) For this table and tables following, the same-store portfolio excludes: (i) One Beach Street, due to significant redevelopment activity; (ii) the 710 building at Lloyd District Portfolio which was placed into operations on November 1, 2022, approximately one year after completing renovations of the building and (iii) land held for development.

Total office rental revenue increased \$1.3 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to higher occupancy at Torrey Point and higher annualized base rents at Torrey Reserve and Corporate Campus East III.

Total retail rental revenue increased \$1.4 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to new tenant leases and prior tenants on alternate rent reverting back to basic monthly rent. These increases were primarily related to Carmel Mountain Plaza, Alamo Quarry Market, Del Monte Center and Lomas Santa Fe Plaza.

Multifamily revenue increased \$1.0 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an overall increase in average monthly base rent, with an overall decrease in occupancy due to seasonality at Pacific Ridge Apartments. Average monthly base rent and occupancy was \$2,587 and 87.7%, respectively for the three months ended June 30, 2023 compared to \$2,297 and 93.2%, respectively for the three months ended June 30, 2022.

Total mixed-use rental revenue increased \$1.2 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an increase in tourism, which led to an increase in average occupancy and revenue per available room to 84.4% and \$312 for the three months ended June 30, 2023, respectively, compared to 78.8% and \$280 for three months ended June 30, 2022, respectively.

*Other property income.* Other property income increased \$0.7 million, or 13%, to \$5.8 million for the three months ended June 30, 2023 compared to \$5.1 million for the three months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 1,621	\$ 1,302	\$ 319	25	\$ 1,615	\$ 1,275	\$ 340	27
Retail	463	303	160	53	463	303	160	53
Multifamily	969	989	(20)	(2)	969	989	(20)	(2)
Mixed-Use	2,767	2,545	222	9	2,767	2,545	222	9
	<u>\$ 5,820</u>	<u>\$ 5,139</u>	<u>\$ 681</u>	<u>13 %</u>	<u>\$ 5,814</u>	<u>\$ 5,112</u>	<u>\$ 702</u>	<u>14 %</u>

Office other property income increased by \$0.3 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to lease termination fees received in the second quarter of 2023 at Solana Crossing and an increase in parking garage income at Lloyd Portfolio, City Center Bellevue and First & Main.

Retail other property income increased by \$0.2 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to lease termination fees received in the second quarter of 2023 at Carmel Mountain Plaza.

Mixed-use other property income increased by \$0.2 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 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.

#### Property Expenses

*Total Property Expenses.* Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased \$2.7 million, or 7%, to \$39.8 million, for the three months ended June 30, 2023 compared to \$37.1 million for the three months ended June 30, 2022.

*Rental Expenses.* Rental expenses increased \$2.9 million, or 11%, to \$28.7 million for the three months ended June 30, 2023 compared to \$25.9 million for the three months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 9,877	\$ 8,911	\$ 966	11	\$ 9,608	\$ 8,718	\$ 890	10
Retail	4,178	3,909	269	7	4,178	3,909	269	7
Multifamily	5,000	4,458	542	12	5,000	4,458	542	12
Mixed-Use	9,656	8,575	1,081	13	9,656	8,575	1,081	13
	<u>\$ 28,711</u>	<u>\$ 25,853</u>	<u>\$ 2,858</u>	<u>11 %</u>	<u>\$ 28,442</u>	<u>\$ 25,660</u>	<u>\$ 2,782</u>	<u>11 %</u>

Office rental expense increased \$1.0 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an increase in utilities expenses, facility services and insurance expenses.

Retail rental expense increased \$0.3 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an increase in repairs and maintenance, employee related costs and insurance expenses.

Multifamily rental expense increased \$0.5 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an increase in repairs and maintenance, facilities services and employee related costs.

Mixed-use rental expense increased \$1.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an increase in hotel room expenses, general excise tax expenses and employee related costs at the hotel portion of our mixed-use property and general excise tax expense and employee related costs at the retail portion of our mixed-use property. These increases are in line with increased tourism and higher hotel occupancy as travel restrictions to Hawaii were relaxed in 2022.

**Real Estate Taxes.** Real estate taxes decreased \$0.2 million, or 2%, to \$11.1 million for the three months ended June 30, 2023 compared to \$11.3 million for the three months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 5,017	\$ 5,152	\$ (135)	(3)	\$ 4,975	\$ 5,103	\$ (128)	(3)
Retail	3,377	3,521	(144)	(4)	3,377	3,521	(144)	(4)
Multifamily	1,786	1,763	23	1	1,786	1,763	23	1
Mixed-Use	906	851	55	6	906	851	55	6
	<u>\$ 11,086</u>	<u>\$ 11,287</u>	<u>\$ (201)</u>	<u>(2)%</u>	<u>\$ 11,044</u>	<u>\$ 11,238</u>	<u>\$ (194)</u>	<u>(2)%</u>

Office real estate taxes decreased \$0.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an adjustment in levy taxes at City Center Bellevue partially offset by an increase in property value assessments at Eastgate Office Park and Corporate Campus East III.

Retail real estate taxes decreased \$0.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due lower tax assessment at Alamo Quarry Market.

Mixed-use real estate taxes increased \$0.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to the COVID-19 pandemic and its financial burden on the hospitality industry, as a result of which Honolulu County reduced the tax burden for hotels for 2021 through 2022.

#### Property Operating Income

Property operating income increased \$2.9 million, or 4%, to \$69.9 million for the three months ended June 30, 2023, compared to \$67.0 million for the three months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 37,325	\$ 36,530	\$ 795	2	\$ 37,630	\$ 36,745	\$ 885	2
Retail	18,346	16,908	1,438	9	18,346	16,908	1,438	9
Multifamily	8,407	7,993	414	5	8,407	7,993	414	5
Mixed-Use	5,846	5,584	262	5	5,846	5,584	262	5
	<u>\$ 69,924</u>	<u>\$ 67,015</u>	<u>\$ 2,909</u>	<u>4 %</u>	<u>\$ 70,229</u>	<u>\$ 67,230</u>	<u>\$ 2,999</u>	<u>4 %</u>

Total office property operating income increased \$0.8 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to higher occupancy at Torrey Point, higher annualized base rents at Torrey Reserve and Corporate Campus East III and an increase in parking garage income at Lloyd Portfolio, City Center Bellevue and First & Main. This increase in revenue was partially offset by higher rental expenses related to utilities, facilities and insurance expenses as our tenants' employees return to the office in-person.

Total retail property operating income increased \$1.4 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to new tenant leases, prior tenants on alternate rent reverting back to basic monthly rent and one-time lease termination fees received at Carmel Mountain Plaza. Additionally, real estate taxes decreased primarily due to lower tax assessment at Alamo Quarry Market. This increase in revenue was partially offset by higher rental expenses related to repairs and maintenance, employee related costs and insurance expenses.

Total multifamily property operating income increased \$0.4 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to an overall increase in average monthly base rent of \$2,587 for the three months ended June 30, 2023 compared to \$2,297 for the three months ended June 30, 2022. Average occupancy decreased to 87.7% for the three months ended June 30, 2023 compared to 93.2% for the three months ended June 30, 2022. This increase in revenue was partially offset by an increase in rental expenses related to repairs and maintenance and facilities services.

Total mixed-use property operating income increased \$0.3 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 primarily due to increase in tourism and related increase in hotel occupancy. This led to an increase in average occupancy and revenue per available room to 84.4% and \$312, respectively, for the three months ended June 30, 2023, compared to 78.8% and \$280, respectively, for three months ended June 30, 2022. This also led to an increase in other room rental income and excise tax at the hotel portion of our mixed-use property. These increases were offset by higher hotel room expenses, general excise tax expenses and employee related costs at both the hotel and retail portions of our mixed-use property.

*Other*

*General and Administrative.* General and administrative expenses increased to \$8.6 million for the three months ended June 30, 2023, compared to \$7.6 million for the three months ended June 30, 2022. 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 decreased to \$29.8 million for the three months ended June 30, 2023, compared to \$31.1 million for the three months ended June 30, 2022. This was due to acceleration of assets related to tenants vacating space during the three months ended June 30, 2022 at City Center Bellevue, Eastgate Office Park, Corporate Campus East III and Alamo Quarry Market. This decrease was partially offset by new building and tenant improvement assets put into service in 2023 at Torrey Reserve Campus.

*Interest Expense, net.* Interest expense increased by \$1.8 million, or 13%, to \$16.4 million for the three months ended June 30, 2023, compared to \$14.5 million for the three months ended June 30, 2022. This increase was primarily due to higher interest on our \$225 million Amended and Restated Term Loan Agreement and related amortization of loan fees. These increases were offset by an increase in capitalized interest related to our development projects.

*Other Income (Expense), Net.* Other income, net increased \$0.5 million, or 251%, to other income, net of \$0.3 million for the three months ended June 30, 2023, compared to other expense, net of \$0.2 million for the three months ended June 30, 2022, primarily due to an increase of \$0.4 million in interest and investment income attributed to higher yield on our average cash balance during the period.

**Comparison of the Six Months Ended June 30, 2023 to the Six Months Ended June 30, 2022**

The following summarizes our consolidated results of operations for the six months ended June 30, 2023 compared to our consolidated results of operations for the six months ended June 30, 2022.

The following table sets forth selected data from our unaudited consolidated statements of income for the six months ended June 30, 2023 and 2022 (dollars in thousands):

	Six Months Ended June 30,		Change	%
	2023	2022		
<b>Revenues</b>				
Rental income	\$ 206,611	\$ 196,002	\$ 10,609	5 %
Other property income	10,864	9,623	1,241	13
Total property revenues	217,475	205,625	11,850	6
<b>Expenses</b>				
Rental expenses	56,216	49,998	6,218	12
Real estate taxes	22,718	22,716	2	—
Total property expenses	78,934	72,714	6,220	9
Total property income	138,541	132,911	5,630	4
General and administrative	(17,608)	(14,754)	(2,854)	19
Depreciation and amortization	(59,724)	(61,499)	1,775	(3)
Interest expense	(32,097)	(29,213)	(2,884)	10
Other income (expense), net	6,951	(343)	7,294	(2,127)
<b>Net income</b>	36,063	27,102	8,961	33
Net income attributable to restricted shares	(379)	(309)	(70)	23
Net income attributable to unitholders in the Operating Partnership	(7,565)	(5,688)	(1,877)	33
<b>Net income attributable to American Assets Trust, Inc. stockholders</b>	<u>\$ 28,119</u>	<u>\$ 21,105</u>	<u>\$ 7,014</u>	<u>33 %</u>

**Revenue**

*Total property revenues.* Total property revenue consists of rental revenue and other property income. Total property revenue increased \$11.9 million, or 6%, to \$217.5 million for the six months ended June 30, 2023 compared to \$205.6 million for the six months ended June 30, 2022. The percentage leased was as follows for each segment as of June 30, 2023 and 2022:

	Percentage Leased <sup>(1)</sup> June 30,	
	2023	2022
Office	87.4 %	91.0 %
Retail	94.6 %	92.5 %
Multifamily	85.9 %	92.0 %
Mixed-Use <sup>(2)</sup>	94.6 %	94.9 %

(1) The percentage leased for our retail and office segments and the retail portion of the mixed-use segment includes square footage under leases, including leases which may not have commenced as of June 30, 2023 or 2022, as applicable. Percentage leased for our multifamily properties includes total units rented and occupied as of June 30, 2023 or 2022, 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 \$10.6 million, or 5%, to \$206.6 million for the six months ended June 30, 2023 compared to \$196.0 million for the six months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 100,290	\$ 97,702	\$ 2,588	3	\$ 98,674	\$ 96,761	\$ 1,913	2
Retail	50,750	48,552	2,198	5	50,750	48,552	2,198	5
Multifamily	28,829	26,199	2,630	10	28,829	26,199	2,630	10
Mixed-Use	26,742	23,549	3,193	14	26,742	23,549	3,193	14
	<u>\$ 206,611</u>	<u>\$ 196,002</u>	<u>\$ 10,609</u>	<u>5 %</u>	<u>\$ 204,995</u>	<u>\$ 195,061</u>	<u>\$ 9,934</u>	<u>5 %</u>

(1) For this table and the tables following, the same-store portfolio excludes: (i) One Beach Street, due to significant redevelopment activity; (ii) Bel-Spring 520, which was acquired on March 8, 2022; (iii) the 710 building at Lloyd District Portfolio which was placed into operations on November 1, 2022, approximately one year after completing renovations of the building and (iv) land held for development.

Total office rental revenue increased \$2.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 due to the acquisition of Bel-Spring 520 which accounted for \$0.7 million of the increase. Same store office rental revenue increased by \$1.9 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to higher annualized base rents at Torrey Reserve and The Landmark at One Market and higher occupancy at Torrey Point. Additionally, there was an increase of \$0.9 million related to cost recoveries at Torrey Reserve, First & Main and The Landmark at One Market.

Retail rental revenue increased \$2.2 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to new tenant leases signed and tenants previously on alternate rent reverting back to basic monthly rent. These increases are primarily related to Carmel Mountain Plaza, Lomas Santa Fe Plaza, Alamo Quarry Market and Waialele Center. Additionally, there was an increase in cost recoveries of \$0.3 million as new leases were executed and COVID-related rent concessions were provided during 2020 and 2021.

Multifamily revenue increased \$2.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to an overall increase in average monthly base rent of \$2,549 for the six months ended June 30, 2023 compared to \$2,257 for the six months ended June 30, 2022. Average occupancy decreased to 90.3% for the six months ended June 30, 2023 compared to 94.2% for the six months ended June 30, 2022.

Mixed-use rental revenue increased \$3.2 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due 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 83.2% and \$307 for the six months ended June 30, 2023, respectively, compared to 75.8% and \$262 for the six months ended June 30, 2022, respectively.

**Other property income.** Other property income increased \$1.2 million, or 13%, to \$10.9 million for the six months ended June 30, 2023 compared to \$9.6 million for the six months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 2,899	\$ 2,460	\$ 439	18	\$ 2,875	\$ 2,397	\$ 478	20
Retail	778	627	151	24	778	627	151	24
Multifamily	1,927	1,904	23	1	1,927	1,904	23	1
Mixed-Use	5,260	4,632	628	14	5,260	4,632	628	14
	<u>\$ 10,864</u>	<u>\$ 9,623</u>	<u>\$ 1,241</u>	<u>13 %</u>	<u>\$ 10,840</u>	<u>\$ 9,560</u>	<u>\$ 1,280</u>	<u>13 %</u>

Office other property income increased \$0.4 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to due to lease termination fees received during 2023 at Solana Crossing and an increase in parking garage income at Lloyd Portfolio, City Center Bellevue and First & Main.

Retail other property income increased \$0.2 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to the lease termination fees received at Carmel Mountain Plaza during 2023.

Total mixed-use other property income increased \$0.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 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.

#### Property Expenses

**Total Property Expenses.** Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by \$6.2 million, or 9%, to \$78.9 million for the six months ended June 30, 2023, compared to \$72.7 million for the six months ended June 30, 2022. This increase in total property expenses was attributable primarily to the factors discussed below.

**Rental Expenses.** Rental expenses increased \$6.2 million, or 12%, to \$56.2 million for the six months ended June 30, 2023, compared to \$50.0 million for the six months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 19,404	\$ 17,151	\$ 2,253	13	\$ 18,544	\$ 16,577	\$ 1,967	12
Retail	8,230	7,913	317	4	8,230	7,913	317	4
Multifamily	9,745	8,773	972	11	9,745	8,773	972	11
Mixed-Use	18,837	16,161	2,676	17	18,837	16,161	2,676	17
	<u>\$ 56,216</u>	<u>\$ 49,998</u>	<u>\$ 6,218</u>	<u>12 %</u>	<u>\$ 55,356</u>	<u>\$ 49,424</u>	<u>\$ 5,932</u>	<u>12 %</u>

Office rental expenses increased \$2.3 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to \$0.2 million related to the acquisition of Bel-Spring 520. Same-store office rental expenses increased \$2.0 million due to an increase in repairs and maintenance services, utilities expenses, facility services, insurance expense and other operating expenses as our tenants' employees have started returning to the office in-person.

Retail rental expenses increased \$0.3 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to an increase in repairs and maintenance, facilities services and insurance expenses in the period.

Multifamily rental expenses increased \$1.0 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to an increase in utilities expenses, facilities services and repairs and maintenance, related to janitorial, electrical and painting services. Additionally, there was an increase in property-level personnel compensation expenses and insurance expenses.

Total mixed-use rental expenses increased \$2.7 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to an increase of \$2.5 million in hotel room expenses, personnel expenses and excise tax expenses at the hotel portion of our mixed-use property during the period. There was also an increase in rental expenses of \$0.2 million at the retail portion of our mixed-use property related to excise tax, employee costs and facilities expenses. These increases are due to tourism as travel restrictions to Hawaii have been relaxed.



*Real Estate Taxes.* Real estate tax expense remained largely unchanged at \$22.7 million for both the six months ended June 30, 2023, and the six months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 10,310	\$ 10,242	\$ 68	1	\$ 10,077	\$ 10,064	\$ 13	—
Retail	7,029	7,245	(216)	(3)	7,029	7,245	(216)	(3)
Multifamily	3,572	3,527	45	1	3,572	3,527	45	1
Mixed-Use	1,807	1,702	105	6	1,807	1,702	105	6
	<u>\$ 22,718</u>	<u>\$ 22,716</u>	<u>\$ 2</u>	<u>—%</u>	<u>\$ 22,485</u>	<u>\$ 22,538</u>	<u>\$ (53)</u>	<u>—%</u>

Office real estate taxes increased \$0.1 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to the acquisition of Bel-Spring 520.

Retail real estate taxes decreased \$0.2 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to a one-time real estate tax refund received during 2023 at Carmel Mountain Plaza and lower tax assessments at Alamo Quarry Market.

Mixed-use real estate taxes increased \$0.1 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to the COVID-19 pandemic and its financial burden on the hospitality industry, as a result of which Honolulu County reduced the tax burden for hotels for 2021 through 2022 which has not continued to 2023.

#### *Property Operating Income*

Property operating income increased \$5.6 million, or 4%, to \$138.5 million for the six months ended June 30, 2023, compared to \$132.9 million for the six months ended June 30, 2022. 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	%
	2023	2022			2023	2022		
Office	\$ 73,475	\$ 72,769	\$ 706	1	\$ 72,928	\$ 72,517	\$ 411	1
Retail	36,269	34,021	2,248	7	36,269	34,021	2,248	7
Multifamily	17,439	15,803	1,636	10	17,439	15,803	1,636	10
Mixed-Use	11,358	10,318	1,040	10	11,358	10,318	1,040	10
	<u>\$ 138,541</u>	<u>\$ 132,911</u>	<u>\$ 5,630</u>	<u>4%</u>	<u>\$ 137,994</u>	<u>\$ 132,659</u>	<u>\$ 5,335</u>	<u>4%</u>

Total office property operating income increased \$0.7 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022 due to the acquisition of Bel-Spring 520, which had incremental property operating income of approximately \$0.3 million during the period. Same-store property operating income increased \$0.4 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to higher cost recoveries and higher occupancy at Torrey Point and higher annualized base rent at Torrey Reserve Campus and The Landmark at One Market. These increases were partially offset by higher operating expenses as our tenants' employees have started returning to the office in-person.

Total retail property operating income increased \$2.2 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to new tenant leases signed and tenants previously on alternate rent reverting back to basic monthly rent. Additionally, there was an increase in cost recoveries and a one-time lease termination fee received at Carmel Mountain Plaza. These increases were partially offset by higher rental expenses related to repairs and maintenance, facilities services and insurance expense.

Total multifamily property operating income increased \$1.6 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to an overall increase in average monthly base rent of \$2,549 for the six months ended June 30, 2023 compared to \$2,257 for the six months ended June 30, 2022. Average occupancy decreased to 90.3% for the six months ended June 30, 2023 compared to 94.2% for the six months ended June 30, 2022. This increase in average monthly base rent was partially offset by higher utilities expenses, facilities services and repairs and maintenance.

Total mixed-use property operating income increased \$1.0 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due 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 83.2% and \$307 for the six months ended June 30, 2023, respectively, compared to 75.8% and \$262 for the six months ended June 30, 2022, respectively. This increase was partially offset by higher rental expenses related to room expenses, personnel costs, facilities expenses and excise tax expenses.

#### *Other*

*General and Administrative.* General and administrative expenses increased \$2.9 million, or 19%, to \$17.6 million for the six months ended June 30, 2023, compared to \$14.8 million for the six months ended June 30, 2022. This increase was primarily due to stock-based compensation expense, general legal expenses 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 decreased \$1.8 million, or 3%, to \$59.7 million for the six months ended June 30, 2023, compared to \$61.5 million for the six months ended June 30, 2022. This was due to acceleration of assets related to tenants vacating space during the six months ended June 30, 2022 at City Center Bellevue, Eastgate Office Park, Corporate Campus East III and Alamo Quarry Market. This decrease was partially offset by new building and tenant improvement assets put into service in 2023 at Torrey Reserve Campus, Bel-Spring 520 and First & Main.

*Interest Expense.* Interest expense increased \$2.9 million, or 10%, to \$32.1 million for the six months ended June 30, 2023 compared to \$29.2 million for the six months ended June 30, 2022. This increase was primarily due to higher interest on our \$225 million Amended and Restated Term Loan Agreement and related amortization of loan fees. This was partially offset by lower interest expense on the new non-recourse mortgage on City Center Bellevue and increase in capitalized interest related to our development projects.

*Other Income (Expense), Net.* Other income, net increased \$7.3 million, or 2,127%, to other income, net of \$7.0 million for the six months ended June 30, 2023, compared to other expense, net of \$0.3 million for the six months ended June 30, 2022 primarily due to the net settlement payment of approximately \$6.3 million received on January 3, 2023 related to certain building systems at our Hassalo on Eighth property and an increase of \$0.9 million in interest and investment income attributed to higher yield on our average cash balance during the period.

#### **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, 2023, the company owned an approximate 78.8% partnership interest in the Operating Partnership. The remaining approximately 21.2% are owned by non-affiliated investors and certain of the company’s directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has the full, exclusive and complete authority and control over the Operating Partnership’s day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital structure and distribution policies. The company causes the Operating Partnership to distribute such portion of its available cash as the company may in its discretion determine, in the manner provided in the Operating Partnership’s partnership agreement.

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

We believe the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured line of credit, are adequate for it to make its distribution payments to the company and, in turn, for the company to make its dividend payments to its stockholders. As of June 30, 2023, 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.

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, 2023, 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, 2023, we held \$84.7 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 2023 and first half of 2024 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, 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.

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, 2023 to the six months ended June 30, 2022*

Cash, cash equivalents, and restricted cash were \$84.7 million and \$60.8 million at June 30, 2023 and 2022, respectively.

Net cash provided by operating activities increased \$12.1 million to \$98.1 million for the six months ended June 30, 2023 compared to \$86.1 million for the six months ended June 30, 2022. The increase in cash from operations was primarily due to the net settlement received related to certain building systems at our Hassalo on Eighth, increase in rental revenue and changes in operating assets and liabilities.

Net cash used in investing activities decreased \$63.4 million to \$49.1 million for the six months ended June 30, 2023 compared to \$112.5 million for the six months ended June 30, 2022. The decrease in cash used was primarily due to the acquisition of Bel-Spring 520 on March 8, 2022, and decrease in capital expenditures at La Jolla Commons III and One Beach Street.

Net cash used by financing activities decreased \$38.5 million to \$13.9 million for the six months ended June 30, 2023 compared to cash used in financing activities of \$52.4 million for the six months ended June 30, 2022. The decrease in cash used by financing activities was primarily due to the term loan agreement that was amended and restated, among other things, to increase the fully drawn borrowings from \$150 million to \$225 million. This was partially offset by the repayment of the outstanding balance on the revolving line of credit and payment of quarterly dividends.

## 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, 2023 and 2022 computed in accordance with GAAP (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net operating income	\$ 69,924	\$ 67,015	\$ 138,541	\$ 132,911
General and administrative	(8,609)	(7,612)	(17,608)	(14,754)
Depreciation and amortization	(29,823)	(31,087)	(59,724)	(61,499)
Interest expense, net	(16,368)	(14,547)	(32,097)	(29,213)
Other income (expense), net	273	(181)	6,951	(343)
<b>Net income</b>	<b>\$ 15,397</b>	<b>\$ 13,588</b>	<b>\$ 36,063</b>	<b>\$ 27,102</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, 2023 to net income, the nearest GAAP equivalent (in thousands, except per share and share data):

	<u>Three Months Ended June 30, 2023</u>	<u>Six Months Ended June 30, 2023</u>
<b>Funds from Operations (FFO)</b>		
Net income	\$ 15,397	\$ 36,063
Plus: Real estate depreciation and amortization	29,823	59,724
Funds from operations	45,220	95,787
Less: Nonforfeitable dividends on incentive restricted stock awards	(186)	(373)
FFO attributable to common stock and units	\$ 45,034	\$ 95,414
FFO per diluted share/unit	\$ 0.59	\$ 1.25
Weighted average number of common shares and units, diluted <sup>(1)</sup>	76,328,181	76,328,678

(1) The weighted average common shares used to compute FFO per diluted share include invested 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, 2023, we had \$1.4 billion of fixed rate debt outstanding with an estimated fair value of \$1.2 billion. The carrying values of our revolving line of credit and term loans are deemed to be at fair value since the outstanding debt is directly tied to monthly SOFR contracts. If interest rates at June 30, 2023 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$39.3 million. If interest rates at June 30, 2023 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$62.5 million. Additionally, we consider \$325.0 million related to Term Loan A, Term Loan B and Term Loan C outstanding as of June 30, 2023 to be fixed rate debt as the rate is effectively fixed by interest rate swap agreements.



### *Variable Interest Rate Debt*

At June 30, 2023, we had \$325.0 million of variable rate debt outstanding, all of which is subject to interest rate swaps as described above. 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 or decreased by 1.0%, our annual interest expense would not change and have no corresponding change in our net income and cash flows for the year, since this variable rate debt is effectively fixed by interest rate swap agreements.

## **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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2022.

### **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

During the three months ended June 30, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

### ITEM 6. EXHIBITS

Exhibit No.	Description
10.1 (1)	<a href="#">Amended and Restated Term Loan Agreement dated January 5, 2023, by and among American Assets Trust, Inc., American Assets Trust, L.P., each lender from time-to-time party thereto, and U.S. Bank National Association, as Administrative Agent.</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, 2023.

**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 28, 2023

/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 28, 2023

**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 28, 2023

/s/ ERNEST RADY

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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 28, 2023

/s/ ERNEST RADY

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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 28, 2023

/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 28, 2023

/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, 2023 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 28, 2023



**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, 2023 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 28, 2023