# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 8-K

## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the**
**Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported):**
**February 15, 2019**

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

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Maryland (American Assets Trust, Inc.)** | **001-35030 (American Assets Trust, Inc.)** | **27-3338708 (American Assets Trust, Inc.)** |
| **Maryland (American Assets Trust, L.P.)** | **333-202342-01 (American Assets Trust, L.P.)** | **27-3338894 (American Assets Trust, L.P.)** |
| **(State or other jurisdiction of incorporation)** | **(Commission File No.)** | **(I.R.S. Employer Identification No.)** |

| | |
|---|---|
| **11455 El Camino Real, Suite 200**<br>**San Diego, California 92130** | **92130** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(858) 350-2600**
**Registrant's telephone number, including area code:**

**Not Applicable**
**(Former name or former address, if changed since last report.)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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. o

**Item 2.02 Results of Operations and Financial Condition.**

On February 12, 2019, American Assets Trust, Inc. (the “Company”) made available on its website at www.americanassetstrust.com certain supplemental information concerning the Company’s financial results and operations for the quarter and fiscal year ending December 31, 2018. On February 15, 2019, the Company made certain revisions to page 9 of such supplemental information concerning its Revised 2019 Guidance Range solely with respect to the “Net income” and “Depreciation and amortization of real estate assets” components of its Funds from Operations (FFO) calculations. The projected "FFO, as defined by NAREIT", "FFO attributable to common stock and units" and "FFO per diluted share, updated" in such Revised 2019 Guidance Range did not change. An amended and restated copy of such supplemental information is attached hereto as Exhibit 99.1.

Exhibits 99.1 is being furnished pursuant to Item 2.02 and shall not be deemed “filed” for any purpose, including for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. Such information shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Item 7.01 Regulation FD Disclosure.**

As discussed in Item 2.02 above, the Company made available on its website certain supplement information relating to its financial results for the quarter and fiscal year ending December 31, 2018.

The information is being furnished pursuant to Item 7.01 and shall not be deemed “filed” for any purpose, including for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section. Such information shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Item 8.01 Other Events.**

The discussion under the heading “Federal Income Tax Considerations” in Exhibit 99.2 hereto (incorporated herein by reference) supersedes and replaces (i) the discussion under the heading “Federal Income Tax Considerations” in the prospectus dated February 5, 2018, which is a part of the registration statement on Form S-3 (Registration No. 333-222876) filed with the Securities and Exchange Commission (the “SEC”) by the Company on February 5, 2018 and (ii) the discussion under the heading “Certain U.S. Federal Income Tax Considerations” in the prospectus dated February 6, 2018, which is a part of the registration statements on Form S-3 (Registration Nos. 333-222882 and 333-222882-01) filed with the SEC by the Company and American Assets Trust, L.P. on February 6, 2018.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

The following exhibits are filed herewith:

| Exhibit Number | Exhibit Description |
|---|---|
| 99.1** | American Assets Trust, Inc. Amended and Restated Supplemental Information for the quarter ended December 31, 2018. |
| 99.2** | Federal Income Tax Considerations. |

** Furnished herewith

**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 hereunto duly authorized.

American Assets Trust, Inc.

By: /s/ Adam Wyll

Adam Wyll

Senior Vice President, General Counsel

February 15, 2019

## EXHIBIT INDEX

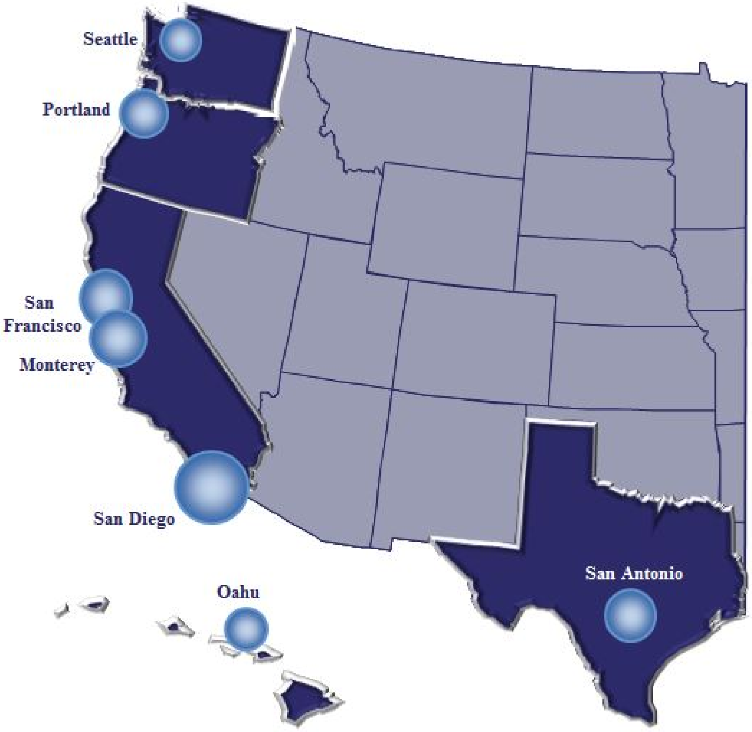
| Exhibit Number | Exhibit Description |
|---|---|
| 99.1** | American Assets Trust, Inc. Amended and Restated Supplemental Information for the quarter ended December 31, 2018. |
| 99.2** | Summary of Certain Federal Income Tax Considerations. |

# FOURTH QUARTER 2018
## Amended and Restated Supplemental Information

**Investor and Media Contact**
**American Assets Trust, Inc.**
**Robert F. Barton**
**Executive Vice President and Chief Financial Officer**
**858-350-2607**

AMERICAN ASSETS TRUST

## American Assets Trust, Inc.'s Portfolio is concentrated in high-barrier-to-entry markets with favorable supply/demand characteristics




| Market | Retail Square Feet | Office Square Feet | Multifamily Units | Mixed-Use Square Feet | Mixed-Use Suites |
|---|---|---|---|---|---|
| **San Diego** | 1,322,012 | 821,785 | 1,455 (1) | — | — |
| **San Francisco** | 35,156 | 516,985 | — | — | — |
| **Oahu** | 429,718 | — | — | 96,707 | 369 |
| **Monterey** | 673,572 | — | — | — | — |
| **San Antonio** | 588,970 | — | — | — | — |
| **Portland** | 44,153 | 820,244 | 657 | — | — |
| **Seattle** | — | 497,472 | — | — | — |
| **Total** | 3,093,581 | 2,656,486 | 2,112 | 96,707 | 369 |

| | Square Feet | % |
|---|---|---|
| **Retail** | **3.1 million** | **53%** |
| **Office** | **2.7 million** | **47%** |
| **Totals** | **5.8 million** | |

Note: Circled areas represent all markets in which American Assets Trust, Inc. currently owns and operates its real estate properties. Size of circle denotes approximation of square feet / units. Net rentable square footage may be adjusted from the prior periods to reflect re-measurement of leased space at the properties.

Data is as of December 31, 2018.

(1) Includes 122 RV spaces.

# INDEX



This Supplemental Information contains 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). 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; our failure to generate sufficient cash flows to service our outstanding indebtedness; defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants; difficulties in identifying properties to acquire and completing acquisitions; difficulties in completing dispositions; our failure to successfully operate acquired properties and operations; our inability to develop or redevelop our properties due to market conditions; fluctuations in interest rates and increased operating costs; risks related to joint venture arrangements; our failure to obtain necessary outside financing; on-going litigation; general economic conditions; financial market fluctuations; risks that affect the general retail, office, multifamily and mixed-use environment; the competitive environment in which we operate; decreased rental rates or increased vacancy rates; conflicts of interests with our officers or directors; lack or insufficient amounts of insurance; environmental uncertainties and risks related to adverse weather conditions and natural disasters; other factors affecting the real estate industry generally; limitations imposed on our business and our ability to satisfy complex rules in order for us to continue to qualify as a 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, refer to our most recent Annual Report on Form 10-K and other risks described in documents subsequently filed by us from time to time with the Securities and Exchange Commission.

# FINANCIAL HIGHLIGHTS

# CONSOLIDATED BALANCE SHEETS

| (Amounts in thousands, except shares and per share data) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Real estate, at cost | | |
| Operating real estate | $ 2,549,571 | $ 2,536,474 |
| Construction in progress | 71,228 | 68,272 |
| Held for development | 9,392 | 9,392 |
| | 2,630,191 | 2,614,138 |
| Accumulated depreciation | (590,338) | (537,431) |
| Net real estate | 2,039,853 | 2,076,707 |
| Cash and cash equivalents | 47,956 | 82,610 |
| Restricted cash | 9,316 | 9,344 |
| Accounts receivable, net | 9,289 | 9,869 |
| Deferred rent receivable, net | 39,815 | 38,973 |
| Other assets, net | 52,021 | 42,361 |
| TOTAL ASSETS | $ 2,198,250 | $ 2,259,864 |
| **LIABILITIES AND EQUITY** | | |
| LIABILITIES: | | |
| Secured notes payable, net | $ 182,572 | $ 279,550 |
| Unsecured notes payable, net | 1,045,863 | 1,045,470 |
| Unsecured line of credit, net | 62,337 | — |
| Accounts payable and accrued expenses | 46,616 | 38,069 |
| Security deposits payable | 8,844 | 6,570 |
| Other liabilities and deferred credits, net | 49,547 | 46,061 |
| Total liabilities | 1,395,779 | 1,415,720 |
| Commitments and contingencies | | |
| EQUITY: | | |
| American Assets Trust, Inc. stockholders' equity | | |
| Common stock, $0.01 par value, 490,000,000 shares authorized, 47,335,409 and 47,204,588 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively | 474 | 473 |
| Additional paid in capital | 920,661 | 919,066 |
| Accumulated dividends in excess of net income | (128,778) | (97,280) |
| Accumulated other comprehensive income | 10,620 | 11,451 |
| Total American Assets Trust, Inc. stockholders' equity | 802,977 | 833,710 |
| Noncontrolling interests | (506) | 10,434 |
| Total equity | 802,471 | 844,144 |
| TOTAL LIABILITIES AND EQUITY | $ 2,198,250 | $ 2,259,864 |

# CONSOLIDATED STATEMENTS OF OPERATIONS

| *(Amounts in thousands, except shares and per share data)* | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|---|
| **REVENUE:** | | | | |
| Rental income | $ 78,365 | $ 77,703 | $ 309,537 | $ 298,803 |
| Other property income | 4,240 | 4,043 | 21,330 | 16,180 |
| Total revenue | 82,605 | 81,746 | 330,867 | 314,983 |
| **EXPENSES:** | | | | |
| Rental expenses | 23,797 | 23,129 | 86,482 | 84,006 |
| Real estate taxes | 9,012 | 8,696 | 34,973 | 32,671 |
| General and administrative | 6,645 | 6,211 | 22,784 | 21,382 |
| Depreciation and amortization | 21,060 | 19,918 | 107,093 | 83,278 |
| Total operating expenses | 60,514 | 57,954 | 251,332 | 221,337 |
| **OPERATING INCOME** | 22,091 | 23,792 | 79,535 | 93,646 |
| Interest expense | (12,861) | (13,992) | (52,248) | (53,848) |
| Other (expense) income, net | (21) | (69) | (85) | 334 |
| **NET INCOME** | 9,209 | 9,731 | 27,202 | 40,132 |
| Net income attributable to restricted shares | (96) | (60) | (311) | (241) |
| Net income attributable to unitholders in the Operating Partnership | (2,440) | (2,594) | (7,205) | (10,814) |
| **NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS** | $ 6,673 | $ 7,077 | $ 19,686 | $ 29,077 |
| | | | | |
| **EARNINGS PER COMMON SHARE** | | | | |
| Basic income from operations attributable to common stockholders per share | $ 0.14 | $ 0.15 | $ 0.42 | $ 0.62 |
| Weighted average shares of common stock outstanding - basic | 46,967,778 | 46,908,745 | 46,950,812 | 46,715,520 |
| Diluted income from continuing operations attributable to common stockholders per share | $ 0.14 | $ 0.15 | $ 0.42 | $ 0.62 |
| Weighted average shares of common stock outstanding - diluted | 64,145,386 | 64,103,725 | 64,136,559 | 64,087,250 |

# FUNDS FROM OPERATIONS, FFO AS ADJUSTED & FUNDS AVAILABLE FOR DISTRIBUTION

AMERICAN ASSETS TRUST

| *(Amounts in thousands, except shares and per share data)* | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Funds from Operations (FFO) [1] | | | | |
| Net income | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |
| Depreciation and amortization of real estate assets | 21,060 | 19,918 | 107,093 | 83,278 |
| FFO, as defined by NAREIT | 30,269 | 29,649 | 134,295 | 123,410 |
| Less: Nonforfeitable dividends on restricted stock awards | (94) | (59) | (305) | (236) |
| FFO attributable to common stock and common units | $ 30,175 | $ 29,590 | $ 133,990 | $ 123,174 |
| | | | | |
| FFO per diluted share/unit | $ 0.47 | $ 0.46 | $ 2.09 | $ 1.92 |
| | | | | |
| Weighted average number of common shares and common units, diluted [2] | 64,148,261 | 64,106,314 | 64,139,437 | 64,089,921 |
| | | | | |
| Funds Available for Distribution (FAD) [1] | $ 8,136 | $ 20,742 | $ 83,437 | $ 90,450 |
| | | | | |
| Dividends | | | | |
| Dividends declared and paid | $ 18,064 | $ 17,365 | $ 70,228 | $ 67,537 |
| Dividends declared and paid per share/unit | $ 0.28 | $ 0.27 | $ 1.09 | $ 1.05 |

*(Amounts in thousands, except shares and per share data)*

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Funds Available for Distribution (FAD) [1] | | | | |
| FFO | $ 30,269 | $ 29,649 | $ 134,295 | $ 123,410 |
| Adjustments: | | | | |
| Tenant improvements, leasing commissions and maintenance capital expenditures | (21,994) | (12,097) | (53,655) | (39,054) |
| Net effect of straight-line rents [3] | 89 | 760 | 2,123 | 879 |
| Amortization of net above (below) market rents [4] | (1,349) | (760) | (3,570) | (3,305) |
| Net effect of other lease assets [5] | (9) | (2) | (20) | 963 |
| Amortization of debt issuance costs and debt fair value adjustment | 365 | 433 | 1,530 | 3,058 |
| Non-cash compensation expense | 859 | 2,818 | 3,039 | 4,735 |
| Nonforfeitable dividends on restricted stock awards | (94) | (59) | (305) | (236) |
| FAD | $ 8,136 | $ 20,742 | $ 83,437 | $ 90,450 |

| | | | | |
|---|---|---|---|---|
| Summary of Capital Expenditures | | | | |
| Tenant improvements and leasing commissions | $ 14,979 | $ 6,976 | $ 33,118 | $ 21,600 |
| Maintenance capital expenditures | 7,015 | 5,121 | 20,537 | 17,454 |
| | $ 21,994 | $ 12,097 | $ 53,655 | $ 39,054 |

Notes:
(1) See Glossary of Terms.
(2) For the three months and year ended December 31, 2018 and 2017, the weighted average common shares and common units used to compute FFO per diluted share/unit include operating partnership common units and unvested restricted stock awards that are subject to time vesting. The shares/units used to compute FFO per diluted share/unit include additional shares/units which were excluded from the computation of diluted EPS, as they were anti-dilutive for the periods presented.
(3) Represents the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances.
(4) Represents the adjustment related to the acquisition of buildings with above (below) market rents.
(5) Represents adjustments related to amortization of lease incentives paid to tenants, amortization of lease intangibles, lease termination fees at City Center Bellevue and straight-line rent expense for our leases at the Annex at the Landmark at One Market and retail space at Waikiki Beach Walk - Retail.

# CORPORATE GUIDANCE

*(Amounts in thousands, except share and per share data)*

| | Prior 2019 Guidance Range (1) (2) | | Revised 2019 Guidance Range (2) | |
|---|---|---|---|---|
| Funds from Operations (FFO): | | | | |
| Net income | $ 52,474 | $ 57,620 | $ 56,151 | $ 61,287 |
| Depreciation and amortization of real estate assets | 84,191 | 84,191 | 84,191 | 84,191 |
| FFO, as defined by NAREIT | 136,665 | 141,811 | 140,342 | 145,478 |
| Less: Nonforfeitable dividends on restricted stock awards | (286) | (286) | (377) | (377) |
| FFO attributable to common stock and units | $ 136,379 | $ 141,525 | $ 139,965 | $ 145,101 |
| Weighted average number of common shares and units, diluted | 64,329,768 | 64,329,768 | 64,203,832 | 64,203,832 |
| FFO per diluted share, updated | $ 2.12 | $ 2.20 | $ 2.18 | $ 2.26 |

Notes:
(1) Prior 2019 Guidance Range as reported in the company's Third Quarter 2018 Supplemental Information.
(2) The company's guidance excludes any impact from future acquisitions, dispositions, equity issuances or repurchases, future debt financings or repayments.

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

AMERICAN ASSETS TRUST

| *(Amounts in thousands)* | Three Months Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Retail | Office | Multifamily | Mixed-Use | Total |
| Real estate rental revenue | | | | | |
| Same-store | $ 23,173 | $ 26,857 | $ 12,733 | $ 15,528 | $ 78,291 |
| Non-same store [1] | 3,882 | 432 | — | — | 4,314 |
| Total | 27,055 | 27,289 | 12,733 | 15,528 | 82,605 |
| Real estate expenses | | | | | |
| Same-store | 6,866 | 8,864 | 5,267 | 9,213 | 30,210 |
| Non-same store [1] | 2,201 | 398 | — | — | 2,599 |
| Total | 9,067 | 9,262 | 5,267 | 9,213 | 32,809 |
| Net Operating Income (NOI) | | | | | |
| Same-store | 16,307 | 17,993 | 7,466 | 6,315 | 48,081 |
| Non-same store [1] | 1,681 | 34 | — | — | 1,715 |
| Total | $ 17,988 | $ 18,027 | $ 7,466 | $ 6,315 | $ 49,796 |
| Same-store NOI | $ 16,307 | $ 17,993 | $ 7,466 | $ 6,315 | $ 48,081 |
| Net effect of straight-line rents [2] | (27) | 633 | (78) | (136) | 392 |
| Amortization of net above (below) market rents [3] | (383) | (920) | — | (30) | (1,333) |
| Net effect of other lease intangibles [4] | — | (16) | — | — | (16) |
| Tenant improvement reimbursements [5] | — | (54) | — | — | (54) |
| Same-store cash NOI [5] | $ 15,897 | $ 17,636 | $ 7,388 | $ 6,149 | $ 47,070 |

Notes:
(1) Same-store and non-same store classifications are determined based on properties held on December 31, 2018 and 2017. See Glossary of Terms.
(2) Represents the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances.
(3) Represents the adjustment related to the acquisition of buildings with above (below) market rents.
(4) Represents adjustments related to amortization of lease incentives paid to tenants, amortization of lease intangibles and straight-line rent expense for our leases at the Annex at the Landmark at One Market.
(5) Tenant improvement reimbursements are excluded from same-store cash NOI to provide a more accurate measure of operating performance.

NOI and same-store cash NOI are non-GAAP supplemental earnings measures which we consider meaningful in measuring our operating performance. Reconciliations of NOI and same-store cash NOI to net income are included in the Glossary of Terms.

# SAME-STORE NET OPERATING INCOME (NOI) (CONTINUED)

| *(Amounts in thousands)* | Year Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Retail | Office | Multifamily | Mixed-Use | Total |
| Real estate rental revenue | | | | | |
| Same-store | $ 84,734 | $ 110,371 | $ 33,786 | $ 62,326 | $ 291,217 |
| Non-same store [1] | 20,818 | 1,991 | 16,841 | — | 39,650 |
| Total | 105,552 | 112,362 | 50,627 | 62,326 | 330,867 |
| Real estate expenses | | | | | |
| Same-store | 23,025 | 32,958 | 13,955 | 37,076 | 107,014 |
| Non-same store [1] | 7,053 | 902 | 6,486 | — | 14,441 |
| Total | 30,078 | 33,860 | 20,441 | 37,076 | 121,455 |
| Net Operating Income (NOI) | | | | | |
| Same-store | 61,709 | 77,413 | 19,831 | 25,250 | 184,203 |
| Non-same store [1] | 13,765 | 1,089 | 10,355 | — | 25,209 |
| Total | $ 75,474 | $ 78,502 | $ 30,186 | $ 25,250 | $ 209,412 |
| Same-store NOI | $ 61,709 | $ 77,413 | $ 19,831 | $ 25,250 | $ 184,203 |
| Net effect of straight-line rents [2] | (174) | 2,656 | (3) | (343) | 2,136 |
| Amortization of net above (below) market rents [3] | (1,367) | (2,070) | — | (120) | (3,557) |
| Net effect of other lease assets [4] | — | (47) | — | — | (47) |
| Tenant improvement reimbursements [5] | (30) | (4,245) | — | — | (4,275) |
| Same-store cash NOI [5] | $ 60,138 | $ 73,707 | $ 19,828 | $ 24,787 | $ 178,460 |

Notes:
(1) Same-store and non-same store are determined based on properties held on December 31, 2018 and 2017. See Glossary of Terms.
(2) Represents the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances.
(3) Represents the adjustment related to the acquisition of buildings with above (below) market rents.
(4) Represents adjustments related to amortization of lease incentives paid to tenants, amortization of lease intangibles and straight-line rent expense for our leases at the Annex at The Landmark at One Market.
(5) Tenant improvement reimbursements are excluded from Same-store Cash NOI to provide a more accurate measure of operating performance.

NOI and same-store cash NOI are non-GAAP supplemental earnings measures which we consider meaningful in measuring our operating performance. Reconciliations of NOI and same-store cash NOI to net income are included in the Glossary of Terms.

# SAME-STORE CASH NOI COMPARISON EXCLUDING REDEVELOPMENT

| *(Amounts in thousands)* | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Change | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Change |
|---|---|---|---|---|---|---|
| **Cash Basis:** | | | | | | |
| Retail | $ 15,897 | $ 15,315 | 3.8% | $ 60,138 | $ 57,462 | 4.7% |
| Office | 17,636 | 16,810 | 4.9 | 73,707 | 70,474 | 4.6 |
| Multifamily | 7,388 | 6,773 | 9.1 | 19,828 | 19,405 | 2.2 |
| Mixed-Use | 6,149 | 6,039 | 1.8 | 24,787 | 24,366 | 1.7 |
| Same-store Cash NOI (1)(2) | $ 47,070 | $ 44,937 | 4.7% | $ 178,460 | $ 171,707 | 3.9% |

Notes:
(1) Excluding lease termination fees, for the three months and year ended December 31, 2018, same-store cash NOI would be 4.6% and 2.1%, respectively.
(2) See Glossary of Terms.

Same-store cash NOI is a non-GAAP supplemental earnings measure which we consider meaningful in measuring our operating performance. A reconciliation of same-store cash NOI to net income is included in the Glossary of Terms.

# SAME-STORE CASH NOI COMPARISON WITH REDEVELOPMENT[1]

| *(Amounts in thousands)* | Three Months Ended December 31, | | | Year Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| **Cash Basis:** | | | | | | |
| Retail | $ 17,551 | $ 19,405 | (9.6)% | $ 71,782 | $ 73,345 | (2.1)% |
| Office | 17,498 | 16,627 | 5.2 | 73,190 | 69,794 | 4.9 |
| Multifamily | 7,388 | 6,773 | 9.1 | 19,828 | 19,405 | 2.2 |
| Mixed-Use | 6,149 | 6,039 | 1.8 | 24,787 | 24,366 | 1.7 |
| Same-store Cash NOI with Redevelopment [1][2] | $ 48,586 | $ 48,844 | (0.5)% | $ 189,587 | $ 186,910 | 1.4 % |

Notes:
(1) Excluding lease termination fees, for the three months and year ended December 31, 2018, same-store cash NOI with redevelopment would be (0.7)% and (0.2)%, respectively.
(2) See Glossary of Terms.

Same-store cash NOI with redevelopment is a non-GAAP supplemental earnings measure which we consider meaningful in measuring our operating performance. A reconciliation of same-store cash NOI with redevelopment to net income is included in the Glossary of Terms.

# CASH NOI BY REGION

| *(Amounts in thousands)* | Three Months Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Retail | Office | Multifamily | Mixed-Use | Total |
| **Cash Basis:** | | | | | |
| Southern California | 8,480 | 4,043 | 5,823 | — | 18,346 |
| Northern California | 3,112 | 5,683 | — | — | 8,795 |
| Hawaii | 2,141 | — | — | 6,149 | 8,290 |
| Oregon | 235 | 4,181 | 1,565 | — | 5,981 |
| Texas | 3,570 | — | — | — | 3,570 |
| Washington | — | 3,545 | — | — | 3,545 |
| Total Cash NOI | $ 17,538 | $ 17,452 | $ 7,388 | $ 6,149 | $ 48,527 |

Cash NOI is a non-GAAP supplemental earnings measure which we consider meaningful in measuring our operating performance. A reconciliation of cash NOI to net income is included in the Glossary of Terms.

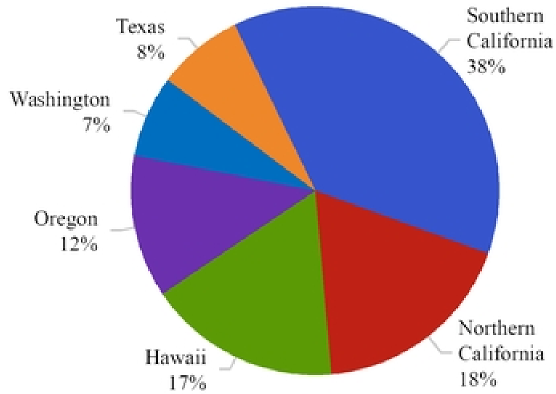
# CASH NOI BREAKDOWN

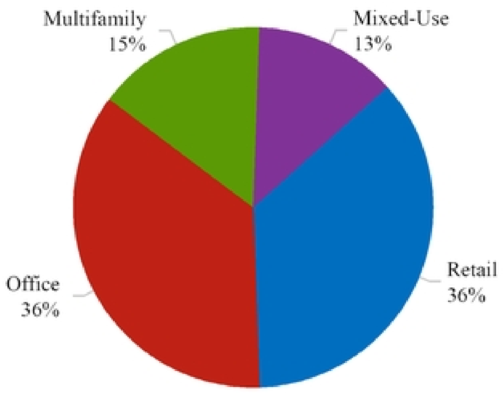
**Three Months Ended December 31, 2018**

**Cash NOI Breakdown**

**Portfolio Diversification by Geographic Region**

**Portfolio Diversification by Segment**




Cash NOI is a non-GAAP supplemental earnings measure which we consider meaningful in measuring our operating performance. A reconciliation of cash NOI to net income is included in the Glossary of Terms.

*(Amounts in thousands)*

| | Three Months Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| **Property** | **Base Rent [1]** | **Additional Property Income [2]** | **Billed Expense Reimbursements [3]** | **Property Operating Expenses [4]** | **Rental Adjustments [5]** | **Cash NOI [6]** |
| ***Retail Portfolio*** | | | | | | |
| Carmel Country Plaza | $ 960 | $ 26 | $ 233 | $ (212) | $ — | $ 1,007 |
| Carmel Mountain Plaza | 3,203 | 234 | 875 | (1,027) | — | 3,285 |
| South Bay Marketplace | 605 | 80 | 208 | (215) | — | 678 |
| Gateway Marketplace | 604 | 2 | 262 | (229) | (18) | 621 |
| Lomas Santa Fe Plaza | 1,498 | 27 | 341 | (446) | — | 1,420 |
| Solana Beach Towne Centre | 1,497 | 21 | 546 | (564) | (18) | 1,482 |
| Del Monte Center | 2,695 | 585 | 972 | (1,554) | — | 2,698 |
| Geary Marketplace | 302 | 106 | 176 | (170) | — | 414 |
| The Shops at Kalakaua | 495 | 26 | 50 | (85) | — | 486 |
| Waikele Center | 2,696 | 364 | 773 | (2,179) | — | 1,654 |
| Alamo Quarry Market | 3,688 | 337 | 1,781 | (2,235) | — | 3,571 |
| Hassalo on Eighth - Retail | 276 | 51 | 54 | (146) | — | 235 |
| **Subtotal Retail Portfolio** | **$ 18,519** | **$ 1,859** | **$ 6,271** | **$ (9,062)** | **$ (36)** | **$ 17,551** |
| ***Office Portfolio*** | | | | | | — |
| Torrey Reserve Campus [7] | $ 4,495 | $ 53 | $ 330 | $ (1,630) | $ (394) | $ 2,854 |
| Torrey Point | 246 | 69 | — | (215) | (245) | (145) |
| Solana Beach Corporate Centre | 1,798 | 3 | 81 | (518) | (77) | 1,287 |
| The Landmark at One Market | 6,731 | 28 | 382 | (2,352) | — | 4,789 |
| One Beach Street | 1,082 | 1 | 188 | (377) | — | 894 |
| First & Main | 2,797 | 183 | 506 | (969) | — | 2,517 |
| Lloyd District Portfolio [7] | 2,476 | 515 | 160 | (1,272) | (77) | 1,802 |
| City Center Bellevue | 4,400 | 718 | 403 | (1,677) | (299) | 3,545 |
| **Subtotal Office Portfolio** | **$ 24,025** | **$ 1,570** | **$ 2,050** | **$ (9,010)** | **$ (1,092)** | **$ 17,543** |

*(Amounts in thousands)*

| Three Months Ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|
| **Property** | **Base Rent [1]** | **Additional Property Income [2]** | **Billed Expense Reimbursements [3]** | **Property Operating Expenses [4]** | **Rental Adjustments [5]** | **Cash NOI [6]** |
| ***Multifamily Portfolio*** | | | | | | |
| Loma Palisades | $ 3,277 | $ 217 | $ — | $ (1,260) | $ (103) | $ 2,131 |
| Imperial Beach Gardens | 878 | 67 | — | (340) | (2) | 603 |
| Mariner's Point | 431 | 27 | — | (171) | (1) | 286 |
| Santa Fe Park RV Resort | 290 | 22 | — | (149) | — | 163 |
| Pacific Ridge Apartments | 4,184 | 211 | — | (1,723) | (32) | 2,640 |
| Hassalo on Eighth - Multifamily | 3,006 | 364 | — | (1,623) | (182) | 1,565 |
| **Subtotal Multifamily Portfolio** | **$ 12,066** | **$ 908** | **$ —** | **$ (5,266)** | **$ (320)** | **$ 7,388** |
| ***Mixed-Use Portfolio*** | | | | | | |
| Waikiki Beach Walk - Retail | $ 2,588 | $ 1,269 | $ 1,022 | $ (1,849) | $ — | $ 3,030 |
| Waikiki Beach Walk - Embassy Suites™ | 9,777 | 710 | — | (7,368) | — | 3,119 |
| **Subtotal Mixed-Use Portfolio** | **$ 12,365** | **$ 1,979** | **$ 1,022** | **$ (9,217)** | **$ —** | **$ 6,149** |
| **Subtotal Development Properties** | **$ 1** | **$ 108** | **$ —** | **$ (213)** | **$ —** | **$ (104)** |
| **Total** | **$ 66,976** | **$ 6,424** | **$ 9,343** | **$ (32,768)** | **$ (1,448)** | **$ 48,527** |

Cash NOI is a non-GAAP supplemental earnings measure which the company considers meaningful in measuring its operating performance. A reconciliation of total cash NOI to net income is included in the Glossary of Terms.

Notes:

(1) Base rent for our retail and office portfolio and the retail portion of our mixed-use portfolio represents base rent for the three months ended December 31, 2018 (before abatements and tenant improvement reimbursements) and excludes the impact of straight-line rent and above (below) market rent adjustments. Total abatements for our retail and office portfolio were approximately $36 and $1,146, respectively, for the three months ended December 31, 2018. There were no abatements for the retail portion of our mixed-use portfolio for the three months ended December 31, 2018. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Multifamily portfolio base rent represents base rent (including parking, before abatements) less vacancy allowance and employee rent credits and includes additional rents (additional rents include insufficient notice penalties, month-to-month charges and pet rent). There were $320 of abatements for our multifamily portfolio for the three months ended December 31, 2018. For Waikiki Beach Walk - Embassy Suites™, base rent is equal to the actual room revenue for the three months ended December 31, 2018. Total tenant improvement reimbursements for our retail and office portfolio were approximately $0 and $54, respectively, for the three months ended December 31, 2018. There were no tenant improvement reimbursements for the retail portion of our mixed-use portfolio for the three months ended December 31, 2018.

(2) Represents additional property-related income for the three months ended December 31, 2018, which includes: (i) percentage rent, (ii) other rent (such as storage rent, license fees and association fees) and (iii) other property income (such as late fees, default fees, lease termination fees, parking revenue, the reimbursement of general excise taxes, laundry income and food and beverage sales).

(3) Represents billed tenant expense reimbursements for the three months ended December 31, 2018.

(4) Represents property operating expenses for the three months ended December 31, 2018. Property operating expenses includes all rental expenses, except non cash rent expense and the provision for bad debt recorded for deferred rent receivables.

(5) Represents various rental adjustments related to base rent (abatements and tenant improvement reimbursements).

(6) See Glossary of Terms.

(7) Base rent shown includes amounts related to American Assets Trust, L.P.'s corporate leases at Torrey Reserve Campus and Lloyd District Portfolio. This intercompany rent is eliminated in the consolidated statement of operations. The base rent and abatements were both $304 for the three months ended December 31, 2018.

*(Amounts in thousands)*

| | Three Months Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| **Segment** | **Tenant Improvements and Leasing Commissions** | **Maintenance Capital Expenditures** | **Total Tenant Improvements, Leasing Commissions and Maintenance Capital Expenditures** | **Redevelopment and Expansions** | **New Development** | **Total Capital Expenditures** |
| Retail Portfolio | $ 1,163 | $ 3,042 | $ 4,205 | $ 1,336 | $ — | $ 5,541 |
| Office Portfolio | 13,701 | 2,974 | 16,675 | 4,224 | — | 20,899 |
| Multifamily Portfolio | — | 639 | 639 | — | — | 639 |
| Mixed-Use Portfolio | 115 | 360 | 475 | — | — | 475 |
| **Total** | **$ 14,979** | **$ 7,015** | **$ 21,994** | **$ 5,560** | **$ —** | **$ 27,554** |

| | Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| **Segment** | **Tenant Improvements and Leasing Commissions** | **Maintenance Capital Expenditures** | **Total Tenant Improvements, Leasing Commissions and Maintenance Capital Expenditures** | **Redevelopment and Expansions** | **New Development** | **Total Capital Expenditures** |
| Retail Portfolio | $ 4,137 | $ 7,498 | $ 11,635 | $ 2,584 | $ — | $ 14,219 |
| Office Portfolio | 28,645 | 8,439 | 37,084 | 6,730 | 1,378 | 45,192 |
| Multifamily Portfolio | — | 3,659 | 3,659 | — | — | 3,659 |
| Mixed-Use Portfolio | 336 | 941 | 1,277 | — | — | 1,277 |
| **Total** | **$ 33,118** | **$ 20,537** | **$ 53,655** | **$ 9,314** | **$ 1,378** | **$ 64,347** |

# SUMMARY OF OUTSTANDING DEBT

*(Amounts in thousands)*

| Debt | Amount Outstanding at December 31, 2018 | Interest Rate | Annual Debt Service [(1)] | Maturity Date | Balance at Maturity |
|---|---|---|---|---|---|
| Torrey Reserve - North Court | 19,620 | 7.22% | 20,325 | June 1, 2019 | 19,443 |
| Torrey Reserve - VCI, VCII, VCIII | 6,635 | 6.36% | 560 | June 1, 2020 | 6,439 |
| Solana Beach Corporate Centre I-II | 10,502 | 5.91% | 855 | June 1, 2020 | 10,169 |
| Solana Beach Towne Centre | 35,008 | 5.91% | 2,849 | June 1, 2020 | 33,898 |
| City Center Bellevue [(2)] | 111,000 | 3.98% | 4,479 | November 1, 2022 | 111,000 |
| **Secured Notes Payable / Weighted Average [(3)]** | **$ 182,765** | **4.89%** | **$ 29,068** | | **$ 180,949** |
| Term Loan A [(4)] | $ 100,000 | 3.08% | $ 100,334 | January 9, 2019 | $ 100,000 |
| Series A Notes [(5)] | 150,000 | 3.88% | 6,060 | October 31, 2021 | 150,000 |
| Term Loan B [(6)] | 100,000 | 2.75% | 2,749 | March 1, 2023 | 100,000 |
| Term Loan C [(7)] | 50,000 | 2.74% | 1,371 | March 1, 2023 | 50,000 |
| Series F Notes [(8)] | 100,000 | 3.85% | 3,780 | July 19, 2024 | 100,000 |
| Series B Notes | 100,000 | 4.45% | 4,450 | February 2, 2025 | 100,000 |
| Series C Notes | 100,000 | 4.50% | 4,500 | April 1, 2025 | 100,000 |
| Series D Notes [(9)] | 250,000 | 3.87% | 10,725 | March 1, 2027 | 250,000 |
| Series E Notes [(10)] | 100,000 | 4.18% | 4,240 | May 23, 2029 | 100,000 |
| **Unsecured Notes Payable / Weighted Average [(11)]** | **$ 1,050,000** | **3.78%** | **$ 138,209** | | **$ 1,050,000** |
| **Unsecured Line of Credit [(12)]** | **$ 64,000** | **3.44%** | | | |

Notes:

(1) Includes interest and principal payments due over the next twelve months.

(2) Interest only.

(3) The Secured Notes Payable total does not include debt issuance costs, net of $0.2 million.

(4) On January 9, 2019, the Term Loan A maturity was extended to January 9, 2021, subject to our option to extend Term Loan A up to three times with each such extension for a one-year period. Effective January 9, 2019, Term Loan A accrues interest at a variable rate, which we fixed as part of an interest rate swap for an effective interest rate of 4.13%, subject to adjustments based on our consolidated leverage ratio.

(5) $150 million of 4.04% Senior Guaranteed Notes, Series A, due October 31, 2021. Net of the settlement of the forward-starting interest rate swap, the effective interest rate for the Series A Notes is approximately 3.88% per annum, through maturity.

(6) Term Loan B matures on March 1, 2023. Term Loan B accrues interest at a variable rate, which we fixed as part of an interest rate swap for an all-in interest rate of 2.75%, subject to adjustments based on our consolidated leverage ratio.

(7) Term Loan C matures on March 1, 2023. Term Loan C accrues interest at a variable rate, which we fixed as part of an interest rate swap for an all-in interest rate of 2.74%, subject to adjustments based on our consolidated leverage ratio.

(8) $100 million of 3.78% Senior Guaranteed Notes, Series F, due July 19, 2024. Net of the settlement of the treasury lock contract, the effective interest rate for the Series F Notes is approximately 3.85%, through maturity.

(9) $250 million of 4.29% Senior Guaranteed Notes, Series D, due March 1, 2027. Net of the settlement of the forward-starting interest rate swap, the effective interest rate for the Series D Notes is approximately 3.87% per annum, through maturity.

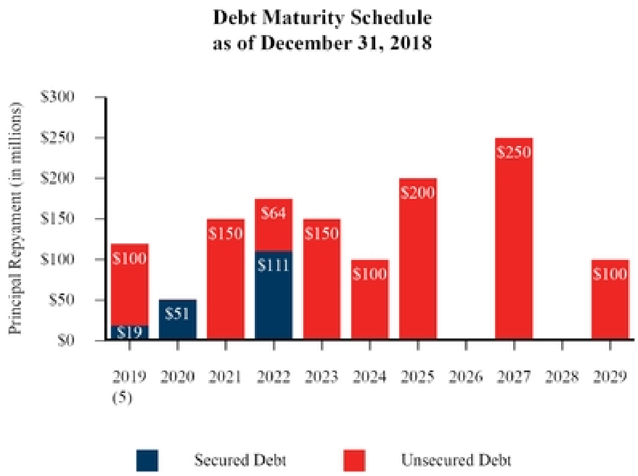
(10) $100 million of 4.24% Senior Guaranteed Notes, Series E, due May 23, 2029. Net of the settlement of the treasury lock contract, the effective interest rate for the Series E Notes is approximately 4.18%, through maturity.

(11) The Unsecured Notes Payable total does not include debt issuance costs, net of $4.1 million.

(12) The unsecured revolving line of credit (the "Revolver Loan") has a capacity of $350 million plus an accordion feature that may allow us to increase the availability thereunder up to an additional $350 million, subject to meeting specified requirements and obtaining additional commitments from lenders. The Revolver Loan matures on January 9, 2022, subject to our option to extend the Revolver Loan up to two times, with each such extension for a six-month period. The Revolver Loan currently accrues interest at LIBOR, plus a spread which ranges from 1.05%-1.50%, based on our consolidated leverage ratio. The Revolver Loan total does not include debt issuance costs, net of $1.7 million.

*(Amounts in thousands, except per share data)*

| Market data | | December 31, 2018 |
|---|---|---|
| Common shares outstanding | | 47,335 |
| Common units outstanding | | 17,178 |
| Common shares and common units outstanding | | 64,513 |
| Market price per common share | $ | 40.17 |
| Equity market capitalization | $ | 2,591,487 |
| Total debt | $ | 1,296,765 |
| Total market capitalization | $ | 3,888,252 |
| Less: Cash on hand | $ | (47,956) |
| Total enterprise value | $ | 3,840,296 |
| Total unencumbered assets, gross | $ | 2,356,383 |
| | | |
| Total debt/Total capitalization | | 33.4% |
| Total debt/Total enterprise value | | 33.8% |
| Net debt/Total enterprise value [1] | | 32.5% |
| Total unencumbered assets, gross/Unsecured debt | | 211.8% |
| | | |
| Total debt/Adjusted EBITDA [2][3] | | 7.5x |
| Net debt/Adjusted EBITDA [1][2][3] | | 7.2x |
| Interest coverage ratio [4] | | 3.4x |
| Fixed charge coverage ratio [4] | | 3.4x |




| *Weighted Average Fixed Interest Rate* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 3.8% | 6.0% | 3.9% | 4.0% | 2.7% | 3.8% | 4.5% | —% | 3.9% | —% | 4.2% |

*Total Weighed Average Fixed Interest Rate:* 3.9%

*Weighted Average Term to Maturity:* 5.2 years

**Credit Ratings**

| Rating Agency | Rating | Outlook |
|---|---|---|
| Fitch | BBB | Negative |
| Moody's | Baa3 | Stable |
| Standard & Poors | BBB- | Stable |

Notes:
(1) Net debt is equal to total debt less cash on hand.
(2) See Glossary of Terms for discussion of EBITDA and Adjusted EBITDA.
(3) As used here, Adjusted EBITDA represents the actual for the three months ended December 31, 2018 annualized.
(4) Calculated as Adjusted EBITDA divided by interest on borrowed funds, including capitalized interest and excluding debt fair value adjustments and loan fee amortization.
(5) On January 9, 2019, the maturity date of Term Loan A was extended to January 9, 2021, with three one-year extension options.

# SUMMARY OF DEVELOPMENT OPPORTUNITIES

AMERICAN ASSETS TRUST

Our portfolio has numerous potential opportunities to create future shareholder value. These opportunities could be subject to government approvals, lender consents, tenant consents, market conditions, availability of debt and/or equity financing, etc. Many of these opportunities are in their preliminary stages and may not ultimately come to fruition. This schedule will update as we modify various assumptions and markets conditions change. Square footages and units set forth below are estimates only and ultimately may differ materially from actual square footages and units.

**Development Projects**

| | | | | | | | | Project Costs (in thousands) (4) | |
|---|---|---|---|---|---|---|---|---|---|
| Property | Location | Start Date | Completion Date | Estimated Stabilized Yield (1) | Rentable Square Feet | Percent Leased (2) | Estimated Stabilization Date (3) | Cost Incurred to Date | Total Estimated Investment |
| **Office Property:** | | | | | | | | | |
| Torrey Point | San Diego, CA | 2015 | July 31, 2017 | 6.75% - 7.75% | 90,000 | 40.1% | 2019 | $41,247 | $55,800 |

**Development/Redevelopment Pipeline**

| Property | Property Type | Location | Estimated Rentable Square Feet | Multifamily Units | Opportunity |
|---|---|---|---|---|---|
| Solana Beach Corporate Centre (Building 5) | Retail | Solana Beach, CA | 10,000 | N/A | Development of 10,000 square foot retail building |
| Lomas Santa Fe Plaza | Retail | Solana Beach, CA | 45,000 | N/A | Development of 45,000 square foot retail building |
| Solana Beach - Highway 101 (5) | Mixed Use | Solana Beach, CA | 48,000 | 36 | Development of mixed-use project |
| Lloyd District Portfolio - multiple phases (6) | Mixed Use | Portland, OR | TBD | TBD | |
| Phase 2A - Oregon Square | | | 55,000<br>33,000 | N/A<br>N/A | Remodel and repurpose of two 33,000 square feet office buildings into flexible creative office space that unlock 22,000 square feet of leasable space that was previously used for basement storage |
| Phase 2B - Oregon Square | | | TBD | TBD | Development of mixed-use residential tower and build-to-suit office tower |

Notes:
(1) The estimated stabilized yield is calculated based on total estimated project costs, as defined above, when the project has reached stabilized occupancy.
(2) Percentage leased include square footage under leases as of January 31, 2019, including leases which may not have commenced as of January 31, 2019.
(3) Based on management's estimation of stabilized occupancy (90%).
(4) Project costs exclude capitalized interest cost which is calculated in accordance with Accounting Standards Codification 835-20-50-1.
(5) Represents commercial portion of development opportunity for Solana Beach - Highway 101. A third party has been granted an option to acquire this property exercisable on or prior to December 22, 2019 for $9.43 million in consideration for a non-refundable $1.4 million option payment.
(6) The Lloyd District Portfolio was acquired in 2011 consisting of approximately 600,000 rentable square feet on more than 16 acres located in the Lloyd District of Portland, Oregon. The portion of the property that has been designated for additional development to include a high density, transit oriented, mixed-use urban village, with the potential to be in excess of approximately three million square feet. The entitlement for such development opportunity allows a 12:1 Floor Area Ratio with a 250 foot height limit and provides for retail, office and/or multifamily development. Additional development plans are in the early stages and will continue to progress as demand and economic conditions allow.

# PORTFOLIO DATA

## As of December 31, 2018

### Retail and Office Portfolios

| Property | Location | Year Built/ Renovated | Number of Buildings | Net Rentable Square Feet [1] | Percentage Leased [2] | Annualized Base Rent [3] | Annualized Base Rent per Leased Square Foot [4] | Retail Anchor Tenant(s) [5] | Other Principal Retail Tenants [6] |
|---|---|---|---|---|---|---|---|---|---|
| **Retail Properties** | | | | | | | | | |
| Carmel Country Plaza | San Diego, CA | 1991 | 9 | 78,098 | 94.6% | $ 3,841,618 | $52.00 | | Sharp Healthcare, San Diego County Credit Union |
| Carmel Mountain Plaza [7] | San Diego, CA | 1994/2014 | 15 | 528,416 | 77.4 | 12,234,245 | 29.91 | | Dick's Sporting Goods, Saks Fifth Avenue Off 5th |
| South Bay Marketplace [7] | San Diego, CA | 1997 | 9 | 132,877 | 88.7 | 2,222,421 | 18.86 | | Ross Dress for Less, Grocery Outlet |
| Gateway Marketplace | San Diego, CA | 1997/2016 | 3 | 127,861 | 98.7 | 2,403,614 | 19.05 | Hobby Lobby | Smart & Final, Aldi |
| Lomas Santa Fe Plaza | Solana Beach, CA | 1972/1997 | 9 | 208,030 | 97.0 | 5,971,638 | 29.59 | | Vons, Home Goods |
| Solana Beach Towne Centre | Solana Beach, CA | 1973/2000/2004 | 12 | 246,730 | 93.5 | 5,929,000 | 25.70 | | Dixieline Probuild, Marshalls |
| Del Monte Center [7] | Monterey, CA | 1967/1984/2006 | 16 | 673,572 | 98.3 | 11,680,190 | 17.64 | Macy's, KLA Monterrey | Century Theatres, Macy's Furniture Gallery |
| Geary Marketplace | Walnut Creek, CA | 2012 | 3 | 35,156 | 95.6 | 1,156,036 | 34.40 | | Sprouts Farmer Market, Freebirds Wild Burrito |
| The Shops at Kalakaua | Honolulu, HI | 1971/2006 | 3 | 11,671 | 100.0 | 1,981,378 | 169.77 | | Hawaii Beachware & Fashion, Diesel U.S.A. Inc. |
| Waikele Center | Waipahu, HI | 1993/2008 | 9 | 418,047 | 100.0 | 10,798,380 | 25.83 | Lowe's | UFC Gym, Old Navy |
| Alamo Quarry Market [7] | San Antonio, TX | 1997/1999 | 16 | 588,970 | 99.5 | 14,745,038 | 25.16 | Regal Cinemas | Bed Bath & Beyond, Whole Foods Market |
| Hassalo on Eighth | Portland, OR | 2015 | 3 | 44,153 | 76.6 | 1,079,577 | 31.92 | | Providence Health & Services, Green Zebra Grocery |
| **Subtotal/Weighted Average Retail Portfolio** | | | 107 | 3,093,581 | 93.9% | $ 74,043,135 | $25.49 | | |
| **Office Properties** | | | | | | | | | |
| Torrey Reserve Campus | San Diego, CA | 1996-2000/2014-2016 | 14 | 516,676 | 84.1% | $ 18,162,561 | $41.80 | | |
| Torrey Point | San Diego, CA | 2017 | 2 | 92,614 | 32.2 | 983,599 | 32.98 | | |
| Solana Beach Corporate Centre | Solana Beach, CA | 1982/2005 | 4 | 212,495 | 87.8 | 7,172,493 | 38.44 | | |
| The Landmark at One Market [8] | San Francisco, CA | 1917/2000 | 1 | 419,371 | 100.0 | 26,940,554 | 64.24 | | |
| One Beach Street | San Francisco, CA | 1924/1972/1987/1992 | 1 | 97,614 | 100.0 | 4,358,102 | 44.65 | | |
| First & Main | Portland, OR | 2010 | 1 | 360,641 | 98.7 | 11,182,650 | 31.42 | | |
| Lloyd District Portfolio | Portland, OR | 1940-2015 | 2 | 459,603 | 87.6 | 10,065,764 | 25.00 | | |
| City Center Bellevue | Bellevue, WA | 1987 | 1 | 497,472 | 98.2 | 18,719,712 | 38.32 | | |
| **Subtotal/Weighted Average Office Portfolio** | | | 26 | 2,656,486 | 90.9% | $ 97,585,435 | $40.41 | | |
| **Total/Weighted Average Retail and Office Portfolio** | | | 133 | 5,750,067 | 92.5% | $ 171,628,570 | $32.27 | | |

## As of December 31, 2018

| Property | Location | Year Built/ Renovated | Number of Buildings | Units | Percentage Leased (2) | Annualized Base Rent (3) | Average Monthly Base Rent per Leased Unit (4) |
|---|---|---|---|---|---|---|---|
| Loma Palisades | San Diego, CA | 1958/2001-2008 | 80 | 548 | 94.3% | $ 13,393,860 | $ 2,160 |
| Imperial Beach Gardens | Imperial Beach, CA | 1959/2008 | 26 | 160 | 90.6 | 3,507,960 | $ 2,017 |
| Mariner's Point | Imperial Beach, CA | 1986 | 8 | 88 | 90.9 | 1,707,156 | $ 1,778 |
| Santa Fe Park RV Resort (9) | San Diego, CA | 1971/2007-2008 | 1 | 126 | 88.1 | 1,230,864 | $ 924 |
| Pacific Ridge Apartments | San Diego, CA | 2013 | 3 | 533 | 96.1 | 16,747,488 | $ 2,725 |
| Hassalo on Eighth - Velomor | Portland, OR | 2015 | 1 | 177 | 93.2 | 3,202,927 | $ 1,618 |
| Hassalo on Eighth - Aster Tower | Portland, OR | 2015 | 1 | 337 | 94.7 | 6,295,668 | $ 1,644 |
| Hassalo on Eighth - Elwood | Portland, OR | 2015 | 1 | 143 | 89.5 | 2,443,752 | $ 1,591 |
| **Total/Weighted Average Multifamily Portfolio** | | | 121 | 2,112 | 93.6% | $ 48,529,675 | $ 2,046 |

**Mixed-Use Portfolio**

| Retail Portion | Location | Year Built/ Renovated | Number of Buildings | Net Rentable Square Feet (1) | Percentage Leased (2) | Annualized Base Rent (3) | Annualized Base Rent per Leased Square Foot (4) | Retail Anchor Tenant(s) (5) | Other Principal Retail Tenants (6) |
|---|---|---|---|---|---|---|---|---|---|
| Waikiki Beach Walk - Retail | Honolulu, HI | 2006 | 3 | 96,707 | 96.1% | $ 10,752,372 | $ 115.70 | | Yard House, Roy's |

| Hotel Portion | Location | Year Built/ Renovated | Number of Buildings | Units | Average Occupancy (10) | Average Daily Rate(10) | Annualized Revenue per Available Room (10) |
|---|---|---|---|---|---|---|---|
| Waikiki Beach Walk - Embassy Suites™ | Honolulu, HI | 2008/2014 | 2 | 369 | 91.3% | $ 315.39 | $ 287.99 |

Notes:

(1) The net rentable square feet for each of our retail properties and the retail portion of our mixed-use property is the sum of (1) the square footages of existing leases, plus (2) for available space, the field-verified square footage. The net rentable square feet for each of our office properties is the sum of (1) the square footages of existing leases, plus (2) for available space, management's estimate of net rentable square feet based, in part, on past leases. The net rentable square feet included in such office leases is generally determined consistently with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines. Net rentable square footage may be adjusted from the prior periods to reflect re-measurement of leased space at the properties.

(2) Percentage leased for each of our retail and office properties and the retail portion of the mixed-use property includes square footage under leases as of December 31, 2018, including leases which may not have commenced as of December 31, 2018. Percentage leased for our multifamily properties includes total units rented as of December 31, 2018.

(3) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) for the month ended December 31, 2018 by 12. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.

(4) Annualized base rent per leased square foot is calculated by dividing annualized base rent, by square footage under lease as of December 31, 2018. Annualized base rent per leased unit is calculated by dividing annualized base rent by units under lease as of December 31, 2018.

(5) Retail anchor tenants are defined as retail tenants leasing 50,000 square feet or more.

(6) Other principal retail tenants are defined as the two tenants leasing the most square footage, excluding anchor tenants.

(7) Net rentable square feet at certain of our retail properties includes pad sites leased pursuant to the ground leases in the following table:

| Property | Number of Ground Leases | Square Footage Leased Pursuant to Ground Leases | Aggregate Annualized Base Rent |
|---|---|---|---|
| Carmel Mountain Plaza | 5 | 17,607 | $ 709,740 |
| South Bay Marketplace | 1 | 2,824 | $ 102,276 |
| Del Monte Center | 1 | 212,500 | $ 96,000 |
| Alamo Quarry Market | 4 | 31,994 | $ 509,880 |

(8) This property contains 419,371 net rentable square feet consisting of the Landmark at One Market (375,151 net rentable square feet) as well as a separate long-term leasehold interest in approximately 44,220 net rentable square feet of space located in an adjacent six-story leasehold known as the Annex. We currently lease the Annex from an affiliate of the Paramount Group pursuant to a long-term master lease effective through June 30, 2021, which we have the option to extend until 2031 pursuant to two five-year extension options.

(9) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. During the 12 months ended December 31, 2018, the highest average monthly occupancy rate for this property was 88%, occurring in December 2018. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

(10) Average occupancy represents the percentage of available units that were sold during the three months ended December 31, 2018, and is calculated by dividing the number of units sold by the product of the total number of units and the total number of days in the period. Average daily rate represents the average rate paid for the units sold and is calculated by dividing the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for the three months ended December 31, 2018 by the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the three months ended December 31, 2018 and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services.

**As of December 31, 2018**

**Total Lease Summary - Comparable [(1)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 19 | 100% | 65,046 | $46.90 | $45.52 | $ 89,535 | 3.0 % | 7.3 % | 4.0 | $ 471,790 | $7.25 |
| 3rd Quarter 2018 | 10 | 100% | 64,585 | $30.44 | $25.63 | $ 310,549 | 18.8 % | 21.7 % | 4.8 | $ 166,077 | $2.57 |
| 2nd Quarter 2018 | 15 | 100% | 66,415 | $39.54 | $39.05 | $ 32,852 | 1.3 % | 14.1 % | 8.1 | $ 660,600 | $9.95 |
| 1st Quarter 2018 | 19 | 100% | 43,241 | $48.67 | $50.78 | $ (91,403) | (4.2)% | 7.7 % | 5.8 | $ 454,375 | $10.51 |
| Total 12 months | 63 | 100% | 239,287 | $40.73 | $39.31 | $ 341,533 | 3.6 % | 11.8 % | 5.7 | $ 1,752,842 | $7.33 |

**New Lease Summary - Comparable [(1)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 3 | 16% | 2,956 | $139.03 | $123.55 | $ 45,742 | 12.5 % | 18.3 % | 5.2 | $ 20,840 | $7.05 |
| 3rd Quarter 2018 | 1 | 10% | 959 | $192.00 | $144.00 | $ 46,032 | 33.3 % | 40.0 % | 3.0 | $ — | $0.00 |
| 2nd Quarter 2018 | 4 | 27% | 7,986 | $67.30 | $74.97 | $ (61,197) | (10.2)% | (4.1)% | 8.4 | $ 660,600 | $82.72 |
| 1st Quarter 2018 | 3 | 16% | 8,077 | $53.15 | $67.94 | $ (119,469) | (21.8)% | (14.8)% | 9.3 | $ 377,000 | $46.68 |
| Total 12 months | 11 | 17% | 19,978 | $78.18 | $82.63 | $ (88,892) | (5.4)% | 1.2 % | 8.0 | $ 1,058,440 | $52.98 |

**Renewal Lease Summary - Comparable [(1)(5)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 16 | 84% | 62,090 | $42.51 | $41.81 | $ 43,793 | 1.7 % | 5.8 % | 4.0 | $ 450,950 | $7.26 |
| 3rd Quarter 2018 | 9 | 90% | 63,626 | $28.00 | $23.84 | $ 264,517 | 17.4 % | 20.0 % | 4.8 | $ 166,077 | $2.61 |
| 2nd Quarter 2018 | 11 | 73% | 58,429 | $35.75 | $34.14 | $ 94,049 | 4.7 % | 19.9 % | 8.1 | $ — | $0.00 |
| 1st Quarter 2018 | 16 | 84% | 35,164 | $47.64 | $46.84 | $ 28,066 | 1.7 % | 15.5 % | 5.0 | $ 77,375 | $2.20 |
| Total 12 months | 52 | 83% | 219,309 | $37.32 | $35.36 | $ 430,425 | 5.6 % | 14.1 % | 5.5 | $ 694,402 | $3.17 |

**Total Lease Summary - Comparable and Non-Comparable [(1)]**

| Quarter | Number of Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 21 | 72,031 | $45.89 | 4.6 | $ 925,440 | $12.85 |
| 3rd Quarter 2018 | 16 | 122,381 | $28.81 | 11.2 | $ 11,775,947 | $96.22 |
| 2nd Quarter 2018 | 19 | 74,650 | $37.94 | 7.8 | $ 849,831 | $11.38 |
| 1st Quarter 2018 | 22 | 47,468 | $49.78 | 5.7 | $ 614,375 | $12.94 |
| Total 12 months | 78 | 316,530 | $37.99 | 8.1 | $ 14,165,593 | $44.75 |

Notes:
(1) Comparable leases represent those leases signed on spaces for which there was a previous lease, including leases signed for the retail portion of our mixed-use property.
(2) Contractual rent represents contractual minimum rent under the new lease for the first twelve months of the term.
(3) Prior rent represents the minimum rent paid under the previous lease in the final twelve months of the term.
(4) Weighted average is calculated on the basis of square footage.
(5) Excludes renewals at fixed contractual rates specified in the lease.

**As of December 31, 2018**

**Total Lease Summary - Comparable [(1)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 11 | 100% | 298,303 | $88.41 | $54.08 | $ 10,241,129 | 63.5% | 95.5% | 9.8 | $ 29,601,802 | $99.23 |
| 3rd Quarter 2018 | 9 | 100% | 95,279 | $38.40 | $34.59 | $ 363,065 | 11.0% | 12.6% | 6.3 | $ 6,191,785 | $64.99 |
| 2nd Quarter 2018 | 15 | 100% | 113,182 | $43.18 | $37.06 | $ 692,640 | 16.5% | 28.8% | 6.9 | $ 4,839,775 | $42.76 |
| 1st Quarter 2018 | 16 | 100% | 207,056 | $64.22 | $57.52 | $ 1,386,716 | 11.6% | 29.8% | 7.5 | $ 11,165,819 | $53.93 |
| Total 12 months | 51 | 100% | 713,820 | $67.55 | $49.78 | $ 12,683,550 | 35.7% | 56.9% | 8.2 | $ 51,799,181 | $72.57 |

**New Lease Summary - Comparable [(1)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 8 | 73% | 284,679 | $90.10 | $54.66 | $ 10,089,839 | 64.8% | 97.8% | 10.0 | $ 28,993,536 | $101.85 |
| 3rd Quarter 2018 | 4 | 44% | 83,147 | $37.88 | $34.15 | $ 310,566 | 10.9% | 11.7% | 6.8 | $ 5,987,498 | $72.01 |
| 2nd Quarter 2018 | 2 | 13% | 38,599 | $47.58 | $42.15 | $ 209,915 | 12.9% | 30.5% | 9.8 | $ 3,225,852 | $83.57 |
| 1st Quarter 2018 | 9 | 56% | 120,813 | $54.81 | $44.95 | $ 1,190,208 | 21.9% | 46.6% | 9.5 | $ 9,514,872 | $78.76 |
| Total 12 months | 23 | 45% | 527,238 | $70.67 | $48.28 | $ 11,800,528 | 46.4% | 71.9% | 9.4 | $ 47,721,758 | $90.51 |

**Renewal Lease Summary - Comparable [(1)(5)]**

| Quarter | Number of Leases Signed | % of Comparable Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Prior Rent Per Sq. Ft. [(3)] | Annual Change in Rent | Cash Basis % Change Over Prior Rent | Straight-Line Basis % Change Over Prior Rent | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 3 | 27% | 13,624 | $53.05 | $41.94 | $ 151,290 | 26.5% | 39.6% | 5.6 | $ 608,266 | $44.65 |
| 3rd Quarter 2018 | 5 | 56% | 12,132 | $41.96 | $37.63 | $ 52,499 | 11.5% | 18.3% | 2.8 | $ 204,287 | $16.84 |
| 2nd Quarter 2018 | 13 | 87% | 74,583 | $40.89 | $34.42 | $ 482,725 | 18.8% | 27.9% | 5.5 | $ 1,613,923 | $21.64 |
| 1st Quarter 2018 | 7 | 44% | 86,243 | $77.40 | $75.13 | $ 196,508 | 3.0% | 16.1% | 4.7 | $ 1,650,947 | $19.14 |
| Total 12 months | 28 | 55% | 186,582 | $58.72 | $54.00 | $ 883,022 | 8.8% | 20.6% | 5.0 | $ 4,077,423 | $21.85 |

**Total Lease Summary - Comparable and Non-Comparable**

| Quarter | Number of Leases Signed | Net Rentable Square Feet Signed | Contractual Rent Per Sq. Ft. [(2)] | Weighted Average Lease Term [(4)] | Tenant Improvements & Incentives | Tenant Improvements & Incentives Per Sq. Ft. |
|---|---|---|---|---|---|---|
| 4th Quarter 2018 | 15 | 312,673 | $86.55 | 9.5 | $ 30,333,733 | $97.01 |
| 3rd Quarter 2018 | 13 | 114,367 | $40.84 | 6.4 | $ 7,584,960 | $66.32 |
| 2nd Quarter 2018 | 24 | 156,521 | $41.70 | 6.7 | $ 6,900,810 | $44.09 |
| 1st Quarter 2018 | 23 | 245,081 | $61.39 | 7.4 | $ 14,009,667 | $57.16 |
| Total 12 months | 75 | 828,642 | $64.33 | 7.9 | $ 58,829,170 | $70.99 |

Notes:
(1) Comparable leases represent those leases signed on spaces for which there was a previous lease.
(2) Contractual rent represents contractual minimum rent under the new lease for the first twelve months of the term.
(3) Prior rent represents the minimum rent paid under the previous lease in the final twelve months of the term.
(4) Weighted average is calculated on the basis of square footage.
(5) Excludes renewals at fixed contractual rates specified in the lease.

# MULTIFAMILY LEASING SUMMARY

AMERICAN ASSETS TRUST

**As of December 31, 2018**

**Lease Summary - Loma Palisades**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 517 | 94.3% | $13,393,860 | $2,160 |
| 3rd Quarter 2018 | 511 | 93.3% | $13,313,736 | $2,170 |
| 2nd Quarter 2018 | 544 | 99.3% | $13,423,164 | $2,056 |
| 1st Quarter 2018 | 512 | 93.4% | $12,558,516 | $2,045 |

**Lease Summary - Imperial Beach Gardens**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 145 | 90.6% | $3,507,960 | $2,017 |
| 3rd Quarter 2018 | 151 | 94.4% | $3,625,728 | $2,000 |
| 2nd Quarter 2018 | 157 | 98.1% | $3,663,048 | $1,945 |
| 1st Quarter 2018 | 149 | 93.1% | $3,521,508 | $1,970 |

**Lease Summary - Mariner's Point**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 80 | 90.9% | $1,707,156 | $1,778 |
| 3rd Quarter 2018 | 82 | 93.2% | $1,711,752 | $1,739 |
| 2nd Quarter 2018 | 86 | 97.7% | $1,773,576 | $1,719 |
| 1st Quarter 2018 | 81 | 92.1% | $1,610,880 | $1,656 |

**Lease Summary - Santa Fe Park RV Resort**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 111 | 88.1% | $1,230,864 | $924 |
| 3rd Quarter 2018 | 98 | 77.8% | $1,399,620 | $1,190 |
| 2nd Quarter 2018 | 104 | 82.8% | $1,825,680 | $1,458 |
| 1st Quarter 2018 | 106 | 84.4% | $1,275,120 | $999 |

**Lease Summary - Pacific Ridge Apartments**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 512 | 96.1% | $16,747,488 | $2,725 |
| 3rd Quarter 2018 | 513 | 96.2% | $16,928,340 | $2,751 |
| 2nd Quarter 2018 | 470 | 88.2% | $15,842,244 | $2,808 |
| 1st Quarter 2018 | 493 | 92.5% | $16,052,556 | $2,713 |

**As of December 31, 2018**

**Lease Summary - Hassalo on Eighth - Velomor**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 165 | 93.2% | $3,202,927 | $1,618 |
| 3rd Quarter 2018 | 157 | 88.7% | $3,090,732 | $1,641 |
| 2nd Quarter 2018 | 168 | 94.9% | $3,268,236 | $1,621 |
| 1st Quarter 2018 | 157 | 88.7% | $3,159,180 | $1,677 |

**Lease Summary - Hassalo on Eighth - Aster Tower**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 319 | 94.7% | $6,295,668 | $1,644 |
| 3rd Quarter 2018 | 312 | 92.6% | $6,185,088 | $1,652 |
| 2nd Quarter 2018 | 322 | 95.6% | $6,449,628 | $1,668 |
| 1st Quarter 2018 | 324 | 96.1% | $6,400,212 | $1,647 |

**Lease Summary - Hassalo on Eighth - Elwood**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 128 | 89.5% | $2,443,752 | $1,591 |
| 3rd Quarter 2018 | 126 | 88.1% | $2,435,748 | $1,611 |
| 2nd Quarter 2018 | 133 | 93.0% | $2,500,788 | $1,567 |
| 1st Quarter 2018 | 135 | 94.4% | $2,496,744 | $1,541 |

**Total Multifamily Lease Summary**

| Quarter | Number of Leased Units | Percentage leased (1) | Annualized Base Rent (2) | Average Monthly Base Rent per Leased Unit (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 1,977 | 93.6% | $48,529,675 | $2,046 |
| 3rd Quarter 2018 | 1,950 | 92.3% | $48,690,744 | $2,081 |
| 2nd Quarter 2018 | 1,984 | 93.9% | $48,746,364 | $2,048 |
| 1st Quarter 2018 | 1,957 | 92.7% | $47,074,716 | $2,004 |

Notes:

(1) Percentage leased for our multifamily properties includes total units rented as of each respective quarter end date.

(2) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) as of each respective quarter end date.

(3) Annualized base rent per leased unit is calculated by dividing annualized base rent, by units under lease as of each respective quarter end date.

**As of December 31, 2018**

**Lease Summary - Retail Portion**

| Quarter | Number of Leased Square Feet | Percentage leased (1) | Annualized Base Rent (2) | Annualized base Rent per Leased Square Foot (3) |
|---|---|---|---|---|
| 4th Quarter 2018 | 92,890 | 96.1% | $10,752,372 | $116 |
| 3rd Quarter 2018 | 92,767 | 95.9% | $10,573,741 | $114 |
| 2nd Quarter 2018 | 92,777 | 95.9% | $10,610,601 | $114 |
| 1st Quarter 2018 | 93,709 | 96.9% | $11,099,045 | $118 |

**Lease Summary - Hotel Portion**

| Quarter | Number of Leased Units | Average Occupancy (4) | Average Daily Rate (4) | Annualized Revenue per Available Room (4) |
|---|---|---|---|---|
| 4th Quarter 2018 | 337 | 91.3% | $315 | $288 |
| 3rd Quarter 2018 | 342 | 92.8% | $348 | $323 |
| 2nd Quarter 2018 | 346 | 93.7% | $303 | $284 |
| 1st Quarter 2018 | 348 | 94.3% | $312 | $295 |

Notes:

(1) Percentage leased for mixed-use property includes square footage under leases as of December 31, 2018, including leases which may not have commenced as of December 31, 2018.

(2) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) for the month ended December 31, 2018 by 12. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.

(3) Annualized base rent per leased square foot is calculated by dividing annualized base rent, by square footage under lease as of December 31, 2018.

(4) Average occupancy represents the percentage of available units that were sold during the three months ended December 31, 2018, and is calculated by dividing the number of units sold by the product of the total number of units and the total number of days in the period. Average daily rate represents the average rate paid for the units sold and is calculated by dividing the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for each respective quarter period by the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for each respective quarter period and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services.

### As of December 31, 2018

### Assumes no exercise of lease options

| | Office | | | | Retail | | | | Mixed-Use (Retail Portion Only) | | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Expiring Sq. Ft. | % of Office Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Retail Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Mixed-Use Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] |
| Month to Month | 14,512 | 0.5% | 0.2% | $1.88 | 26,323 | 0.9% | 0.5% | $28.72 | 1,214 | 1.3% | —% | $— | 42,049 | 0.7% | $18.63 |
| 2019 | 167,814 | 6.3 | 2.9 | $42.50 | 142,204 | 4.6 | 2.4 | $37.75 | 15,984 | 16.5 | 0.3 | $115.73 | 326,002 | 5.6 | $44.02 |
| 2020 | 278,898 | 10.5 | 4.8 | $37.14 | 293,117 | 9.5 | 5.0 | $27.41 | 19,930 | 20.6 | 0.3 | $58.94 | 591,945 | 10.1 | $33.06 |
| 2021 | 239,099 | 9.0 | 4.1 | $40.33 | 187,210 | 6.1 | 3.2 | $44.03 | 19,712 | 20.4 | 0.3 | $178.59 | 446,021 | 7.6 | $47.99 |
| 2022 | 244,232 | 9.2 | 4.2 | $48.08 | 447,386 | 14.5 | 7.7 | $30.28 | 5,481 | 5.7 | 0.1 | $210.95 | 697,099 | 11.9 | $37.94 |
| 2023 | 361,694 [2] | 13.6 | 6.2 | $47.31 | 302,362 | 9.8 | 5.2 | $24.57 | 7,436 | 7.7 | 0.1 | $92.20 | 671,492 | 11.5 | $37.57 |
| 2024 | 108,804 | 4.1 | 1.9 | $46.60 | 378,864 | 12.2 | 6.5 | $25.18 | 2,091 | 2.2 | — | $112.75 | 489,759 | 8.4 | $30.31 |
| 2025 | 234,906 | 8.8 | 4.0 | $33.14 | 185,620 | 6.0 | 3.2 | $23.00 | 1,010 | 1.0 | — | $251.61 | 421,536 | 7.2 | $29.20 |
| 2026 | 127,359 [3][4] | 4.8 | 2.2 | $37.51 | 105,739 | 3.4 | 1.8 | $26.15 | — | — | — | $— | 233,098 | 4.0 | $32.36 |
| 2027 | 15,459 | 0.6 | 0.3 | $51.18 | 120,100 | 3.9 | 2.1 | $27.36 | 13,118 | 13.6 | 0.2 | 74.38 | 148,677 | 2.5 | $33.99 |
| 2028 | 67,363 | 2.5 | 1.2 | $38.69 | 481,296 | 15.6 | 8.2 | $14.56 | 6,914 | 7.1 | 0.1 | $130.17 | 555,573 | 9.5 | $18.92 |
| Thereafter | 396,682 [5][6] | 14.9 | 6.8 | $51.78 | 174,575 | 5.6 | 3.0 | $21.77 | — | — | — | $— | 571,257 | 9.8 | $42.61 |
| Signed Leases Not Commenced | 158,071 | 6.0 | 2.7 | — | 59,535 | 1.9 | 1.0 | — | — | — | — | — | 217,606 | 3.7 | — |
| Available | 241,593 | 9.1 | 4.1 | — | 189,250 | 6.1 | 3.2 | — | 3,817 | 3.9 | 0.1 | — | 434,660 | 7.4 | — |
| Total [7] | 2,656,486 | 100.0% | 45.4% | $36.73 | 3,093,581 | 100.0% | 52.9% | $23.93 | 96,707 | 100.0% | 1.7% | $111.19 | 5,846,774 | 100.0% | $31.19 |

### Assumes all lease options are exercised

| | Office | | | | Retail | | | | Mixed-Use (Retail Portion Only) | | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Expiring Sq. Ft. | % of Office Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Retail Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Mixed-Use Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] | Expiring Sq. Ft. | % of Total Sq. Ft. | Annualized Base Rent Per Sq. Ft.[1] |
| Month to Month | 14,512 | 0.5% | 0.2% | $1.88 | 26,323 | 0.9% | 0.5% | $28.72 | 1,214 | 1.3% | —% | $— | 42,049 | 0.7% | $18.63 |
| 2019 | 146,860 | 5.5 | 2.5 | $41.30 | 74,495 | 2.4 | 1.3 | $37.80 | 15,984 | 16.5 | 0.3 | $115.73 | 237,339 | 4.1 | $45.21 |
| 2020 | 132,095 | 5.0 | 2.3 | $38.42 | 166,579 | 5.4 | 2.8 | $23.30 | 2,998 | 3.1 | 0.1 | $120.63 | 301,672 | 5.2 | $30.89 |
| 2021 | 74,275 | 2.8 | 1.3 | $41.52 | 106,127 | 3.4 | 1.8 | $46.23 | 19,712 | 20.4 | 0.3 | $178.59 | 200,114 | 3.4 | $57.52 |
| 2022 | 53,128 | 2.0 | 0.9 | $43.70 | 110,830 | 3.6 | 1.9 | $36.60 | 5,481 | 5.7 | 0.1 | $210.95 | 169,439 | 2.9 | $44.47 |
| 2023 | 127,602 | 4.8 | 2.2 | $38.80 | 56,896 | 1.8 | 1.0 | $36.76 | 7,436 | 7.7 | 0.1 | $92.20 | 191,934 | 3.3 | $40.26 |
| 2024 | 52,254 | 2.0 | 0.9 | $43.96 | 191,731 | 6.2 | 3.3 | $31.57 | 2,091 | 2.2 | — | $112.75 | 246,076 | 4.2 | $34.89 |
| 2025 | 173,052 | 6.5 | 3.0 | $36.16 | 110,591 | 3.6 | 1.9 | $28.53 | 1,010 | 1.0 | — | $251.61 | 284,653 | 4.9 | $33.96 |
| 2026 | 158,392 | 6.0 | 2.7 | $37.08 | 94,960 | 3.1 | 1.6 | $29.07 | — | — | — | $— | 253,352 | 4.3 | $34.08 |
| 2027 | 79,850 | 3.0 | 1.4 | $38.86 | 174,035 | 5.6 | 3.0 | $29.70 | 13,118 | 13.6 | 0.2 | 74.38 | 267,003 | 4.6 | $34.63 |
| 2028 | 151,777 | 5.7 | 2.6 | $39.86 | 219,874 | 7.1 | 3.8 | $22.61 | — | — | — | $— | 371,651 | 6.4 | $29.65 |
| Thereafter | 1,093,025 [2][3][4][5][6] | 41.1 | 18.7 | $48.01 | 1,512,355 | 48.9 | 25.9 | $22.10 | 23,846 | 24.7 | 0.4 | $71.84 | 2,629,226 | 45.0 | $33.32 |
| Signed Leases Not Commenced | 158,071 | 6.0 | 2.7 | — | 59,535 | 1.9 | 1.0 | — | — | — | — | — | 217,606 | 3.7 | — |
| Available | 241,593 | 9.1 | 4.1 | — | 189,250 | 6.1 | 3.2 | — | 3,817 | 3.9 | 0.1 | — | 434,660 | 7.4 | — |
| Total [7] | 2,656,486 | 100.0% | 45.4% | $36.73 | 3,093,581 | 100.0% | 52.9% | $23.93 | 96,707 | 100.0% | 1.7% | $111.19 | 5,846,774 | 100.0% | $31.19 |

**As of December 31, 2018**

Notes:

(1) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases. Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended December 31, 2018 for the leases expiring during the applicable period by (ii) 12 months.

(2) The expirations include 23,101 square feet leased by Salesforce.com at The Landmark at One Market through June 30, 2019, for which Autodesk, Inc. has signed an agreement to lease such space beginning July 1, 2019 through December 31, 2023 with options to extend the lease through December 31, 2033.

(3) The expirations include 19,697 square feet leased by Wargaming (USA), Inc. at City Center Bellevue through May 31, 2019, for which Smartsheet, Inc. has signed an agreement to lease such space beginning June 1, 2019 through December 31, 2026 with options to extend the lease through December 31, 2031.

(4) The expirations include 10,796 square feet leased by Information Tools, Inc. and Homestreet Bank at City Center Bellevue through February 28, 2019 and April 30, 2019, respectively, for which Wargaming (USA), Inc. has signed an agreement to lease such space beginning June 1, 2019 through May 31, 2026 with options to extend the lease through May 31, 2029.

(5) The expirations include 47,988 square feet leased by Salesforce.com at The Landmark at One Market through December 31, 2018, for which Google LLC has signed an agreement to lease such space beginning January 1, 2019 through December 31, 2029 with options to extend the lease through December 31, 2039.

(6) The expirations include 183,029 square feet leased by Salesforce.com at The Landmark at One Market through June 30, 2019, for which Google LLC has signed an agreement to lease such space beginning January 1, 2019 through December 31, 2029 with options to extend the lease through December 31, 2039.

(7) Individual items may not add up to total due to rounding.

| Type | At December 31, 2018 Size | Leased [1] | Leased % | At December 31, 2017 Size | Leased [1] | Leased % |
|---|---|---|---|---|---|---|
| **Overall Portfolio[2] Statistics** | | | | | | |
| Retail Properties (square feet) | 3,093,581 | 2,904,331 | 93.9% | 3,214,710 | 3,113,102 | 96.8% |
| Office Properties (square feet) | 2,656,486 | 2,414,893 | 90.9% | 2,684,477 | 2,374,349 | 88.4% |
| Multifamily Properties (units) | 2,112 | 1,977 | 93.6% | 2,112 | 1,938 | 91.8% |
| Mixed-Use Properties (square feet) | 96,707 | 92,890 | 96.1% | 96,707 | 93,684 | 96.9% |
| Mixed-Use Properties (units) | 369 | 343 [3] | 93.0% | 369 | 341 [3] | 92.5% |
| | | | | | | |
| **Same-Store[2] Statistics** | | | | | | |
| Retail Properties (square feet)[4] | 2,675,534 | 2,486,284 | 92.9% | 2,677,073 | 2,625,515 | 98.1% |
| Office Properties (square feet) | 2,563,872 | 2,385,040 | 93.0% | 2,684,477 | 2,374,349 | 88.4% |
| Multifamily Properties (units) | 2,112 | 1,977 | 93.6% | 2,112 | 1,938 | 91.8% |
| Mixed-Use Properties (square feet) | 96,707 | 92,890 | 96.1% | 96,707 | 93,684 | 96.9% |
| Mixed-Use Properties (units) | 369 | 343 [3] | 93.0% | 369 | 341 [3] | 92.5% |

Notes:
(1) Leased square feet includes square feet under lease as of each date, including leases which may not have commenced as of that date. Leased units for our multifamily properties include total units rented as of that date.
(2) See Glossary of Terms.
(3) Represents average occupancy for the year ended December 31, 2018 and 2017.
(4) The same-store portfolio excludes Waikele Center due to significant redevelopment activity.

# TOP TENANTS - RETAIL

AMERICAN ASSETS TRUST

**As of December 31, 2018**

| | Tenant | Property(ies) | Lease Expiration | Total Leased Square Feet | Rentable Square Feet as a Percentage of Total Retail | Rentable Square Feet as a Percentage of Total | Annualized Base Rent | Annualized Base Rent as a Percentage of Total Retail | Annualized Base Rent as a Percentage of Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Lowe's | Waikele Center | 5/31/2028 | 155,000 | 5.0% | 2.7% | $ 3,720,000 | 5.0% | 2.0% |
| 2 | Nordstrom Rack | Carmel Mountain Plaza,<br>Alamo Quarry Market | 9/30/2022<br>10/31/2022 | 69,047 | 2.2 | 1.2 | 2,189,648 | 3.0 | 1.2 |
| 3 | Sprouts Farmers Market | Solana Beach Towne Centre,<br>Carmel Mountain Plaza,<br>Geary Marketplace | 6/30/2024<br>3/31/2025<br>9/30/2032 | 71,431 | 2.3 | 1.2 | 1,919,436 | 2.6 | 1.1 |
| 4 | Vons | Lomas Santa Fe Plaza | 12/31/2022 | 49,895 | 1.6 | 0.9 | 1,399,205 | 1.9 | 0.8 |
| 5 | Old Navy | Waikele Center,<br>South Bay Marketplace,<br>Alamo Quarry Market | 7/31/2020<br>4/30/2021<br>9/30/2022 | 59,780 | 1.9 | 1.0 | * | * | * |
| 6 | Marshalls | Solana Beach Towne Centre,<br>Carmel Mountain Plaza, | 1/31/2025<br>1/31/2029 | 68,055 | 2.2 | 1.2 | 1,335,447 | 1.8 | 0.7 |
| 7 | Regal Cinemas | Alamo Quarry Market | 3/31/2023 | 72,447 | 2.3 | 1.2 | 1,231,599 | 1.7 | 0.7 |
| 8 | Michaels | Carmel Mountain Plaza,<br>Alamo Quarry Plaza | 1/31/2024<br>2/29/2028 | 46,850 | 1.5 | 0.8 | 1,022,103 | 1.4 | 0.6 |
| 9 | Angelika Film Center | Carmel Mountain Plaza | 1/31/2024 | 34,561 | 1.1 | 0.6 | 1,006,589 | 1.3 | 0.6 |
| 10 | Whole Foods Market | Alamo Quarry Market<br>Del Monte Center | 10/31/2022<br>7/31/2023 | 63,471 | 2.1 | 1.1 | 956,412 | 1.3 | 0.5 |
| | **Top 10 Retail Tenants Total** | | | **690,537** | **22.2%** | **11.9%** | **$14,780,439** | **20.0%** | **8.2%** |

* Data withheld at tenant's request.

**As of December 31, 2018**

| | Tenant | Property | Lease Expiration | Total Leased Square Feet | Rentable Square Feet as a Percentage of Total Office | Rentable Square Feet as a Percentage of Total | Annualized Base Rent | Annualized Base Rent as a Percentage of Total Office | Annualized Base Rent as a Percentage of Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 | salesforce.com | The Landmark at One Market | 12/31/2018<br>6/30/2019 | 254,118 | 9.6% | 4.3% | $15,002,748 | 15.4% | 8.2% |
| 2 | Autodesk, Inc. | The Landmark at One Market | 12/31/2022<br>12/31/2023 | 114,664 | 4.3 | 2.0 | 9,547,099 | 9.8 | 5.2 |
| 3 | Veterans Benefits Administration | First & Main | 8/31/2020 | 93,572 | 3.5 | 1.6 | 3,006,453 | 3.1 | 1.6 |
| 4 | Clearesult Operating, LLC | First & Main | 4/30/2025 | 101,848 | 3.8 | 1.7 | 2,735,895 | 2.8 | 1.5 |
| 5 | State of Oregon: Department of Environmental Quality | Lloyd District Portfolio | 10/31/2031 | 87,787 | 3.3 | 1.5 | 2,607,730 | 2.7 | 1.4 |
| 6 | Alliant International University | One Beach Street | 10/31/2019 | 64,161 | 2.4 | 1.1 | 2,510,982 | 2.6 | 1.4 |
| 7 | VMWare, Inc. | City Center Bellevue | 11/30/2022<br>3/31/2025 | 72,883 | 2.7 | 1.2 | 2,404,668 | 2.5 | 1.3 |
| 8 | Treasury Call Center | First & Main | 8/31/2020 | 63,648 | 2.4 | 1.1 | 2,184,302 | 2.2 | 1.2 |
| 9 | California Bank & Trust | Torrey Reserve Campus | 2/29/2024 | 34,731 | 1.3 | 0.6 | 1,807,609 | 1.9 | 1.0 |
| 10 | Industrious | City Center Bellevue | 11/30/2033 | 37,166 | 1.4 | 0.6 | 1,728,219 | 1.8 | 0.9 |
| | **Top 10 Office Tenants Total** | | | **924,578** | **34.7%** | **15.7%** | **$43,535,705** | **44.8%** | **23.7%** |

# APPENDIX

**Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA):** EBITDA is a non-GAAP measure that means net income or loss plus depreciation and amortization, net interest expense, income taxes, gain or loss on sale of real estate and impairments of real estate, if any. EBITDA is presented because it approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of net income to EBITDA for the three months and year ended December 31, 2018 and 2017 is as follows:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |
| Depreciation and amortization | 21,060 | 19,918 | 107,093 | 83,278 |
| Interest expense | 12,861 | 13,992 | 52,248 | 53,848 |
| Interest income | (29) | (177) | (238) | (548) |
| Income tax expense/(benefit) | 50 | 246 | 327 | 214 |
| EBITDA | $ 43,151 | $ 43,710 | $ 186,632 | $ 176,924 |

**Adjusted EBITDA:** Adjusted EBITDA is a non-GAAP measure that begins with EBITDA and includes adjustments for certain items that we believe are not representative of ongoing operating performance. Specifically, we include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire during the quarter, to assume all transactions occurred at the beginning of the quarter. We use Adjusted EBITDA as a supplemental performance measure because we believe these items create significant earnings volatility which in turn results in less comparability between reporting periods and less predictability regarding future earnings potential.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| EBITDA | $ 43,151 | $ 43,710 | $ 186,632 | $ 176,924 |
| Pro forma adjustments | — | — | — | 3,026 |
| Adjusted EBITDA | $ 43,151 | $ 43,710 | $ 186,632 | $ 179,950 |

**Earnings Before Interest, Taxes, Depreciation, and Amortization for Real Estate (EBITDA*re*):** EBITDA*re* is a supplemental non-GAAP measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts (NAREIT) defines EBITDA*re* as follows: net income or loss, computed in accordance with GAAP plus depreciation and amortization, net interest expense, income taxes, gain or loss on sale of real estate including gain or loss on change of control, impairments of real estate, and adjustments to reflect the entity's share of EBITDA*re* of unconsolidated affiliates, if any. EBITDA*re* is presented because it approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of net income to EBITDA*re* for the three months and year ended December 31, 2018 and 2017 is as follows:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |
| Depreciation and amortization | 21,060 | 19,918 | 107,093 | 83,278 |
| Interest expense | 12,861 | 13,992 | 52,248 | 53,848 |
| Interest income | (29) | (177) | (238) | (548) |
| Income tax expense/(benefit) | 50 | 246 | 327 | 214 |
| EBITDA*re* | $ 43,151 | $ 43,710 | $ 186,632 | $ 176,924 |

**Funds From Operations (FFO):** FFO is a supplemental measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as follows: net income, computed in accordance with GAAP plus depreciation and amortization of real estate assets and excluding extraordinary items, gains and losses on sale of real estate and impairment losses. NAREIT developed FFO as a relative measure of performance and liquidity of an equity REIT in order to recognize that the value of income-producing real estate historically has not depreciated on the basis determined under GAAP. However, FFO does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income); should not be considered an alternative to net income as an indication of our performance; and is not necessarily indicative of cash flow as a measure of liquidity or ability to pay dividends. We consider FFO a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of real estate assets diminishes predictably over time, and because industry analysts have accepted it as a performance measure. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

**Funds Available for Distribution (FAD):** FAD is a supplemental measure of our liquidity. We compute FAD by subtracting from FFO As Adjusted tenant improvements, leasing commissions and maintenance capital expenditures, eliminating the net effect of straight-line rents, amortization of above (below) market rents for acquisition properties, the effects of other lease intangibles, adding noncash amortization of deferred financing costs and debt fair value adjustments, adding noncash compensation expense, and adding (subtracting) unrealized losses (gains) on marketable securities. FAD provides an additional perspective on our ability to fund cash needs and make distributions by adjusting FFO for the impact of certain cash and noncash items, as well as adjusting FFO for recurring capital expenditures and leasing costs. However, other REITs may use different methodologies for calculating FAD and, accordingly, our FAD may not be comparable to other REITs.

**Net Operating Income (NOI):** 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 nonproperty 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 other REITs. Since NOI excludes general and administrative expenses, interest expense, depreciation and amortization, acquisition-related expenses, other nonproperty income and losses, gains and losses from property dispositions, and extraordinary items, it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate and the impact to operations from trends in occupancy rates, rental rates, and operating costs, providing a perspective on operations not immediately apparent from net income. However, NOI should not be viewed as an alternative measure of our financial performance since it does not reflect general and administrative expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact our results from operations.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| Reconciliation of NOI to net income | 2018 | 2017 | 2018 | 2017 |
| Total NOI | $ 49,796 | $ 49,921 | $ 209,412 | $ 198,306 |
| General and administrative | (6,645) | (6,211) | (22,784) | (21,382) |
| Depreciation and amortization | (21,060) | (19,918) | (107,093) | (83,278) |
| Operating Income | $ 22,091 | $ 23,792 | $ 79,535 | $ 93,646 |
| Interest expense | (12,861) | (13,992) | (52,248) | (53,848) |
| Other income, net | (21) | (69) | (85) | 334 |
| **Net income** | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |
| Net income attributable to restricted shares | (96) | (60) | (311) | (241) |
| Net income attributable to unitholders in the Operating Partnership | (2,440) | (2,594) | (7,205) | (10,814) |
| **Net income attributable to American Assets Trust, Inc. stockholders** | $ 6,673 | $ 7,077 | $ 19,686 | $ 29,077 |

**Overall Portfolio:** Includes all operating properties owned by us as of December 31, 2018.

**Cash NOI:** We define cash NOI as operating revenues (rental income, tenant reimbursements, lease termination fees, ground lease rental income and other property income) less property and related expenses (property expenses, ground lease expense, property marketing costs, real estate taxes and insurance), adjusted for non-cash revenue and operating expense items such as straight-line rent, amortization of lease intangibles, amortization of lease incentives and other adjustments. Cash NOI also excludes general and administrative expenses, depreciation and amortization, interest expense, other non-property income and losses, acquisition-related expense, gains and losses from property dispositions, extraordinary items, tenant improvements, and leasing commissions. Other REITs may use different methodologies for calculating cash NOI, and accordingly, our cash NOI may not be comparable to the cash NOIs of other REITs. We believe cash NOI provides useful information to investors regarding the company's financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level, and when compared across periods, can be used to determine trends in earnings of the company's properties as this measure is not affected by (1) the non-cash revenue and expense recognition items, (2) the cost of funds of the property owner, (3) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP or (4) general and administrative expenses and other gains and losses that are specific to the property owner. We believe the exclusion of these items from net (loss) income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the company's properties as well as trends in occupancy rates, rental rates and operating costs. Cash NOI is a measure of the operating performance of the company's properties but does not measure the company's performance as a whole. Cash NOI is therefore not a substitute for net income as computed in accordance with GAAP. A Reconciliation of Total Cash NOI to Operating Income is presented below:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| Reconciliation of Total Cash NOI to Net Income | 2018 | 2017 | 2018 | 2017 |
| Total Cash NOI | $ 48,527 | $ 49,919 | $ 207,945 | $ 195,845 |
| Non-cash revenue and other operating expenses [1] | 1,269 | 2 | 1,467 | 2,461 |
| General and administrative | (6,645) | (6,211) | (22,784) | (21,382) |
| Depreciation and amortization | (21,060) | (19,918) | (107,093) | (83,278) |
| Operating income | $ 22,091 | $ 23,792 | $ 79,535 | $ 93,646 |
| Interest expense | (12,861) | (13,992) | (52,248) | (53,848) |
| Other income, net | (21) | (69) | (85) | 334 |
| Net income | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |

(1) Represents adjustments related to the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances; the amortization of above (below) market rents, the amortization of lease incentives paid to tenants, the amortization of other lease intangibles, lease termination fees at City Center Bellevue, and straight-line rent expense for our leases of the Annex at The Landmark at One Market and retail space at Waikiki Beach Walk - Retail.

**Same-Store Cash NOI Comparison with Redevelopment:** As noted below in the definition of Same-Store, Non-Same Store and Redevelopment Same-Store, 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. Redevelopment same-store is considered by management to be an important measure because it assists in eliminating disparities due to the redevelopment of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the company's stabilized and redevelopment properties, as applicable. Additionally, redevelopment same-store is considered by management to be an important measure because it assists in evaluating the timing of the start and stabilization of our redevelopment opportunities and the impact that these redevelopments have in enhancing our operating performance. We present Same-Store Cash NOI Comparison with Redevelopment using cash NOI to evaluate and compare the operating performance of the company's properties, as defined above. A reconciliation of Same-Store Cash NOI Comparison with Redevelopment on a cash basis to operating income is presented below:

| | Three Months Ended [1] December 31, | | Year Ended [2] December 31, | |
|---|---|---|---|---|
| Reconciliation of Same-Store Cash NOI Comparison with Redevelopment to Operating Income | 2018 | 2017 | 2018 | 2017 |
| Same-Store Cash NOI | $ 47,070 | $ 44,937 | $ 178,460 | $ 171,707 |
| Redevelopment Cash NOI [3] | 1,516 | 3,907 | 11,127 | 15,203 |
| Same-Store Cash NOI with Redevelopment | 48,586 | 48,844 | 189,587 | 186,910 |
| Tenant improvement reimbursements | 54 | 1,101 | 4,275 | 1,840 |
| Total Same-Store Cash NOI with Redevelopment | $ 48,640 | $ 49,945 | $ 193,862 | $ 188,750 |
| Non-Same Store Cash NOI | (113) | (26) | 14,083 | 7,095 |
| Total Cash NOI | $ 48,527 | $ 49,919 | $ 207,945 | $ 195,845 |
| Non-cash revenue and other operating expenses [4] | 1,269 | 2 | 1,467 | 2,461 |
| General and administrative | (6,645) | (6,211) | (22,784) | (21,382) |
| Depreciation and amortization | (21,060) | (19,918) | (107,093) | (83,278) |
| Operating income | $ 22,091 | $ 23,792 | $ 79,535 | $ 93,646 |
| Interest expense | (12,861) | (13,992) | (52,248) | (53,848) |
| Other income, net | (21) | (69) | (85) | 334 |
| Net income | $ 9,209 | $ 9,731 | $ 27,202 | $ 40,132 |

(1) Same-store includes the Forever 21 building at Del Monte Center which we acquired on September 1, 2017 after previously owning the underlying land. Same-store excludes (i) Waikele Center, due to significant redevelopment activity; (ii) Torrey Point, which was placed into operations and became available for occupancy in August 2018; and (iii) land held for development.

(2) Same-store includes the Forever 21 building at Del Monte Center which we acquired on September 1, 2017 after previously owning the underlying land. Same-store excludes (i) the Pacific Ridge Apartments, which was acquired on April 28, 2017; (ii) Gateway Marketplace, which was acquired on July 6, 2017; (iii) Waikele Center, due to significant redevelopment activity; (iv) Torrey Point, which was placed into operations and became available for occupancy in August 2018; and (v) land held for development.
(3) Redevelopment property refers to Waikele Center and Lloyd District Portfolio - Land.
(4) Represents adjustments related to the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances; the amortization of above (below) market rents, the amortization of lease incentives paid to tenants, the amortization of other lease intangibles, lease termination fees at City Center Bellevue, and straight-line rent expense for our leases of the Annex at The Landmark at One Market and retail space at Waikiki Beach Walk - Retail.

**Same-Store Portfolio, Non-Same Store Portfolio and Redevelopment Same-Store:** 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. The following table shows the properties included in the same-store, non-same store and redevelopment same-store portfolio for the comparative periods presented.

| | Comparison of Three Months Ended December 31, 2018 to 2017 | | | Comparison of Year Ended December 31, 2018 to 2017 | | |
|---|---|---|---|---|---|---|
| | Same-Store | Non Same-Store | Redevelopment Same-Store | Same-Store | Non Same-Store | Redevelopment Same-Store |
| **Retail Properties** | | | | | | |
| Carmel Country Plaza | X | | X | X | | X |
| Carmel Mountain Plaza | X | | X | X | | X |
| South Bay Marketplace | X | | X | X | | X |
| Gateway Marketplace | X | | X | | X | |
| Lomas Santa Fe Plaza | X | | X | X | | X |
| Solana Beach Towne Centre | X | | X | X | | X |
| Del Monte Center (1) | X | | X | X | | X |
| Geary Marketplace | X | | X | X | | X |
| The Shops at Kalakaua | X | | X | X | | X |
| Waikele Center | | X | X | | X | X |
| Alamo Quarry Market | X | | X | X | | X |
| Hassalo on Eighth - Retail | X | | X | X | | X |
| **Office Properties** | | | | | | |
| Torrey Reserve Campus | X | | X | X | | X |
| Torrey Point | | X | | | X | |
| Solana Beach Corporate Centre | X | | X | X | | X |
| The Landmark at One Market | X | | X | X | | X |
| One Beach Street | X | | X | X | | X |
| First & Main | X | | X | X | | X |
| Lloyd District Portfolio | X | | X | X | | X |
| City Center Bellevue | X | | X | X | | X |
| **Multifamily Properties** | | | | | | |
| Loma Palisades | X | | X | X | | X |
| Imperial Beach Gardens | X | | X | X | | X |
| Mariner's Point | X | | X | X | | X |
| Santa Fe Park RV Resort | X | | X | X | | X |
| Pacific Ridge Apartments | X | | X | | X | |
| Hassalo on Eighth | X | | X | X | | X |
| **Mixed-Use Properties** | | | | | | |
| Waikiki Beach Walk - Retail | X | | X | X | | X |
| Waikiki Beach Walk - Embassy Suites™ | X | | X | X | | X |
| **Development Properties** | | | | | | |
| Solana Beach Corporate Centre - Land | | X | | | X | |
| Solana Beach - Highway 101 - Land | | X | | | X | |
| Lloyd District Portfolio - Land | | X | X | | X | X |

(1) Del Monte Center includes the Forever 21 building which we acquired on September 1, 2017 after previously owning the underlying land.

**Tenant Improvements and Incentives:** Represents not only the total dollars committed for the improvement (fit-out) of a space as it relates to a specific lease but may also include base building costs (i.e. expansion, escalators, new entrances, etc.) 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.

**Exhibit 99.2**

# FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our election to be taxed as a real estate investment trust ("REIT") and the purchase, ownership and disposition of our capital stock and debt securities of our operating partnership. Supplemental U.S. federal income tax considerations relevant to the ownership of the securities offered by (i) the prospectus filed by us dated February 5, 2018 or (ii) the prospectus filed by us and our operating partnership dated February 6, 2018 (each such prospectus, a "Base Prospectus") may be provided in the prospectus supplement that relates to those securities. Your tax treatment will vary depending upon the terms of the specific securities you acquire, as well as your particular situation. For purposes of this discussion, references to "we," "our" and "us" mean only American Assets Trust, Inc. and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended (the "Code");
- current, temporary and proposed Treasury regulations promulgated under the Code (the "Treasury Regulations");
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service (the "IRS"); and
- court decisions;

in each case, as of the date hereof. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof. Potential tax reforms may result in significant changes to the rules governing U.S. federal income taxation. New legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may significantly and adversely affect our ability to qualify as a REIT, the U.S. federal income tax consequences of such qualification, or the U.S. federal income tax consequences of an investment in us, including those described in this discussion. Moreover, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT. Any such changes could apply retroactively to transactions preceding the date of the change. We have not requested, and do not plan to request, any rulings from the IRS that we qualify as a REIT, and the statements in the Base Prospectuses and this Current Report on Form 8-K are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences, or any tax consequences arising under any U.S. federal tax laws other than U.S. federal income tax laws, associated with the purchase, ownership or disposition of our capital stock, or our election to be taxed as a REIT.

**You are urged to consult your tax advisor regarding the tax consequences to you of:**

- **the purchase, ownership and disposition of our capital stock, including the U.S. federal, state, local, non-U.S. and other tax consequences;**
- **our election to be taxed as a REIT for U.S. federal income tax purposes; and**
- **potential changes in applicable tax laws.**

## Taxation of Our Company

***General***. We have elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2011. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized and have operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See "-Failure to Qualify" for potential tax consequences if we fail to qualify as a REIT.

Latham & Watkins LLP has acted as our tax counsel in connection with the Base Prospectuses and our election to be taxed as a REIT. Latham & Watkins LLP has rendered an opinion to us as of February 5, 2018 to the effect that, commencing with our taxable year ended December 31, 2011, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion was based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one or more of our officers. In addition, this opinion was based upon our factual representations set forth in the Base Prospectus dated February 5, 2018. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins LLP. Accordingly, no assurance can be given that our actual results of operation for any particular taxable year have satisfied or will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment described herein may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Latham & Watkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay U.S. federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay U.S. federal income tax as follows:

- First, we will be required to pay regular U.S. federal corporate income tax on any undistributed REIT taxable income, including undistributed capital gain.
- Second, if we have (1) net income from the sale or other disposition of "foreclosure property" held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay regular U.S. federal corporate income tax on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.
- Third, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business.
- Fourth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.
- Fifth, if we fail to satisfy any of the asset tests (other than a *de minimis* failure of the 5% or 10% asset tests), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.
- Sixth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.
- Seventh, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.
- Eighth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on which we acquired the asset, and we subsequently recognize gain on the disposition of the asset during the five-year period beginning on the date on which we acquired the asset, then we generally will be required to pay regular U.S. federal corporate income tax on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted tax basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under

applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. Under applicable Treasury Regulations, any gain from the sale of property we acquired in an exchange under Section 1031 (a like-kind exchange) or Section 1033 (an involuntary conversion) of the Code generally is excluded from the application of this built-in gains tax.

- Ninth, our subsidiaries that are C corporations, including our "taxable REIT subsidiaries" described below, generally will be required to pay regular U.S. federal corporate income tax on their earnings.
- Tenth, we will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions," "excess interest" or "redetermined TRS service income," as described below under "-Penalty Tax." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Redetermined TRS service income generally represents income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf.
- Eleventh, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the tax basis of the stockholder in our capital stock.
- Twelfth, if we fail to comply with the requirement to send annual letters to our stockholders holding at least a certain percentage of our stock, as determined under applicable Treasury Regulations, requesting information regarding the actual ownership of our stock, and the failure is not due to reasonable cause or due to willful neglect, we will be subject to a $25,000 penalty, or if the failure is intentional, a $50,000 penalty.

We and our subsidiaries may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state and local income, property and other taxes on our assets and operations.

***Requirements for Qualification as a REIT***. The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;
(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;
(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;
(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;
(5) that is beneficially owned by 100 or more persons;
(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year; and
(7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term "individual" includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized and have operated in a manner that has allowed us, and will continue to allow us, to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. A description of the share ownership and transfer restrictions relating to our capital stock is contained in the discussion in the Base Prospectus dated February 5, 2018 under the heading "-Restrictions on Ownership and Transfer." These restrictions, however, do not ensure that we have previously satisfied, and may not ensure that we will, in all cases, be able to continue to satisfy, the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See "-Failure to Qualify."

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We have and will continue to have a calendar taxable year.

***Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries***. In the case of a REIT that is a partner in a partnership (for purposes of this discussion, references to “partnership” include a limited liability company treated as a partnership for U.S. federal income tax purposes, and references to “partner” include a member in such a limited liability company, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership’s share of these items of any partnership or disregarded entity for U.S. federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the U.S. federal income taxation of partnerships is set forth below in “-Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies.”

We have control of our operating partnership and the subsidiary partnerships and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or take other corrective action on a timely basis. In such a case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through wholly-owned subsidiaries that we intend to be treated as “qualified REIT subsidiaries” under the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation’s outstanding stock and do not elect with the subsidiary to treat it as a “taxable REIT subsidiary,” as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the U.S. federal income tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to U.S. federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under “-Asset Tests.”

***Ownership of Interests in Taxable REIT Subsidiaries***. We and our operating partnership own interests in one company that has elected, together with us, to be treated as our taxable REIT subsidiary, and we may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to U.S. federal income tax as a regular C corporation. A REIT’s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. See “-Asset Tests.” For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. See “-Annual Distribution Requirements.” While not certain, this provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

***Income Tests***. We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions and certain foreign currency gains) from investments relating to real property or mortgages on real property, including “rents from real property,” dividends from other REITs and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. For these purposes, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents we receive from a tenant will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- The amount of rent is not based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rents from real property" solely because it is based on a fixed percentage or percentages of receipts or sales;
- Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of "rents from real property" as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a "controlled taxable REIT subsidiary" is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as "rents from real property." For purposes of this rule, a "controlled taxable REIT subsidiary" is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;
- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as "rents from real property."To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary; and
- We generally may not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception and except as provided below. We may, however, perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services to our tenants, or a taxable REIT subsidiary (which may be wholly or partially owned by us) to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as "rents from real property."

A portion of our rental income is derived from the lease of our hotel property to our taxable REIT subsidiary. In order for the rent payable under this lease to constitute "rents from real property," the lease must be respected as a true lease for U.S. federal income tax purposes and must not be treated as a service contract, joint venture, or some other type of arrangement. We believe that this lease is a true lease for U.S. federal income tax purposes. However, this determination is inherently a question of fact, and we cannot assure you that the IRS will not successfully assert a contrary position. If this lease is not respected as a true lease, part or all of the payments that we receive as rent from our taxable REIT subsidiary with respect to such lease may not be considered rent or may not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, we may not be able to satisfy either the 75% or 95% gross income test and, as a result, could fail to qualify as a REIT.

Also, our taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. However, rents we receive from a lease of a hotel to our taxable REIT subsidiary will constitute "rents from real property" if the following conditions are satisfied:

- First, the hotel must be a "qualified lodging facility." A qualified lodging facility is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. Accordingly, we are not permitted to have gambling or wagering activity on the premises of our hotel property or to earn income from gambling or wagering activities; and

- Second, the hotel manager must be an "eligible independent contractor." An eligible independent contractor is an independent contractor that, at the time the management contract is entered into, is actively engaged in the trade or business of operating qualified lodging facilities for any person not related to us or any of our taxable REIT subsidiaries. For this purpose, an independent contractor means any person (1) that does not own (taking into account relevant attribution rules) more than 35% of our capital stock, and (2) with respect to which no person or group owning directly or indirectly (taking into account relevant attribution rules) 35% or more of our capital stock owns 35% or more directly or indirectly (taking into account relevant attribution rules) of the ownership interest in the contractor.

We believe that our hotel property is a qualified lodging facility, and that the hotel manager engaged by our taxable REIT subsidiary to manage the hotel is an eligible independent contractor. Furthermore, while we monitor the activities of the eligible independent contractor to maximize the value of our hotel investment, neither we nor our taxable REIT subsidiary lessee directly or indirectly operates or manages our hotel. Thus, we believe that the rents we derive from our taxable REIT subsidiary with respect to the lease of our hotel property qualify as "rents from real property."

We generally do not intend, and, as the general partner of our operating partnership, we do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. For example, as described in "-Restrictions on Ownership and Transfer," an excepted holder limit was established for Mr. Rady and his affiliates in excess of the ownership limit. Because Mr. Rady and his affiliates own 10% or more of our capital stock and 10% or more of the voting power or value of all classes of stock of certain of our tenants, the rents payable by such tenants do not qualify as "rents from real property" and, therefore, do not qualify under the 95% and 75% gross income tests described above. We believe, however, that we are able to satisfy the REIT gross income tests notwithstanding our receipt of such nonqualifying rental income. In addition, with respect to the limitation on the rental of personal property, we generally have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real property for purposes of the gross income tests if certain services provided with respect to the parking spaces are performed by independent contractors from whom we derive no revenue, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we receive that is attributable to parking spaces will meet these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income under, and thus will be exempt from, the 75% and 95% gross income tests. The term "hedging transaction," as used above, generally means (A) any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test or any property which generates such income and (B) new transactions entered into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends or interest, our allocable share of such dividend or interest income will qualify under the 95%, but not the 75%, gross income test (except that our allocable share of such interest would also qualify under the 75% gross income test to the extent the interest is paid on a loan that is adequately secured by real property).

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and
- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. See "-Failure to Qualify" below. As discussed above in "-General," even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

***Prohibited Transaction Income***. Any gain that we realize on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. As the general partner of our operating partnership, we intend to cause our operating partnership to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our investment objectives. We do not intend, and do not intend to permit our operating partnership or its subsidiary partnerships, to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales. The 100% penalty tax will not apply to gains from the sale of assets that are held through a taxable REIT subsidiary, but such income will be subject to regular U.S. federal corporate income tax.

***Penalty Tax***. Any redetermined rents, redetermined deductions, excess interest or redetermined TRS service income we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations, and redetermined TRS service income is income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

We do not believe we have been, and do not expect to be, subject to this penalty tax, although any rental or service arrangements we enter into from time to time may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on any overstated rents paid to us, or any excess deductions or understated income of our taxable REIT subsidiaries.

As described above under "-Income Tests," our taxable REIT subsidiary pays rent to us. We believe the rent payable to us by our taxable REIT subsidiary is at arm's length rates. In addition, from time to time our taxable REIT subsidiaries may provide services to our tenants. We intend to set any fees paid to our taxable REIT subsidiaries for such services at arm's length rates, although the amounts paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on any overstated rents paid to us, or any excess deductions or understated income of our taxable REIT subsidiaries.

***Asset Tests***. At the close of each calendar quarter of our taxable year, we must also satisfy certain tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and U.S. government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property or on both real property and, to a limited extent, personal property), shares (or transferable certificates of beneficial interest) in other REITs, any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years (but only for the one-year period beginning on the date the REIT receives such proceeds), debt instruments of publicly offered REITs, and personal property leased in connection with a lease of real property for which the rent attributable to personal property is not greater than 15% of the total rent received under the lease.

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for certain investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, securities satisfying the "straight debt" safe harbor, securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership in which we own an interest will be based on our proportionate interest in any securities issued by the partnership, excluding for this purpose certain securities described in the Code. From time to time we may own securities (including debt securities) of issuers that do not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary. We intend that our ownership of any such securities will be structured in a manner that allows us to comply with the asset tests described above.

Fourth, not more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. We and our operating partnership own interests in companies that have elected, together with us, to be treated as our taxable REIT subsidiaries, and we may acquire securities in additional taxable REIT subsidiaries in the future. So long as each of these companies qualifies as a taxable REIT subsidiary of ours, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to our ownership of the securities of such companies. We believe that the aggregate value of our taxable REIT subsidiaries has not exceeded, and in the future will not exceed, 20% (25% for taxable years beginning before January 1, 2018) of the aggregate value of our gross assets. We generally do not obtain independent appraisals to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

Fifth, not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs to the extent those debt instruments would not be real estate assets but for the inclusion of debt instruments of publicly offered REITs in the meaning of real estate assets, as described above (e.g., a debt instrument issued by a publicly offered REIT that is not secured by a mortgage on real property).

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through any partnership or qualified REIT subsidiary) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of an increase in our interest in any partnership that owns such securities). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise any redemption/exchange rights. Also, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in any partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained, and we intend to maintain, adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30-day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury

Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership's overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

***Annual Distribution Requirements***. To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

- 90% of our REIT taxable income; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our REIT taxable income.

For these purposes, our REIT taxable income is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income generally means income attributable to leveled stepped rents, original issue discount, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, our REIT taxable income will be reduced by any taxes we are required to pay on any gain we recognize from the disposition of any asset we acquired from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on which we acquired the asset, within the five-year period following our acquisition of such asset, as described above under "-General."

For taxable years beginning after December 31, 2017, and except as provided below, a taxpayer's deduction for net business interest expense will generally be limited to 30% of its taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If we or any of our subsidiary partnerships (including our operating partnership) are subject to this interest expense limitation, our REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. We believe that we or any of our subsidiary partnerships that are subject to this interest expense limitation will be eligible to make this election. If such election is made, although we or such subsidiary partnership, as applicable, would not be subject to the interest expense limitation described above, depreciation deductions may be reduced and, as a result, our REIT taxable income for a taxable year may be increased.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which they are paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, except as provided below, the amount distributed must not be preferential-*i.e.*, every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. This preferential limitation will not apply to distributions made by us, provided we qualify as a "publicly offered REIT." We believe that we are, and expect we will continue to be, a publicly offered REIT. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be required to pay regular U.S. federal corporate income tax on the undistributed amount. We believe that we have made, and we intend to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as the general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock distributions in order to meet the distribution requirements, while preserving our cash.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In that case, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends. While the payment of a deficiency dividend will apply to a prior year for purposes of our REIT distribution requirements, it will be treated as an additional distribution to our stockholders in the year such dividend is paid.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which corporate income tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating this excise tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

***Like-Kind Exchanges***. We may dispose of real property that is not held primarily for sale in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, or deficiency dividends, depending on the facts and circumstances surrounding the particular transaction.

***Tax Liabilities and Attributes Inherited in Connection with Acquisitions***. From time to time, we or our operating partnership may acquire other corporations or entities and, in connection with such acquisitions, we may succeed to the historical tax attributes and liabilities of such entities. For example, if we acquire a C corporation and subsequently dispose of its assets within five years of the acquisition, we could be required to pay the built-in gain tax described above under "-General." In addition, in order to qualify as a REIT, at the end of any taxable year, we must not have any earnings and profits accumulated in a non-REIT year. As a result, if we acquire a C corporation, we must distribute the corporation's earnings and profits accumulated prior to the acquisition before the end of the taxable year in which we acquire the corporation. We also could be required to pay the acquired entity's unpaid taxes even though such liabilities arose prior to the time we acquired the entity.

Moreover, we may from time to time acquire other REITs through a merger or acquisition. If any such REIT failed to qualify as a REIT for any of its taxable years, such REIT would be liable for (and we, as the surviving corporation in the merger or acquisition, would be obligated to pay) regular U.S. federal corporate income tax on its taxable income for such taxable years. In addition, if such REIT was a C corporation at the time of the merger or acquisition, the tax consequences described in the preceding paragraph generally would apply. If such REIT failed to qualify as a REIT for any of its taxable years, but qualified as a REIT at the time of such merger or acquisition, and we acquired such REIT's assets in a transaction in which our tax basis in the assets of such REIT is determined, in whole or in part, by reference to such REIT's tax basis in such assets, we generally would be subject to tax on the built-in gain on each asset of such REIT as described above if we were to dispose of the asset in a taxable transaction during the five-year period following such REIT's requalification as a REIT, subject to certain exceptions. Moreover, even if such REIT qualified as a REIT at all relevant times, we would similarly be liable for other unpaid taxes (if any) of such REIT (such as the 100% tax on gains from any sales treated as "prohibited transactions" as described above under "-Prohibited Transaction Income").

Furthermore, after our acquisition of another corporation or entity, the asset and income tests will apply to all of our assets, including the assets we acquire from such corporation or entity, and to all of our income, including the income derived from the assets we acquire from such corporation or entity. As a result, the nature of the assets that we acquire from such corporation or entity and the income we derive from those assets may have an effect on our tax status as a REIT.

***Failure to Qualify***. If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay regular U.S. federal corporate income tax, including any applicable alternative minimum tax for taxable years beginning before January 1, 2018, on our taxable income. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, we will not be required to distribute any amounts to our stockholders and all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. Non-corporate stockholders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations. If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us. Unless entitled to relief under specific statutory provisions, we would also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

**Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies**

***General***. All of our investments are held indirectly through our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe are and will continue to be treated as partnerships or disregarded entities for U.S. federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for U.S. federal income tax purposes are "pass-through" entities which are not required to pay U.S. federal income tax. Rather, partners of such partnerships are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership. We will include in our income our share of these partnership items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of the assets of its subsidiary partnerships, based on our capital interests in each such entity. See "-Taxation of Our Company-Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries." A disregarded entity is not treated as a separate entity for U.S. federal income tax purposes, and all assets, liabilities and items of income, gain, loss, deduction and credit of a disregarded entity are treated as assets, liabilities and items of income, gain, loss, deduction and credit of its parent that is not a disregarded entity (e.g., our operating partnership) for all purposes under the Code, including all REIT qualification tests.

***Entity Classification***. Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships or disregarded entities for U.S. federal income tax purposes. For example, an entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. We do not anticipate that our operating partnership or any subsidiary partnership will be treated as a publicly traded partnership that is taxable as a corporation. However, if any such entity were treated as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See "-Taxation of Our Company-Asset Tests" and "-Income Tests." This, in turn, could prevent us from qualifying as a REIT. See "-Taxation of Our Company-Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary treated as a partnership or disregarded entity to a corporation might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment. We believe our operating partnership and each of the subsidiary partnerships and limited liability companies are and will continue to be treated as partnerships or disregarded entities for U.S. federal income tax purposes.

***Allocations of Items of Income, Gain, Loss and Deduction***. A partnership agreement (or, in the case of a limited liability company treated as a partnership for U.S. federal income tax purposes, the limited liability company agreement) generally will determine the allocation of income and loss among partners. These allocations, however, will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury Regulations thereunder. Generally, Section 704(b) of the Code and the Treasury Regulations thereunder require that partnership allocations respect the economic arrangement of the partners. If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The allocations of taxable income and loss of our operating partnership and any subsidiaries that are treated as partnerships for U.S. federal income tax purposes are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

***Tax Allocations With Respect to the Properties***. Under Section 704(c) of the Code, items of income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution (this difference is referred to as a book-tax difference), as adjusted from time to time. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally will carry over to our operating partnership, notwithstanding their different book (*i.e.*, fair market) value. The partnership agreement requires that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (2) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (2) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See "-Taxation of Our Company-Requirements for Qualification as a REIT" and "-Annual Distribution Requirements."

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

***Partnership Audit Rules***. The Bipartisan Budget Act of 2015 changed the rules applicable to U.S. federal income tax audits of partnerships. Under the new rules (which are generally effective for taxable years beginning after December 31, 2017), among other changes and subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and any partner's distributive share thereof) is determined, and taxes, interest, or penalties attributable thereto are assessed and collected, at the partnership level. Although it is uncertain how certain aspects of these new rules will be implemented, it is possible that they could result in partnerships in which we directly or indirectly invest, including our operating partnership, being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate-level taxes as a result of the related audit adjustment. Investors are urged to consult their tax advisors with respect to these changes and their potential impact on their investment in our capital stock.

**Material U.S. Federal Income Tax Consequences to Holders of Our Capital Stock and Our Operating Partnership's Debt Securities**

The following discussion is a summary of the material U.S. federal income tax consequences to you of purchasing, owning and disposing of our capital stock or our operating partnership's debt securities. This discussion is limited to holders who hold our capital stock or our operating partnership's debt securities as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances. In addition, except where specifically noted, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding our capital stock or our operating partnership's debt securities as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- REITs or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our capital stock or our operating partnership's debt securities being taken into account in an applicable financial statement;
- persons deemed to sell our capital stock or our operating partnership's debt securities under the constructive sale provisions of the Code; and
- persons who hold or receive our capital stock pursuant to the exercise of any employee stock option or otherwise as compensation.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR CAPITAL STOCK OR OUR OPERATING PARTNERSHIP'S DEBT SECURITIES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

For purposes of this discussion, a "U.S. holder" is a beneficial owner of our capital stock or our operating partnership's debt securities that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our capital stock or our operating partnership's debt securities that is neither a U.S. holder nor an entity treated as a partnership for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds our capital stock or our operating partnership's debt securities, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our capital stock or our operating partnership's debt securities and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**Taxation of Taxable U.S. Holders of Our Capital Stock**

***Distributions Generally***. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax, as discussed below, will be taxable to our taxable U.S. holders as ordinary income when actually or constructively received. See "-Tax Rates" below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations or, except to the extent described in "-Tax Rates" below, the preferential rates on qualified dividend income applicable to non-corporate U.S. holders, including individuals. For purposes of determining whether distributions to holders of our capital stock are out of our current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred stock, if any, and then to our outstanding common stock.

To the extent that we make distributions on our capital stock in excess of our current and accumulated earnings and profits allocable to such stock, these distributions will be treated first as a tax-free return of capital to a U.S. holder to the extent of the U.S. holder's adjusted tax basis in such shares of stock. This treatment will reduce the U.S. holder's adjusted tax basis in such shares of stock by such amount, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. holder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a holder of record on a specified date in any of these months will be treated as both paid by us and received by the holder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of our net operating losses or capital losses.

U.S. holders that receive taxable stock distributions, including distributions partially payable in our capital stock and partially payable in cash, would be required to include the full amount of the distribution (*i.e.*, the cash and the stock portion) as a dividend (subject to limited exceptions) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes, as described above. The amount of any distribution payable in our capital stock generally is equal to the amount of cash that could have been received instead of the capital stock. Depending on the circumstances of a U.S. holder, the tax on the distribution may exceed the amount of the distribution received in cash, in which case such U.S. holder would have to pay the tax using cash from other sources. If a U.S. holder sells the capital stock it received in connection with a taxable stock distribution in order to pay this tax and the proceeds of such sale are less than the amount required to be included in income with respect to the stock portion of the distribution, such U.S. holder could have a capital loss with respect to the stock sale that could not be used to offset such income. A U.S. holder that receives capital stock pursuant to such distribution generally has a tax basis in such capital stock equal to the amount of cash that could have been received instead of such capital stock as described above, and has a holding period in such capital stock that begins on the day immediately following the payment date for the distribution.

***Capital Gain Dividends***. Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. holders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year and may not exceed our dividends paid for the taxable year, including dividends paid the following year that are treated as paid in the current year. U.S. holders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. If we properly designate any portion of a dividend as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our capital stock for the year to the holders of each class of our capital stock in proportion to the amount that our total dividends, as determined for U.S. federal income tax purposes, paid or made available to the holders of each such class of our capital stock for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of all classes of our capital stock for the year. In addition, except as otherwise required by law, we will make a similar allocation with respect to any undistributed long-term capital gains which are to be included in our stockholders' long-term capital gains, based on the allocation of the capital gain amount which would have resulted if those undistributed long-term capital gains had been distributed as "capital gain dividends" by us to our stockholders.

***Retention of Net Capital Gains***. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for U.S. federal income tax purposes) would be adjusted accordingly, and a U.S. holder generally would:

- include its pro rata share of our undistributed capital gain in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;
- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. holder's income as long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;

- increase the adjusted tax basis of its capital stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and
- in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

***Passive Activity Losses and Investment Interest Limitations***. Distributions we make and gain arising from the sale or exchange by a U.S. holder of our capital stock will not be treated as passive activity income. As a result, U.S. holders generally will not be able to apply any "passive losses" against this income or gain. A U.S. holder generally may elect to treat capital gain dividends, capital gains from the disposition of our capital stock and income designated as qualified dividend income, as described in "-Tax Rates" below, as investment income for purposes of computing the investment interest limitation, but in such case, the holder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

***Dispositions of Our Capital Stock***. Except as described below under "-Taxation of Taxable U.S. Holders of Our Capital Stock-Redemption or Repurchase by Us," if a U.S. holder sells or disposes of shares of our capital stock, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted tax basis in the shares. This gain or loss, except as provided below, will be long-term capital gain or loss if the holder has held such capital stock for more than one year. However, if a U.S. holder recognizes a loss upon the sale or other disposition of capital stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from us which were required to be treated as long-term capital gains.

***Redemption or Repurchase by Us***. A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits as described above under "-Distributions Generally") unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. The redemption or repurchase generally will be treated as a sale or exchange if it:

- is "substantially disproportionate" with respect to the U.S. holder,
- results in a "complete redemption" of the U.S. holder's stock interest in us, or
- is "not essentially equivalent to a dividend" with respect to the U.S. holder,

all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests has been met, shares of our capital stock, including common stock and other equity interests in us, considered to be owned by the U.S. holder by reason of certain constructive ownership rules set forth in the Code, as well as shares of our capital stock actually owned by the U.S. holder, generally must be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to the U.S. holder depends upon the facts and circumstances at the time that the determination must be made, U.S. holders are advised to consult their tax advisors to determine such tax treatment.

If a redemption or repurchase of shares of our capital stock is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See "-Distributions Generally." A U.S. holder's adjusted tax basis in the redeemed or repurchased shares generally will be transferred to the holder's remaining shares of our capital stock, if any. If a U.S. holder owns no other shares of our capital stock, under certain circumstances, such basis may be transferred to a related person or it may be lost entirely. Proposed Treasury Regulations issued in 2009, if enacted in their current form, would affect the basis recovery rules described above. It is not clear whether these proposed regulations will be enacted in their current form or at all. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences of a redemption or repurchase of our capital stock.

If a redemption or repurchase of shares of our capital stock is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described under "-Dispositions of Our Capital Stock."

***Tax Rates***. The maximum tax rate for non-corporate taxpayers for (1) long-term capital gains, including certain "capital gain dividends," generally is 20% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) "qualified dividend income" generally is 20%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding period requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year). Capital gain dividends will only be eligible for the rates described above to the extent that they are properly designated by the REIT as "capital gain dividends." U.S. holders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income. In addition, non-corporate U.S. holders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations.

**Taxation of Tax-Exempt Holders of Our Capital Stock**

Dividend income from us and gain arising upon a sale of shares of our capital stock generally should not be unrelated business taxable income ("UBTI") to a tax-exempt holder, except as described below. This income or gain will be UBTI, however, to the extent a tax-exempt holder holds its shares as "debt-financed property" within the meaning of the Code. Generally, "debt-financed property" is property the acquisition or holding of which was financed through a borrowing by the tax-exempt holder.

For tax-exempt holders that are social clubs, voluntary employee benefit associations or supplemental unemployment benefit trusts exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9) or (c)(17) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" may be treated as UBTI as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a "pension-held REIT" if it is able to satisfy the "not closely held" requirement without relying on the "look-through" exception with respect to certain trusts or if such REIT is not "predominantly held" by "qualified trusts. " As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a "pension-held REIT," and as a result, the tax treatment described above should be inapplicable to our holders. However, because our capital stock is (and, we anticipate, will continue to be) publicly traded, we cannot guarantee that this will always be the case.

**Taxation of Non-U.S. Holders of Our Capital Stock**

The following discussion addresses the rules governing U.S. federal income taxation of the purchase, ownership and disposition of our capital stock by non-U.S. holders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of U.S. federal income taxation and does not address other federal, state, local or non-U.S. tax consequences that may be relevant to a non-U.S. holder in light of its particular circumstances. We urge non-U.S. holders to consult their tax advisors to determine the impact of U.S. federal, state, local and non-U.S. income and other tax laws and any applicable tax treaty on the purchase, ownership and disposition of shares of our capital stock, including any reporting requirements.

***Distributions Generally***. Distributions (including any taxable stock distributions) that are neither attributable to gains from sales or exchanges by us of United States real property interests ("USRPIs") nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable). Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied for a non-U.S. holder to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business generally will not be subject to withholding but will be subject to U.S. federal income tax on a net basis at the regular graduated rates, in the same manner as dividends paid to U.S. holders are subject to U.S. federal income tax. Any such dividends received by a non-U.S. holder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting U.S. federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold U.S. federal income tax at the rate of 30% on any distributions made to a non-U.S. holder unless:

(1) a lower treaty rate applies and the non-U.S. holder furnishes an IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) evidencing eligibility for that reduced treaty rate; or
(2) the non-U.S. holder furnishes an IRS Form W-8ECI (or other applicable documentation) claiming that the distribution is income effectively connected with the non-U.S. holder's trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. holder to the extent that such distributions do not exceed the adjusted tax basis of the holder's capital stock, but rather will reduce the adjusted tax basis of such stock. To the extent that such distributions exceed the non-U.S. holder's adjusted tax basis in such capital stock, they generally will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. However, such excess distributions may be treated as dividend income for certain non-U.S. holders. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

***Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of United States Real Property Interests***. Distributions to a non-U.S. holder that we properly designate as capital gain dividends, other than those arising from the disposition of a USRPI, generally should not be subject to U.S. federal income taxation, unless:

(1) the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or
(2) the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of such non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as "FIRPTA," distributions to a non-U.S. holder that are attributable to gain from sales or exchanges by us of USRPIs, whether or not designated as capital gain dividends, will cause the non-U.S. holder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. holders generally would be taxed at the regular graduated rates applicable to U.S. holders, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. We also will be required to withhold and to remit to the IRS 21% of any distribution to non-U.S. holders attributable to gain from sales or exchanges by us of USRPIs. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. The amount withheld is creditable against the non-U.S. holder's U.S. federal income tax liability. However, any distribution with respect to any class of stock that is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 21% U.S. withholding tax described above, if the non-U.S. holder did not own more than 10% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions generally will be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends. In addition, distributions to certain non-U.S. publicly traded shareholders that meet certain record-keeping and other requirements ("qualified shareholders") are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, distributions to "qualified foreign pension funds" or entities all of the interests of which are held by "qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

***Retention of Net Capital Gains***. Although the law is not clear on the matter, it appears that amounts we designate as retained net capital gains in respect of our capital stock should be treated with respect to non-U.S. holders as actual distributions of capital gain dividends. Under this approach, the non-U.S. holders may be able to offset as a credit against their U.S. federal income tax liability their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual U.S. federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, non-U.S. holders should consult their tax advisors regarding the taxation of such retained net capital gain.

***Sale of Our Capital Stock***. Except as described below under "-Redemption or Repurchase by Us," gain realized by a non-U.S. holder upon the sale, exchange or other taxable disposition of our capital stock generally will not be subject to U.S. federal income tax unless such stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a "United States real property holding corporation," or USRPHC, will constitute a USRPI. We believe that we are a USRPHC. Our capital stock will not, however, constitute a USRPI so long as we are a "domestically controlled qualified investment entity." A "domestically controlled qualified investment entity" includes a REIT in which at all times during a five-year testing period less than 50% in value of its stock is held directly or indirectly by non-United States persons, subject to certain rules. For purposes of determining whether a REIT is a "domestically controlled qualified investment entity," a person who at all applicable times holds less than 5% of a class of stock that is "regularly traded" is treated as a United States person unless the REIT has actual knowledge that such person is not a United States person. We believe, but cannot guarantee, that we are a "domestically controlled qualified investment entity." Because our capital stock is (and, we anticipate, will continue to be) publicly traded, no assurance can be given that we will continue to be a "domestically controlled qualified investment entity."

Even if we do not qualify as a "domestically controlled qualified investment entity" at the time a non-U.S. holder sells our capital stock, gain realized from the sale or other taxable disposition by a non-U.S. holder of such capital stock would not be subject to U.S. federal income tax under FIRPTA as a sale of a USRPI if:

(1) such class of stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market such as the NYSE; and
(2) such non-U.S. holder owned, actually and constructively, 10% or less of such class of stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the non-U.S. holder's holding period.

In addition, dispositions of our capital stock by qualified shareholders are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, dispositions of our capital stock by "qualified foreign pension funds" or entities all of the interests of which are held by "qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our capital stock not otherwise subject to FIRPTA will be taxable to a non-U.S. holder if either (a) the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to the 30% branch profits tax (or such lower rate as may be specified by an applicable income tax treaty) on such gain, as adjusted for certain items, or (b) the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our capital stock, a non-U.S. holder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. holder (1) disposes of such stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1), unless such stock is "regularly traded" and the non-U.S. holder did not own more than 10% of the stock at any time during the one-year period ending on the date of the distribution described in clause (1).

If gain on the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to regular U.S. federal income tax with respect to such gain in the same manner as a taxable U.S. holder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, and if shares of the applicable class of our capital stock were not "regularly traded" on an established securities market, the purchaser of such capital stock generally would be required to withhold and remit to the IRS 15% of the purchase price.

***Redemption or Repurchase by Us***. A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits) unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. See "-Taxation of Taxable U.S. Holders of Our Capital Stock-Redemption or Repurchase by Us." Qualified shareholders and their owners may be subject to different rules, and should consult their tax advisors regarding the application of such rules. If the redemption or repurchase of shares is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See "-Taxation of Non-U.S. Holders of Our Capital Stock-Distributions Generally" above. If the redemption or repurchase of shares is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described above under "-Sale of Our Capital Stock."

**Taxation of Holders of Our Operating Partnership's Debt Securities**

The following summary describes the material U.S. federal income tax consequences of acquiring, owning and disposing of debt securities issued by our operating partnership. This discussion assumes the debt securities will be issued with less than a statutory *de minimis* amount of original issue discount for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the debt securities for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (*i.e.*, the first price at which a substantial amount of the debt securities is sold to the public for cash).

***U.S. Holders***

*Payments of Interest.* Interest on a debt security generally will be taxable to a U.S. holder as ordinary income at the time such interest is received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

*Sale or Other Taxable Disposition.* A U.S. holder will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a debt security. The amount of such gain or loss generally will be equal to the difference between the amount received for the debt security in cash or other property valued at fair market value (less amounts attributable to any accrued but unpaid interest, which will be taxable as interest to the extent not previously included in income) and the U.S. holder's adjusted tax basis in the debt security. A U.S. holder's adjusted tax basis in a debt security generally will be equal to the amount the U.S. holder paid for the debt security. Any gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. holder has held the debt security for more than one year at the time of such sale or other taxable disposition. Otherwise, such gain or loss will be short-term capital gain or loss. Long-term capital gains recognized by certain non-corporate U.S. holders, including individuals, generally will be taxable at reduced rates. The deductibility of capital losses is subject to limitations.

***Non-U.S. Holders***

*Payments of Interest.* Interest paid on a debt security to a non-U.S. holder that is not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States generally will not be subject to U.S. federal income tax or withholding, provided that:

- the non-U.S. holder does not, actually or constructively, own 10% or more of our operating partnership's capital or profits;
- the non-U.S. holder is not a controlled foreign corporation related to our operating partnership through actual or constructive stock ownership; and
- either (1) the non-U.S. holder certifies in a statement provided to the applicable withholding agent under penalties of perjury that it is not a United States person and provides its name and address; (2) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the debt security on behalf of the non-U.S. holder certifies to the applicable withholding agent under penalties of perjury that it, or the financial institution between it and the non-U.S. holder, has received from the non-U.S. holder a statement under penalties of perjury that such holder is not a United States person and provides the applicable withholding agent with a copy of such statement; or (3) the non-U.S. holder holds its debt security directly through a "qualified intermediary" (within the meaning of the applicable Treasury Regulations) and certain conditions are satisfied.

If a non-U.S. holder does not satisfy the requirements above, such non-U.S. holder will be subject to withholding tax of 30%, subject to a reduction in or an exemption from withholding on such interest as a result of an applicable tax treaty. To claim such entitlement, the non-U.S. holder must provide the applicable withholding agent with a properly executed IRS Form

W-8BEN or W-8BEN-E (or other applicable documentation) claiming a reduction in or exemption from withholding tax under the benefit of an income tax treaty between the United States and the country in which the non-U.S. holder resides or is established.

If interest paid to a non-U.S. holder is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such interest is attributable), the non-U.S. holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the non-U.S. holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that interest paid on a debt security is not subject to withholding tax because it is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States.

Any such effectively connected interest generally will be subject to U.S. federal income tax at the regular graduated rates. A non-U.S. holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected interest, as adjusted for certain items.

The certifications described above must be provided to the applicable withholding agent prior to the payment of interest and must be updated periodically. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

*Sale or Other Taxable Disposition.* A non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale, exchange, redemption, retirement or other taxable disposition of a debt security (such amount excludes any amount allocable to accrued and unpaid interest, which generally will be treated as interest and may be subject to the rules discussed above in "-Taxation of Holders of Our Operating Partnership's Debt Securities-Non-U.S. Holders-Payments of Interest") unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable); or
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

**Information Reporting and Backup Withholding**

***U.S. Holders***. A U.S. holder may be subject to information reporting and backup withholding when such holder receives payments on our capital stock or our operating partnership's debt securities or proceeds from the sale or other taxable disposition of such stock or debt securities (including a redemption or retirement of a debt security). Certain U.S. holders are exempt from backup withholding, including corporations and certain tax-exempt organizations. A U.S. holder will be subject to backup withholding if such holder is not otherwise exempt and:

- the holder fails to furnish the holder's taxpayer identification number, which for an individual is ordinarily his or her social security number;
- the holder furnishes an incorrect taxpayer identification number;
- the applicable withholding agent is notified by the IRS that the holder previously failed to properly report payments of interest or dividends; or

- the holder fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS. U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

***Non-U.S. Holders***. Payments of dividends on our capital stock or our interest on operating partnership's debt securities generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our capital stock or interest on our operating partnership's debt securities paid to the non-U.S. holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of such stock or debt securities (including a retirement or redemption of a debt security) within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of such stock or debt securities conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

**Medicare Contribution Tax on Unearned Income**

Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on stock, interest on debt obligations and capital gains from the sale or other disposition of stock or debt obligations, subject to certain limitations. U.S. holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of our capital stock or our operating partnership's debt securities.

**Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such sections commonly referred to as the Foreign Account Tax Compliance Act ("FATCA")) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on our capital stock, interest on our operating partnership's debt securities or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of our capital stock or our operating partnership's debt securities, in each case paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our capital stock or interest on our operating partnership's debt securities. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock or debt securities on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules we may treat the entire distribution as a dividend.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our capital stock or our operating partnership's debt securities.

**Other Tax Consequences**

State, local and non-U.S. income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction, or any U.S. federal tax other than the income tax. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our capital stock or our operating partnership's debt securities.