UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from to

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

AMERICAN ASSETS TRUST, L.P.
(Exact Name of Registrant as Specified in its Charter)
Commission file number: 33-202342-01

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

11455 El Camino Real, Suite 200
San Diego, California 92130
(Address of Principal Executive Offices and Zip Code)

(858) 350-2600
(Registrant's Telephone Number, Including Area Code)

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

Registrant	Title of Each Class	Trading Symbol	Name Of Each Exchange On Which Registered
American Assets Trust, Inc.	Common Stock, $.01 par value per share	AAT	New York Stock Exchange
American Assets Trust, L.P.	None	None	None

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

American Assets Trust, Inc.	None
American Assets Trust, L.P.	None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

American Assets Trust, Inc.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller reporting company	☐
Emerging Growth Company	☐		

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

American Assets Trust, L.P.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller reporting company	☐
Emerging Growth Company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7562(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

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

The aggregate market value of American Assets Trust, Inc.'s common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2020 was $1.478 billion.

The number of American Assets Trust, Inc.’s common shares outstanding on February 16, 2021 was 60,473,490.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of American Assets Trust, Inc.'s Proxy Statement with respect to its 2021 Annual Meeting of Stockholders to be filed not later than 120 days after the end of its fiscal year are incorporated by reference into Part III hereof.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2020 of American Assets Trust, Inc., a Maryland corporation, and American Assets Trust, L.P., a Maryland limited partnership, of which American Assets Trust, Inc. is the parent company and sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our” or “the company” refer to American Assets Trust, Inc. together with its consolidated subsidiaries, including American Assets Trust, L.P. In statements regarding qualification as a REIT, such terms refer solely to American Assets Trust, Inc. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “our Operating Partnership” or “the Operating Partnership” refer to American Assets Trust, L.P. together with its consolidated subsidiaries.

American Assets Trust, Inc. operates as a real estate investment trust, or REIT, and is the sole general partner of the Operating Partnership. As of December 31, 2020, American Assets Trust, Inc. owned an approximate 78.8% partnership interest in the Operating Partnership. The remaining 21.3% partnership interests are owned by non-affiliated investors and certain of our directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has full, exclusive and complete authority and control over the Operating Partnership’s day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital structure and distribution policies.

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

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

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

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

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

- consolidated financial statements;
- the following notes to the consolidated financial statements:
    - Debt;
    - Equity/Partners' Capital; and
    - Earnings Per Share/Unit;
- Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities; and
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of American Assets Trust, Inc. and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of American Assets Trust, Inc. have made the requisite certifications and American Assets Trust, Inc. and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2020

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Forward Looking Statements.

We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

- *the impact of epidemics, pandemics, or other outbreaks of illness, disease or virus (such as the COVID-19 outbreak) and the actions taken by government authorities and others related thereto, including the ability of our company, our properties and our tenants to operate;*
- *adverse economic or real estate developments in our markets;*
- *our failure to generate sufficient cash flows to service our outstanding indebtedness;*
- *defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;*
- *difficulties in identifying properties to acquire and completing acquisitions;*
- *difficulties in completing dispositions;*
- *our failure to successfully operate acquired properties and operations;*
- *our inability to develop or redevelop our properties due to market conditions;*
- *fluctuations in interest rates and increased operating costs;*
- *risks related to joint venture arrangements;*
- *our failure to obtain necessary outside financing;*
- *on-going litigation;*
- *general economic conditions;*
- *financial market fluctuations;*
- *risks that affect the general retail, office, multifamily and mixed-use environment;*
- *the competitive environment in which we operate;*
- *decreased rental rates or increased vacancy rates;*
- *conflicts of interests with our officers or directors;*
- *lack or insufficient amounts of insurance;*
- *environmental uncertainties and risks related to adverse weather conditions and natural disasters;*
- *other factors affecting the real estate industry generally;*
- *limitations imposed on our business and our ability to satisfy complex rules in order for American Assets Trust, Inc. to continue to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes; and*
- *changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.*

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, or new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled "Item 1A. Risk Factors."

Summary of Risk Factors

An investment in our securities is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Item 1.A Risk Factors." The following is a summary of some of the principal risks related to an investment in our Company.

- Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Oregon, Washington, Texas and Hawaii, which may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.
- We have a substantial amount of indebtedness, which may expose us to the risk of default under our debt obligations.
- The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.
- We depend on significant tenants in our office properties, and a bankruptcy, insolvency or inability to pay rent of any of these tenants may adversely affect the income produced by our office properties and could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.
- Our retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.
- Many of the leases at our retail properties contain “co-tenancy” or “go-dark” provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our performance or the value of the applicable retail property.
- We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.
- We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.
- High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.
- Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.
- Our second amended and restated credit facility, note purchase agreements and amended term loan agreement restrict our ability to engage in some business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.
- We are subject to risks that affect the general retail environment, such as weakness in the economy, the level of consumer spending, the adverse financial condition of large retailing companies and competition from discount and internet retailers, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our shopping centers.
- We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.
- We are subject to the business, financial and operating risks inherent to the hospitality and tourism industries, including competition for guests with other hospitality properties and general and local economic conditions that may affect demand for travel in general, any of which could adversely affect the revenues generated by our hospitality or other properties.
- Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

- Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.
- Potential losses from earthquakes in California, Oregon, Washington and Hawaii may not be fully covered by insurance.
- We may be adversely affected by laws, regulations or other issues related to climate change.
- Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability, among other things, to meet our capital and operating needs or make the cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders necessary to maintain our qualification as a REIT.
- Our performance and value are subject to risks associated with real estate assets and the real estate industry, including local oversupply, reduction in demand or adverse changes in financial conditions of buyers, sellers and tenants of properties, which could decrease revenues or increase costs, which would adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.
- Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.
- As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.
- Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the value of our common stock.
- To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

PART I

ITEM 1. BUSINESS

General

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

We are a full service, vertically integrated and self-administered real estate investment trust, or REIT, that owns, operates, acquires and develops high quality retail, office, multifamily and mixed-use properties in attractive, high-barrier-to-entry markets in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. As of December 31, 2020, our portfolio is comprised of twelve retail shopping centers; nine office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and six multifamily properties. Additionally, as of December 31, 2020, we owned land at three of our properties that we classified as held for development and construction in progress. Our core markets include San Diego, the San Francisco Bay Area, Portland, Oregon, Bellevue, Washington and Oahu, Hawaii.

We are a Maryland corporation that was formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest S. Rady or his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983, or the Rady Trust, and did not have any operating activity until the consummation of our initial public offering and the related acquisition of such interest on January 19, 2011. After the completion of our initial public offering and the related acquisitions, our operations have been carried on through our Operating Partnership. Our company, as the sole general partner of our Operating Partnership, has control of our Operating Partnership and owned 78.8% of our Operating Partnership as of December 31, 2020. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of commercial real estate and will enable us to take advantage of new acquisition and development opportunities, as well as growth opportunities within our portfolio:

- ***Irreplaceable Portfolio of High Quality Retail, Office and Multifamily Properties.*** We have acquired and developed a high quality portfolio of retail, office and multifamily properties located in affluent neighborhoods and sought-after business centers in Southern California, Northern California, Portland, Oregon, Bellevue, Washington, San Antonio, Texas and Oahu, Hawaii. Many of our properties are located in in-fill locations where developable land is scarce or where we believe current zoning, environmental and entitlement regulations significantly restrict new development. We believe that the location of many of our properties will provide us an advantage in terms of generating higher internal revenue growth on a relative basis.
- ***Experienced and Committed Senior Management Team with Strong Sponsorship.*** The members of our senior management team have significant experience in all aspects of the commercial real estate industry.
- ***Properties Located in High-Barrier-to-Entry Markets with Strong Real Estate Fundamentals.*** Our core markets currently include Southern California, Northern California, Oregon, Washington and Hawaii, which we believe have attractive long-term real estate fundamentals driven by favorable supply and demand characteristics.
- ***Extensive Market Knowledge and Long-Standing Relationships Facilitate Access to a Pipeline of Acquisition and Leasing Opportunities.*** We believe that our in-depth market knowledge and extensive network of long-standing relationships in the real estate industry provide us access to an ongoing pipeline of attractive acquisition and investment opportunities in and near our core markets, while also facilitating our leasing efforts and providing us with opportunities to increase occupancy rates at our properties.
- ***Internal Growth Prospects through Development, Redevelopment and Repositioning.*** The development and redevelopment potential at several of our properties presents compelling growth prospects and our expertise enhances our ability to capitalize on these opportunities.
- ***Broad Real Estate Expertise with Retail, Office and Multifamily Focus.*** Our senior management team has strong experience and capabilities across the real estate sector with significant expertise in the retail, office and multifamily asset classes, which provides for flexibility in pursuing attractive acquisition, development and repositioning opportunities. Ernest Rady, our Chairman, President and Chief Executive Officer, and Robert Barton, our Chief Financial Officer, each have over 30 years of commercial real estate experience, and

the other members of senior management, including Adam Wyll, our Chief Operating Officer, each have over 20 years of commercial real estate experience.

Business and Growth Strategies

Our primary business objectives are to increase operating cash flows, generate long-term growth and maximize stockholder value. Specifically, we pursue the following strategies to achieve these objectives:

- ***Capitalizing on Acquisition Opportunities in High-Barrier-to-Entry Markets.*** We intend to pursue growth through the strategic acquisition of attractively priced, high quality properties that are well located in their submarkets, focusing on markets that generally are characterized by strong supply and demand characteristics, including high barriers to entry and diverse industry bases, that appeal to institutional investors.
- ***Repositioning/Redevelopment and Development of Office, Retail and Multifamily Properties.*** Our strategy is to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns.
- ***Disciplined Capital Recycling Strategy.*** Our strategy is to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties whose returns appear to have been maximized and redeploying capital into acquisition, repositioning, redevelopment and development opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT.
- ***Proactive Asset and Property Management.*** We actively manage our properties, employ targeted leasing strategies, leverage our existing tenant relationships and focus on reducing operating expenses to increase occupancy rates at our properties, attract high quality tenants and increase property cash flows, thereby enhancing the value of our properties.

Human Capital

At December 31, 2020, we had 189 employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good. We believe our commitment to our human capital resources is an important component of our business that enables us to deliver superior performance in the ownership, operation, acquisition, and development of our high quality office, retail, multifamily and mixed-use properties and tenant relationships. We provide all employees with the opportunity to share their opinions in open dialogues with our human resources department and senior management. We provide all employees a wide range of professional development experiences, both formal and informal. The safety and wellbeing of our employees is a paramount value for us. In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees and which comply with government orders in all the states and counties where we operate. In an effort to keep our employees safe and to maintain operations during the COVID-19 pandemic, we have implemented a number of new health-related measures including, the requirement to wear face-masks while on our properties, temperature taking protocols, increased hygiene, cleaning and sanitizing procedures at our properties, social-distancing, and limiting in-person meetings and other gatherings. Further, the health and wellness of our employees are critical to our success. We provide our employees with access to a variety of flexible and convenient health and wellness programs. Such programs are designed to support employees' physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors. Additionally, we provide competitive compensation and benefits. In addition to salaries, these programs, can include annual bonuses, stock-based compensation awards, a 401(k) plan with employee matching opportunities, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, and family care resources.

Tax Status

We have elected to be taxed as a REIT and believe we are organized and operate in a manner that has allowed us to qualify and will allow us to remain qualified as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2011. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income to our stockholders (excluding any net capital gains).

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage, that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, for such events. In addition, all but one of our properties are subject to an increased risk of earthquakes. While we carry earthquake insurance on all of our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. We may reduce or discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage if the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including laws such as the Americans with Disabilities Act of 1990, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, that impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resource. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. For example, Del Monte Center is currently undergoing remediation of dry cleaning solvent contamination from a former onsite dry cleaner. The environmental issue is currently in the final stages of remediation which entails the long term ground monitoring by the appropriate regulatory agency over the next five to seven years. The prior owner of Del Monte Center entered into a fixed fee environmental services agreement in 1997 pursuant to which the remediation will be completed for approximately $3.5 million, with the remediation costs paid for through an escrow funded by the prior owner. We expect that the funds in this escrow account will cover all remaining costs and expenses of the environmental remediation. However, if the Regional Water Quality Control Board - Central Coast Region were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage although we may have a claim for such costs against the prior owner or our environmental remediation consultant. In addition to the foregoing, we possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities.

Competition

We compete with a number of developers, owners and operators of retail, office, multifamily and mixed-use real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility and expertise to design space to meet prospective tenants' needs and the manner in which the property is operated, maintained and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-let space in light of the large number of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends may be adversely affected.

We also face competition when pursuing acquisition and disposition opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to opportunities not available to us and otherwise be in a better position to acquire a property. Competition may also have the effect of reducing the number of suitable acquisition opportunities available to us, increasing the price required to consummate an acquisition opportunity and generally reducing the demand for retail, office, mixed-use and multifamily space in our markets. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Segments

We operate in four business segments: retail, office, multifamily and mixed-use. Information related to our business segments for 2020, 2019 and 2018 is set forth in Note 17 to our consolidated financial statements in Item 8 of this Report.

Tenants Accounting for over 10% of Revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2020, 2019 or 2018. Google LLC at The Landmark at One Market accounted for approximately 14.1%, 10.4% and 0% of total office segment revenues for the years ended December 31, 2020, 2019 and 2018, respectively. LPL Holdings, Inc at La Jolla Commons accounted for approximately 15.3%, 9.2% and 0% of total office segment revenues for the years ended December 31, 2020, 2019 and 2018, respectively. salesforce.com, inc. at The Landmark at One Market accounted for approximately 0%, 4.3% and 15.4% of total office segment revenues for the years ended December 31, 2020, 2019 and 2018, respectively.

Foreign Operations

We do not engage in any foreign operations or derive any revenue from foreign sources.

Available Information

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports with the Securities and Exchange Commission, or the SEC. You may obtain copies of these documents by accessing the SEC's website at www.sec.gov. In addition, as soon as reasonably practicable after such materials are furnished to the SEC, we make copies of these documents available to the public free of charge through our website at www.americanassetstrust.com, or by contacting our Secretary at our principal office, which is located at 11455 El Camino Real, Suite 200, San Diego, California 92130. Our telephone number is (858) 350-2600. The information contained on our website is not a part of this report and is not incorporated herein by reference.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Policies and Procedures for Complaints Regarding Accounting, Internal Accounting Controls, Fraud or Auditing Matters and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Governance section of the Investors page of our website.

ITEM 1A. RISK FACTORS

The following section includes the most significant factors that may adversely affect our business and operations. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This discussion of risk factors includes many forward-looking statements. For cautions about relying on forward-looking statements, please refer to the section entitled “Forward Looking Statements” at the beginning of this Report immediately prior to Item 1.

Risks Related to Our Business and Operations

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Oregon, Washington, Texas and Hawaii, which may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

Our properties are located in California, Oregon, Washington, Texas and Hawaii, and substantially all of our properties are concentrated in California, Oregon, Washington and Hawaii, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. As a result, we are particularly susceptible to adverse economic or other conditions in these markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, changes in the local or global tourism industry, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as earthquakes, wildfires and other events). If there is a downturn in the economy in these markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of retail, office, mixed-use or multifamily properties. Our operations may also be affected if competing properties are built in any of these markets. Moreover, submarkets within any of our core markets may be dependent upon a limited number of industries. In addition, the State of California is regarded as more litigious, highly regulated and taxed than many other states, all of which may reduce demand for retail, office, mixed-use or multifamily space in California. Any adverse economic or real estate developments in the California, Oregon, Washington or Hawaii markets, or any decrease in demand for retail, office, multifamily or mixed-use space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We have a substantial amount of indebtedness, which may expose us to the risk of default under our debt obligations.

At February 16, 2021, we had total debt outstanding of $1.66 billion (excluding debt issuance costs and discounts), which includes the issuance of our public notes offering of $500 million aggregate principal amount of 3.375% senior unsecured notes due 2031, and the prepayment of our $150 million Senior Guaranteed Notes, Series A and our $100 million outstanding balance under the Revolver Loan, each occurring in January 2021. A portion of such debt contains non-recourse carve-out guarantees and environmental indemnities from us and our Operating Partnership, and we may incur significant additional debt to finance future acquisition and development activities. At December 31, 2020, we also had a second amended and restated credit facility with a capacity of $450 million, consisting of a revolving line of credit of $350 million and an unsecured term loan of $100 million. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and

- our default under any loan with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, or the Code.

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may materially adversely affect us.

On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. At this time, it is not possible to predict whether any such changes will occur, whether LIBOR will be phased out or any such alternative reference rates or other reforms to LIBOR will be enacted in the United Kingdom, the United States or elsewhere or the effect that any such changes, phase out, alternative reference rates or other reforms, if they occur, would have on the amount of interest paid on, or the market value of, our LIBOR-based securities, including our floating rate notes. Uncertainty as to the nature of such potential changes, phase out, alternative reference rates or other reforms may materially adversely affect the trading market for LIBOR-based securities. Reform of, or the replacement or phasing out of, LIBOR and proposed regulation of LIBOR and other “benchmarks” may materially adversely affect the market value of and the amount of interest paid on our LIBOR-based securities and could have a material adverse effect on our business, financial condition and results of operations.

We depend on significant tenants in our office properties, and a bankruptcy, insolvency or inability to pay rent of any of these tenants may adversely affect the income produced by our office properties and could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As of December 31, 2020, the three largest tenants in our office portfolio - Google LLC, LPL Holdings, Inc. and Autodesk, Inc. - represented approximately 33.4% of the total annualized base rent in our office portfolio. Google LLC is a subsidiary of Alphabet, Inc. and provides internet related products and services. LPL Holdings, Inc. is a subsidiary of LPL Financial Holdings, Inc. and provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at financial institutions in the United States. Autodesk, Inc. is an American multinational corporation that focuses on 3-D design software for use in the architecture, engineering, construction, manufacturing, media and entertainment industries. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our office properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Our retail shopping center properties typically are anchored by large, nationally recognized tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties.

Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the applicable retail property.

As of December 31, 2020, our largest anchor tenants were Lowe's, Nordstrom Rack and Sprouts Farmers Market, which together represented approximately 11.4% of our total annualized base rent of our retail portfolio in the aggregate, and 5.3%, 3.1% and 3.0%, respectively, of the annualized base rent generated by our retail properties.

Many of the leases at our retail properties contain "co-tenancy" or "go-dark" provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our performance or the value of the applicable retail property.

Many of the leases at our retail properties contain "co-tenancy" provisions that condition a tenant's obligation to remain open, the amount of rent payable by the tenant or the tenant's obligation to continue occupancy on certain conditions, including: (1) the presence of a certain anchor tenant or tenants; (2) the continued operation of an anchor tenant's store; and (3) minimum occupancy levels at the applicable retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to a reduction of its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain "go-dark" provisions that allow the tenant to cease operations while continuing to pay rent. This could result in decreased customer traffic at the applicable retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or tenants' rights to terminate their leases early or to a reduction of their rent, our performance or the value of the applicable retail property could be adversely affected.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of retail, office, multifamily and mixed-use properties. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We continue to evaluate the market of available properties and may attempt to acquire properties when strategic opportunities exist. However, we may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and
- we may be unable to finance the acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

As of December 31, 2020, leases representing 5.0% of the square footage and 7.4% of the annualized base rent of the properties in our office, retail and retail portion of our mixed-use portfolios will expire in 2021, and an additional 8.1% of the square footage of the properties in our office, retail and retail portion of our mixed-use portfolios was available. We cannot assure you that leases will be renewed or that our properties will be re-let at rental rates equal to or above the current average rental rates or that substantial rent abatements, tenant improvements, early termination rights or below market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

Our ability to grow will be limited if we cannot obtain additional capital.

If economic conditions and conditions in the capital markets are not favorable at the time we need to raise capital, we may need to obtain capital on less favorable terms than our current debt financings. Equity capital could include our common shares or preferred shares. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors as well as the impact of the economic environment, we could experience delay or difficulty in implementing our growth strategy, including the development and redevelopment of our assets, on satisfactory terms, or be unable to implement this strategy.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. Moreover, repayment of mortgage and other secured debt obligations could limit the funds that are available to repay our unsecured debt obligations. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Our future acquisitions may not yield the returns we expect, and we may otherwise be unable to operate these properties to meet our financial expectations, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need periodically to repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. If we are unable to decrease operating costs when demand for our properties decreases and our revenues decline, our financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders may be adversely affected.

Some of our financing arrangements involve balloon payment obligations, which may adversely affect our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

The REIT rules impose certain restrictions on our ability to utilize hedges, swaps and other types of derivatives to hedge our liabilities. Subject to these restrictions, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. As described under Note 8. "Derivative and Hedging Activities," to the accompanying consolidated financial statements, we have entered into several interest rate swap agreements that are intended to reduce the interest rate variability exposure with respect to certain of our indebtedness. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could materially adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, *Derivatives and Hedging*.

Our second amended and restated credit facility, note purchase agreements and amended term loan agreement restrict our ability to engage in some business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our second amended and restated credit facility, note purchase agreements and amended term loan agreement contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including certain capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders; and
- require us to satisfy minimum financial coverage ratios, minimum tangible net worth requirements and/or maximum leverage ratios.

These limitations restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, our credit facility contains specific cross-default provisions with respect to specified other indebtedness, giving the lenders and/or note purchasers the right to declare a default if we are in default under other loans in some circumstances.

The effective subordination of our unsecured indebtedness may reduce amounts available for payment on our unsecured indebtedness.

Our second amended and restated credit facility, the notes issued under our note purchase agreements and our amended term loan agreement and our 3.375% senior notes due 2031 represent unsecured indebtedness. The holders of our secured debt may foreclose on the assets securing such debt, reducing the cash flow from the foreclosed property available for payment of unsecured debt. The holders of any of our secured debt also would have priority over unsecured creditors in the event of a bankruptcy, liquidation or similar proceeding.

If we invest in mortgage receivables, including originating mortgages, such investment would be subject to several risks, any of which could decrease the value of such investments and result in a significant loss to us.

From time to time, we may invest in mortgage receivables, including originating mortgages. In general, investments in mortgages are subject to several risks, including:

- borrowers may fail to make debt service payments or pay the principal when due, which may make it necessary for us to foreclose our mortgages or engage in costly negotiations;
    - the value of the mortgaged property may be less than the principal amount of the mortgage note securing the property;
    - interest rates payable on the mortgages may be lower than our cost for the funds to acquire these mortgages; and
    - the mortgages may be or become subordinated to mechanics' or materialmen's liens or property tax liens, in which case we would need to make payments to maintain the current status of a prior lien or discharge it in its entirety to protect such mortgage investment.

If any of these risks were to be realized, the total amount we would recover from our mortgage receivables may be less than our total investment, resulting in a loss and our mortgage receivables may be materially and adversely affected.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including dislocations in the credit markets. These conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock as a result of the following potential consequences, among others:

- decreased demand for retail, office, multifamily and mixed-use space, which would cause market rental rates and property values to be negatively impacted;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense; and
- one or more lenders under our second amended and restated credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

We are subject to risks that affect the general retail environment, such as weakness in the economy, the level of consumer spending, the adverse financial condition of large retailing companies and competition from discount and internet retailers, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our shopping centers.

A portion of our properties are in the retail real estate market. This means that we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have previously been, and could again be, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, internet retailers (including Amazon.com) and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants' ability to generate sales in their stores and could affect the way future tenants lease space. In addition, some of our retail tenants face competition from the expanding market for digital content and hardware. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants. While we devote considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, we cannot predict with certainty what future tenants will want, what future retail spaces will look like and how much revenue will be generated at traditional “brick and mortar” locations. If we are unable to anticipate and respond promptly to trends in the market, our occupancy levels and rental amounts may decline.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our shopping centers. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below market renewal options in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow and per share trading price of our common stock to be adversely affected.

We may be required, upon expiration of leases at our properties, to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could cause an adverse effect to our financial condition, results of operations, cash flow and per share trading price of our common stock.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time, which could negatively impact our ability to generate cash flow growth.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the California, Oregon, Washington, Texas and Hawaii real estate markets and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell or refinance such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution through the issuance of Operating Partnership units that may be exchanged for shares of our common stock. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of, or refinance the debt on, the acquired properties. Similarly, we may be required to incur or maintain debt we would otherwise not incur so we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

We are subject to the business, financial and operating risks inherent to the hospitality and tourism industries, including competition for guests with other hospitality properties and general and local economic conditions that may affect demand for travel in general, any of which could adversely affect the revenues generated by our hospitality or other properties.

Because we own the Waikiki Beach Walk-Embassy Suites™ in Hawaii and the Santa Fe Park RV Resort in California, we are susceptible to risks associated with the hospitality industry, including:

- competition for guests with other hospitality properties, some of which may have greater marketing and financial resources than the managers of our hospitality properties;
- increases in operating costs from inflation, labor costs (including the impact of unionization), workers' compensation and healthcare related costs, utility costs, insurance and other factors that the managers of our hospitality properties may not be able to offset through higher rates;
- the fluctuating and seasonal demands of business travelers and tourism, which seasonality may cause quarterly fluctuations in our revenues;
- general and local economic conditions that may affect demand for travel in general;
- periodic oversupply resulting from excessive new development;
- unforeseen events beyond our control, such as terrorist attacks, travel-related health concerns, including pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents, climate change and unusual weather patterns, including natural disasters such as earthquakes or wildfires; and
- decreased reimbursement revenue from the licensor for traveler reward programs.

If our hospitality properties do not generate sufficient revenues, our financial position, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders may be adversely affected.

In addition, because tourism is a major component of both the local economies in Hawaii and California, our properties in California and Hawaii may be impacted by the local and global tourism industry. These properties are susceptible to any factors that affect travel and tourism related to Hawaii and California, including cost and availability of air services and the impact of any events that disrupt air or other travel to and from these regions. Moreover, these properties may be affected by risks such as acts of terrorism and natural disasters, including major fires, floods and earthquakes, as well as severe or inclement weather, which could also decrease tourism activity in Hawaii or California.

We must rely on third-party management companies to operate the Waikiki Beach Walk-Embassy Suites™ in order to maintain our qualification as a REIT under the Code, and, as a result, we will have less control than if we were operating the hotel directly.

In order to assist us in maintaining our qualification as a REIT, we have leased the Waikiki Beach Walk-Embassy Suites™ to WBW Hotel Lessee, LLC, our taxable REIT subsidiary, or TRS, lessee, and engaged a third-party management company to operate our hotel. While we have some input into operating decisions for the hotel leased by our TRS lessee and operated under a management agreement, we have less control than if we managed the hotel ourselves. Even if we believe that our hotel is not being operated efficiently, we may not have sufficient rights under the management agreement to enable us to force the management company to change its method of operation. We cannot assure you that the management company will successfully manage our hotel. A failure by the management company to successfully manage the hotel could lead to an increase in our operating expenses or a decrease in our revenue, or both, which could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

If our relationship with the franchisor of the Waikiki Beach Walk-Embassy Suites™ was to deteriorate or terminate, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We cannot assure you that disputes between us and the franchisor of the Waikiki Beach Walk- Embassy Suites™ will not arise. If our relationship with the franchisor were to deteriorate as a result of disputes regarding the franchise agreement under which our hotel operates or for other reasons, the franchisor could, under certain circumstances, terminate our current license with them or decline to provide licenses for hotels that we may acquire in the future. If any of the foregoing were to occur, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

Our franchisor, Embassy Suites™, could cause us to expend additional funds on upgraded operating standards, which may adversely affect our results of operations and reduce cash available for distribution to stockholders.

Under the terms of our franchise license agreement, our hotel operator must comply with operating standards and terms and conditions imposed by the franchisor of the hotel brand, Embassy Suites™. Failure by us, our TRS lessees or any hotel management company that we engage to maintain these standards or other terms and conditions could result in the franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we may be liable to the franchisor for a termination payment, which we expect could be as high as approximately $5.5 million based on operating performance through December 31, 2020. In addition, our franchisor may impose upgraded or new brand standards, such as substantially upgrading the bedding, enhancing the complimentary breakfast or increasing the value of guest awards under its “frequent guest” program, which can add substantial expense for the hotel. Furthermore, under certain circumstances, the franchisor may require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial and may adversely affect our results of operations and reduce cash available for distribution to our stockholders.

Embassy Suites™, our franchisor, has a right of first offer with respect to the Waikiki Beach Walk-Embassy Suites™, which may limit our ability to obtain the highest price possible for the hotel.

Pursuant to the terms of our franchise agreement for the Waikiki Beach Walk-Embassy Suites™, the franchisor has a right of first offer to purchase the hotel if we propose to sell all or a portion of the hotel or any interest therein. In the event that we choose to dispose of the hotel, we would be required to notify the franchisor, prior to offering the hotel to any other potential buyer, of the price and conditions on which we would be willing to sell the hotel, and the franchisor would have the right, within 30 days of receiving such notice, to make an offer to purchase the hotel. If the franchisor makes an offer to purchase that is equal to or greater than the price and on substantially the same terms set forth in our notice, then we will be obligated to sell the hotel to the franchisor at that price and on those terms. If the franchisor makes an offer to purchase for less than the price stated in our notice or on less favorable terms, then we may reject the franchisor's offer. The existence of this right of first offer could adversely impact our ability to obtain the highest possible price for the hotel as, during the term of the franchise agreement, we would not be able to offer the hotel to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained for the property without first offering to sell this property to the franchisor.

Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development and redevelopment activities:

- unsuccessful development or redevelopment opportunities could result in direct expenses to us;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;
- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- our ability to dispose of properties developed or redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or redevelopment activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Rady, Barton and Wyll who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

Our Board has implemented an emergency succession plan in case of the sudden or unanticipated resignation, termination, death or temporary or permanent disability of Mr. Rady, or otherwise in case Mr. Rady is unable to perform his duties as Chairman, President and Chief Executive Officer. This plan is reviewed at least annually by our Board with input from our Nominating and Governance Committee and currently includes Dr. Robert Sullivan (Board member), Mr. Barton and Mr. Wyll, as potential interim candidates for the roles of Chairman, President and/or Chief Executive Officer and/or as emergency interim executive committee members.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us and negotiating with tenants and build-to-suit prospects. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Mr. Rady is involved in outside businesses, which may interfere with his ability to devote time and attention to our business and affairs.

We rely on our senior management team, including Mr. Rady, for the day-to-day operations of our business. Our employment agreement with Mr. Rady requires him to devote a substantial portion of his business time and attention to our business. Mr. Rady continues to serve as chairman of the board of directors and president of American Assets, Inc. and chairman of the board of directors of Insurance Company of the West. As such, Mr. Rady has certain ongoing duties to American Assets, Inc., Insurance Company of the West and other business ventures that could require a portion of his time and attention. Although we expect that Mr. Rady will continue to devote a majority of his business time and attention to us, we cannot accurately predict the amount of time and attention that will be required of Mr. Rady to perform such ongoing duties. To the extent that Mr. Rady is required to dedicate time and attention to American Assets, Inc. and/or Insurance Company of the West, his ability to devote a majority of his business time and attention to our business and affairs may be limited and could adversely affect our operations.

We may be subject to on-going or future litigation and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may be subject to on-going litigation at our properties and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

Potential losses from earthquakes in California, Oregon, Washington and Hawaii may not be fully covered by insurance.

Many of the properties we currently own are located in California, Oregon, Washington and Hawaii, which are areas especially subject to earthquakes. While we carry earthquake insurance on all of our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes and will be subject to limitations involving large deductibles or co-payments. In addition, we may reduce or discontinue earthquake insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, in the event of an earthquake, we may be required to incur significant costs, and, to the extent that a loss exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We may be adversely affected by laws, regulations or other issues related to climate change.

We may become subject to laws or regulations related to climate change, which could cause our business, results of operations and financial condition to be impacted adversely. The federal government has enacted, and some of the states and localities in which we operate may enact, certain climate change laws and regulations or have begun regulating carbon footprints and greenhouse gas emissions. Although these laws and regulations have not had any known material adverse effects on our business to date, they could result in substantial costs, including compliance costs, increased energy costs, retrofit costs and construction costs, including monitoring and reporting costs, and capital expenditures for environmental control facilities and other new equipment. Furthermore, our reputation could be negatively affected if we violate climate change laws or regulations. We cannot predict how future laws and regulations, or future interpretations of current laws and regulations, related to climate change will affect our business, results of operations and financial condition. Lastly, the potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic circumstances in areas in which we operate. These may include changes global weather patterns, which could include local changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperature averages or extremes. These impacts may adversely affect our properties, our business, financial condition and results of operations.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties. For example, if we experienced a substantial or comprehensive loss of Torrey Reserve Campus in San Diego, California, reconstruction could be delayed or prevented by the California Coastal Commission, which regulates land use in the California coastal zone.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. Consequently, with respect to any such arrangement we may enter into in the future, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if 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. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.

Increased competition and increased affordability of residential homes could limit our ability to retain our residents, lease apartment homes or increase or maintain rents at our multifamily apartment communities.

Our multifamily apartment communities compete with numerous housing alternatives in attracting residents, including other multifamily apartment communities and single-family rental homes, as well as owner occupied single and multifamily homes. Competitive housing in a particular area and an increase in the affordability of owner occupied single and multifamily homes due to, among other things, housing prices, oversupply, mortgage interest rates and tax incentives and government programs to promote home ownership, could adversely affect our ability to retain residents, lease apartment homes and increase or maintain rents.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability, among other things, to meet our capital and operating needs or make the cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders necessary to maintain our qualification as a REIT.

In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to federal corporate income tax to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders necessary to maintain our qualification as a REIT.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact on our business, operations and/or financial condition.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. We face risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the internet, malware, computer viruses, attachments to e-mails and/or employees or third-parties with access to our systems. We face the risk of ransomware or other cyber-attacks aimed at disrupting the availability of systems, applications, networks or data important to our business operations.

Our information technology, or IT, networks and related systems, are essential to the operation of our business and our ability to perform day-to-day operations, and, in some cases, may be critical to the operations of certain of our tenants.

Additionally, we collect and hold personal information of our residents and prospective residents in connection with our leasing activities at our multifamily locations. We also collect and hold personal information of our employees in connection with their employment. In addition, we engage third-party service providers that may have access to such personal information in connection with providing business services to us, whether through our own IT networks and related systems, or through the third-party service providers' IT networks and related systems.

We mitigate the risk of disruptions, breaches or disclosure of this confidential personally identifiable information by implementing a variety of security measures including (among others) engaging reputable, recognized firms to help us design and maintain our information technology and data security systems, and to test and verify their proper and secure operations on a periodic basis.

There can be no assurance that our efforts to maintain the confidentiality, integrity, and availability and controls of our (or our third-party service providers') IT networks and related data and systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving our (or our third-party service providers') IT networks and related systems could materially and adversely impact our income, cash flow, results of operations, financial condition, liquidity, the ability to service our debt obligations, the market price of our common stock, our ability to pay dividends and/or other distributions to our shareholders. A security breach could additionally cause the disclosure or misuse of confidential or proprietary information (including personal information of our residents and/or employees) and damage to our reputation.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry, including local oversupply, reduction in demand or adverse changes in financial conditions of buyers, sellers and tenants of properties, which could decrease revenues or increase costs, which would adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our ability to make expected distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under "Risks Related to Our Business and Operations," as well as the following:

- local oversupply or reduction in demand for retail, office, multifamily or mixed-use space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below market renewal options, and the need to periodically repair, renovate and re-let space;
- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- a favorable interest rate environment that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting;
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate;
- changing submarket demographics; and

- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.

Even if we continue to qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay any expected dividends to our stockholders could be adversely affected.

As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. For example, Del Monte Center is currently undergoing remediation of dry cleaning solvent contamination from a former onsite dry cleaner. The environmental issues is currently in the final stages of remediation which entails the long term ground monitoring by the appropriate regulatory agency over the next five to seven years. The prior owner of Del Monte Center entered into a fixed fee environmental services agreement in 1997 pursuant to which the remediation will be completed for approximately $3.5 million, with the remediation costs paid for through an escrow funded by the prior owner. We expect that the funds in this escrow account will cover all remaining costs and expenses of the environmental remediation. However, if the Regional Water Quality Control Board - Central Coast Region were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage although we may have a claim for such costs against the prior owner or our environmental remediation consultant. In addition to the foregoing, we possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us, and changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to you or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

In addition, federal and state laws and regulations, including laws such as the ADA and the FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow and per share trading price of our common stock.

Risks Related to Our Organizational Structure

Ernest S. Rady and his affiliates, directly or indirectly, own a substantial beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our Operating Partnership, including the approval of significant corporate transactions.

As of December 31, 2020, Mr. Rady and his affiliates owned approximately 13.4% of our outstanding common stock and 19.5% of our outstanding common units, which together represent an approximate 32.8% beneficial interest in our company on a fully diluted basis. Consequently, Mr. Rady may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, we may not, without prior limited partner approval, directly or indirectly transfer all or any portion of our interest in the Operating Partnership before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. As a result, Mr. Rady has substantial influence on us and could exercise his influence in a manner that conflicts with the interests of other stockholders.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Maryland law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistently with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our Operating Partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the Operating Partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners.

Additionally, the partnership agreement provides that we will not be liable to the Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our Operating Partnership must indemnify us, our directors and officers, officers of our Operating Partnership and our designees from and against any and all claims that relate to the operations of our Operating Partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our Operating Partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

Our charter and bylaws, the partnership agreement of our Operating Partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Our charter contains certain ownership limits with respect to our stock. Our charter, subject to certain exceptions, authorizes our board of directors to take such actions as it determines are advisable to preserve our qualification as a REIT. Our charter also prohibits the actual, beneficial or constructive ownership by any person of more than 7.275% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 7.275% in value of the aggregate outstanding shares of all classes and series of our stock, excluding any shares that are not treated as outstanding for federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. Our board of directors has granted to each of (1) Mr. Rady (and certain of his affiliates), (2) Cohen & Steers Management, Inc. and (3) BlackRock, Inc. an exemption from the ownership limits that will allow them to own, in the aggregate, up to 19.9%, 10.0% and 10.0%, respectively, in value or in number of shares, whichever is more restrictive, of our outstanding common stock, subject to various conditions and limitations. The restrictions on ownership and transfer of our stock may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority and stockholder voting requirements on these combinations; and
- “control share” provisions that provide that “control shares” of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the

affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, our board of directors has, by board resolution, elected to opt out of the business combination provisions of the MGCL. However, we cannot assure you that our board of directors will not opt to be subject to such business combination provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.

Certain provisions in the partnership agreement of our Operating Partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our Operating Partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- a requirement that we may not be removed as the general partner of our Operating Partnership without our consent;
- transfer restrictions on common units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the Operating Partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our Operating Partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

In particular, we may not, without prior “partnership approval,” directly or indirectly transfer all or any portion of our interest in our Operating Partnership, before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. The “partnership approval” requirement is satisfied, with respect to such a transfer, when the sum of (1) the percentage interest of limited partners consenting to the transfer of our interest, plus (2) the product of (a) the percentage of the outstanding common units held by us multiplied by (b) the percentage of the votes that were cast in favor of the event by our common stockholders equals or exceeds the percentage required for our common stockholders to approve the event resulting in the transfer. As of December 31, 2020, the limited partners, including Mr. Rady and his affiliates and our other executive officers and directors, owned approximately 22.6% of our outstanding common units and approximately 18.1% of our outstanding common stock, which together represent an approximate 35.4% beneficial interest in our company on a fully diluted basis.

Our charter and bylaws, the partnership agreement of our Operating Partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our Operating Partnership to meet our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, claims of stockholders are structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our Operating Partnership may issue additional partnership units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and would have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We may, in connection with our acquisition of properties or otherwise, issue additional partnership units to third parties. Such issuances would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders. To the extent that our stockholders do not directly own partnership units, our stockholders will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Our operating structure subjects us to the risk of increased hotel operating expenses.

Our lease with our TRS lessee requires our TRS lessee to pay us rent based in part on revenues from the Waikiki Beach Walk-Embassy Suites™. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS lessee's ability to pay us rent due under the lease, including but not limited to the increases in:

- wage and benefit costs;
- repair and maintenance expenses;
- energy costs;
- property taxes;
- insurance costs; and
- other operating expenses.

Increases in these operating expenses can have an adverse impact on our financial condition, results of operations, the market price of our common stock and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

Future sales of common stock or common units by our directors and officers, or their pledgees, as a result of margin calls or foreclosures could adversely affect the price of our common stock and could, in the future, result in a loss of control of our company.

Our directors and officers may pledge shares of common stock or common units owned or controlled by them as collateral for loans or for margin purposes in favor of third parties. Depending on the status of the various loan obligations for which the stock or units ultimately serve as collateral and the trading price of our common stock, our directors and/or officers, and their affiliates, may experience a foreclosure or margin call that could result in the sale of the pledged stock or units, in the open market or otherwise. Unlike for our directors and officers, sales by these pledgees may not be subject to the volume limitations of Rule 144 of the Securities Act. A sale of pledged stock or units by pledgees could result in a loss of control of our company, depending upon the number of shares of stock or units sold and the ownership interests of other stockholders. In addition, sale of these shares or units, or the perception of possible future sales, could have a materially adverse effect on the trading price of our common stock or make it more difficult for us to raise additional capital through sales of equity securities.

Risks Related to Our Status as a REIT

Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the value of our common stock.

We have elected to be taxed as a REIT and believe we are organized and operate in a manner that has allowed us to qualify and will allow us to remain qualified as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2011. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT. Therefore, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders in computing our taxable income and would be subject to the regular U.S. federal corporate income tax rate (and we could be subject to the federal alternative minimum tax for taxable years prior to 2018);
- we also could be subject to increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders. In addition, if we fail to maintain our qualification as a REIT, we will not be required to make distributions to American Assets Trust, Inc.'s stockholders. As a result of all these factors, our failure to maintain our qualification as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to maintain our qualification as a REIT. In order to maintain our qualification as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and requirements regarding the sources of our gross income. Also, we must make distributions to American Assets Trust, Inc.'s stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to maintain our qualification as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we maintain our qualification as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions they operate.

If our Operating Partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership is treated as a partnership for federal income tax purposes. As a partnership, our Operating Partnership is not subject to federal income tax on its income. Instead, each of its partners, including us, is allocated, and may be required to pay tax with respect to, its share of our Operating Partnership's income. We cannot be assured, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest, as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

The asset tests applicable to REITs limit our ability to own taxable REIT subsidiaries, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm's length terms.

We own an interest in one taxable REIT subsidiary, our TRS lessee, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation 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 federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's length basis.

Not more than 20% of the value of a REIT’s total assets may be represented by the securities of one or more taxable REIT subsidiaries. A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of a REIT's total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test. We anticipate that the aggregate value of the stock and securities of our taxable REIT subsidiaries and other nonqualifying assets will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our taxable REIT subsidiaries to ensure that they are entered into on arm's length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with these ownership limitations or to avoid application of the 100% excise tax discussed above.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

To maintain our REIT status, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains, and we will be subject to regular U.S. federal corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year, including net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may in the future choose to make dividends payable partly in our common stock, in which case you may be required to pay tax in excess of the cash you receive.

To maintain our REIT status, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains. In order to preserve cash to repay debt or for other reasons, we may choose to satisfy the REIT distribution requirements by distributing taxable dividends that are payable partly in our stock and partly in cash. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may have an adverse effect on the per share trading price of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to dividends treated as "qualified dividend income" payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for the 20% rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock. Non-corporate stockholders, including individuals, generally may deduct 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning before January 1, 2026. If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us.

The tax imposed on REITs engaging in "prohibited transactions" may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To maintain our qualification as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on our investors or us, including our ability to maintain our qualification as a REIT or the federal income tax consequences of such qualification.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT, the federal income tax consequences of such qualification or the federal income tax consequences of such qualification or the federal income tax consequences of an investment in us. Also, 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.

The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.

The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, have already had a significant adverse impact on economic and market conditions around the world in the last nine months of 2020, including the United States and the markets in which we own properties and/or have development projects. The impact of the COVID-19 pandemic continues to evolve. Many states, including states where we own properties (e.g., California, Hawaii, and Washington) initially reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, stay-at-home orders, density limitations, social distancing measures, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue. Although some state governments and other authorities were in varying stages of lifting or modifying some of these measures, some have already been forced to, and others may in the future, reinstitute these measures or impose new, more restrictive measures, if the risks, or the perception of the risks, related to the COVID-19 pandemic worsen at any time. Furthermore, although in certain cases, exceptions are available for essential retail, research and laboratory activities, essential building services, such as cleaning and maintenance, and certain essential construction projects, there can be no assurance that such exceptions will enable us to avoid adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders. For instance, some of the activities of our retail, office, mixed-use and residential tenants are not covered by the exceptions listed above, and we have seen weakness and a material reduction in rent collections from these tenants that may continue for an indeterminate period pending a cessation of the adverse impacts from the COVID-19 pandemic, and restrictions intended to prevent its spread. In addition, there can be no assurance as to how long restrictions intended to prevent the spread of COVID-19 may remain in place in the states and cities where we own properties, and even if such restrictions are lifted, they may be reinstituted at a later date. If such restrictions remain in place for an extended period of time, we may experience further reductions in rents from our tenants.

During 2020, we continued to provide lease concessions to certain tenants, primarily within the retail segment, as a result of the COVID-19 pandemic, in the form of rent deferrals and abatements. As of December 31, 2020, we have entered into lease modifications that resulted in COVID-19 adjustments (including rent deferrals and other monetary lease concessions) for approximately 4% of the rent originally contracted for the year ended December 31, 2020. Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent, as well as working with certain tenants who have requested rent deferrals (particularly those occupying retail space), we can provide no assurance that such efforts or our efforts in future periods will be successful. In addition, we are and will continue to be actively engaged in discussions with certain tenants regarding the adverse impacts of the COVID-19 pandemic, and restrictions intended to prevent its spread, and may afford certain additional accommodations.

In addition, we may be required to continue to comply with "social distancing" at our properties and development projects and we may be subject to certain conditions, including requiring contractors to develop COVID-19 control, mitigation, and recovery plans and satisfy certain requirements before work can continue or commence, which may increase costs, perhaps substantially. We expect to comply with any state or local requirements. Our development projects could in the future be affected by moratoriums on construction. To the extent any city issues a moratorium, we may be subject to such a moratorium unless the applicable state or city grants an exclusion for these projects because certain of our development projects may qualify as essential construction projects.

The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, could have significant adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders in a variety of ways that are difficult to predict. Such adverse impacts could depend on, among other factors:

- the financial condition of our tenants and their ability or willingness to pay rent in full on a timely basis;
- state, local, federal and industry-initiated efforts that may adversely affect landlords, including us, and their ability to collect rent and/or enforce remedies for the failure to pay rent;
- our need to defer or forgive rent and restructure leases with our tenants and our ability to do so on favorable terms or at all;
- significant job losses in the industries of our tenants, which may decrease demand for our office and retail space, causing market rental rates and property values to be negatively impacted;
- our ability to stabilize our development projects, renew leases or re-lease available space in our proprieties on favorable terms or at all, including as a result of a general decrease in demand for our office and retail space and occupancy in our hotel, deterioration in the economic and market conditions in the markets in which we own properties or due to restrictions intended to prevent the spread of COVID-19 that frustrate our leasing activities;
- a severe and prolonged disruption and instability in the global financial markets, including the debt and equity capital markets, all of which have already experienced and may continue to experience significant volatility, or deteriorations in credit and financing conditions, may affect our or our tenants' ability to access capital necessary to fund our

respective business operations or replace or renew maturing liabilities on a timely basis, on attractive terms or at all and may adversely affect the valuation of financial assets and liabilities, any of which could affect our and our tenants' ability to meet liquidity and capital expenditure requirements;

- a refusal or failure of one or more lenders under our revolving line of credit to fund their respective financing commitments to us may affect our ability to access capital necessary to fund our business operations and to meet our liquidity and capital expenditure requirements;
- the ability of potential buyers of properties identified for potential future capital recycling transactions to obtain debt financing, which has been and may continue to be constrained for some potential buyers;
- a reduction in the values of our properties that could result in impairments or limit our ability to dispose of them at attractive prices or obtain debt financing secured by our properties;
- complete or partial shutdowns of one or more of our tenants' manufacturing facilities or distribution centers, temporary or long-term disruptions in our tenants' supply chains from local, national and international suppliers or delays in the delivery of products, services or other materials necessary for our tenants' operations, which could force our tenants to reduce, delay or eliminate offerings of their products and services, reduce or eliminate their revenues and liquidity and/or result in their bankruptcy or insolvency;
- our ability to avoid delays or cost increases associated with building materials or construction services necessary for construction that could adversely impact our ability to continue or complete construction as planned, on budget or at all;
- our and our tenants' ability to manage our respective businesses to the extent our and their management or personnel are impacted in significant numbers by the COVID-19 pandemic and are not willing, available or allowed to conduct work; and
- our and our tenants' ability to ensure business continuity in the event our continuity of operations plan is not effective or improperly implemented or deployed during the COVID-19 pandemic.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic or restrictions intended to prevent its spread. Nevertheless, the ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, and the current financial, economic and capital markets environment and future developments in these and other areas present material risks and uncertainties with respect to our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders and could also have a material adverse effect on the market value of our securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our Portfolio

As of December 31, 2020, our operating portfolio was comprised of 28 office, retail, multifamily and mixed-use properties with an aggregate of approximately 6.6 million rentable square feet of office and retail space (including mixed-use retail space), 2,112 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2020, we owned land at three of our properties that we classified as held for development and construction in progress.

Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
OFFICE PROPERTIES							
La Jolla Commons [1]	San Diego, CA	2008/2014	2	724,186	98.0 %	$ 39,961,852	$ 56.31
Torrey Reserve Campus	San Diego, CA	1996-2000/2014-2016	14	521,678	85.0 %	22,113,241	49.87
Torrey Point	San Diego, CA	2017	2	92,195	94.6	3,246,011	37.22
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	212,614	93.0	8,689,159	43.94
The Landmark at One Market [2]	San Francisco, CA	1917/2000	1	422,426	100.0	37,345,312	88.41
One Beach Street	San Francisco, CA	1924/1972/1987/1992	1	100,270	15.4	950,488	61.55
First & Main	Portland, OR	2010	1	360,314	93.0	10,442,975	31.16
Lloyd District Portfolio	Portland, OR	1940-2015	3	515,929	99.8	16,454,913	31.96
City Center Bellevue	Bellevue, WA	1987	1	497,666	96.5	23,679,927	49.31
Subtotal / Weighted Average Office Portfolio [3]			29	3,447,278	93.0 %	$ 162,883,878	$ 50.81
RETAIL PROPERTIES							
Carmel Country Plaza	San Diego, CA	1991	9	78,098	89.4 %	$ 3,731,651	$ 53.45
Carmel Mountain Plaza [4]	San Diego, CA	1994/2014	15	528,416	95.0	13,373,531	26.64
South Bay Marketplace [4]	San Diego, CA	1997	9	132,877	94.4	1,914,333	15.26
Gateway Marketplace	San Diego, CA	1997/2016	3	127,861	100.0	2,483,725	19.43
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	208,030	94.7	5,907,553	29.99
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	94.4	6,250,003	26.83
Del Monte Center [4]	Monterey, CA	1967/1984/2006	16	673,155	81.7	8,403,833	15.28
Geary Marketplace	Walnut Creek, CA	2012	3	35,159	100.0	1,187,924	33.79
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0	1,894,936	162.36
Waikele Center	Waipahu, HI	1993/2008	9	418,047	100.0	11,524,589	27.57
Alamo Quarry Market [4]	San Antonio, TX	1997/1999	16	588,148	85.5	12,461,757	24.78
Hassalo on Eighth - Retail [5]	Portland, OR	2015	3	44,236	71.0	940,668	29.95
Subtotal / Weighted Average Retail Portfolio [1]			107	3,092,428	90.7 %	$ 70,074,503	$ 24.98
Total / Weighted Average Retail and Office Portfolio [1]			**136**	**6,539,706**	91.9 %	**$ 232,958,381**	**$ 38.76**

Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percent Leased	Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
Waikiki Beach Walk—Retail [6]	Honolulu, HI	2006	3	96,707	89.2 %	$ 9,411,407	$ 109.10

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room
Waikiki Beach Walk—Embassy Suites™	Honolulu, HI	2008/2020	2	369	51.3 %	$ 248.52	$ 127.42

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	95.3 %	$ 14,420,472	$ 2,301
Imperial Beach Gardens	Imperial Beach, CA	1959/2008	26	160	94.4	3,920,016	2,163
Mariner's Point	Imperial Beach, CA	1986	8	88	96.6	1,860,348	1,824
Santa Fe Park RV Resort (7)	San Diego, CA	1971/2007-2008	1	126	77.8	1,250,460	1,063
Pacific Ridge Apartments	San Diego, CA	2013	3	533	93.1	18,171,132	3,052
Hassalo on Eighth - Multifamily (5)	Portland, OR	2015	3	657	71.2	9,278,952	1,653
Total / Weighted Average Multifamily			**121**	**2,112**	**86.2 %**	**$ 48,901,380**	**$ 2,238**

(1) The annualized base rent for La Jolla Commons has been adjusted for this presentation to reflect that the contractual triple net leases were instead structured as modified gross leases, by adding the contractual annualized triple net base rent of $29,797,416 to our estimate of annual triple net operating expenses of $10,164,436 for an estimated annualized base rent on a modified gross lease basis of $39,961,852 for La Jolla Commons.

(2) This property contains 422,426 net rentable square feet consisting of The Landmark at One Market (378,206 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, 2026, which we have the option to extend until 2031 pursuant to one five-year extension option.

(3) Lease data for signed but not commenced leases as of December 31, 2020 is in the following table:

	Leased Square Feet Under Signed But Not Commenced Leases (a)	Annualized Base Rent (b)	Annualized Base Rent per Leased Square Foot (b)	Pro Forma Annualized Base Rent per Leased Square Foot (c)
Office Portfolio	$ 32,253	$ 1,897,001	$ 58.82	$ 51.40
Retail Portfolio	4,403	148,793	$ 33.79	$ 25.04
Total Retail and Office Portfolio	$ 36,656	$ 2,045,794	$ 55.81	$ 39.10

(a) Office portfolio leases signed but not commenced of 32,253 square feet are expected to commence during the first quarter of 2021. Retail portfolio leases signed but not commenced of 505 and 3,898 square feet are expected to commence during the first and second quarters of 2021, respectively.

(b) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) for signed but not commenced leases as of December 31, 2020 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. The foregoing notwithstanding, the annualized base rent for signed but not commenced leases as of December 31, 2020 at La Jolla Commons has been adjusted for this presentation to reflect that the contractual triple net leases were instead structured as modified gross leases. Annualized base rent per leased square foot is calculated by dividing annualized base rent, by square footage for signed by not commenced leases.

(c) Pro forma annualized base rent is calculated by dividing annualized base rent for commenced leases and for signed but not commenced leases as of December 31, 2020, by square footage under lease as of December 31, 2020.

(4) Net rentable square feet at certain of our retail properties includes square footage leased pursuant to ground leases, as described 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	$ 741,962
South Bay Marketplace	1	2,824	$ 102,276
Del Monte Center	1	212,500	$ 96,000
Alamo Quarry Market	3	20,694	$ 385,506

(5) The Hassalo on Eighth property is comprised of three multifamily buildings, each with a ground floor retail component: Velomor, Aster Tower and Elwood.

(6) Waikiki Beach Walk-Retail contains 96,707 net rentable square feet consisting of 94,093 net rentable square feet that we own in fee and approximately 2,614 net rentable square feet of space in which we have a subleasehold interest pursuant to a sublease from First Hawaiian Bank effective through December 31, 2021.

(7) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

- 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, 2010 measurement guidelines. Net rentable square footage may be adjusted from the prior period to reflect re-measurement of leased space at the properties.

- Percentage leased for each of our retail and office properties and the retail portion of the mixed-use property is calculated as square footage under leases as of December 31, 2020, divided by net rentable square feet, expressed as a percentage. The square footage under lease includes leases which may not have commenced as of December 31, 2020. Percentage leased for our multifamily properties is calculated as total units rented as of December 31, 2020, divided by total units available, expressed as a percentage.
- Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents, before abatements) for the month ended December 31, 2020, by 12. Annualized base rent per leased square foot is calculated by dividing annualized base rent, by square footage under lease as of December 31, 2020. 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. Total abatements for leases in effect as of December 31, 2020 for our retail and office portfolio equaled approximately $19.0 million for the year ended December 31, 2020. Total abatements for leases in effect as of December 31, 2020 for our mixed-use portfolio equaled approximately $0.9 million for the year ended December 31, 2020. Total abatements for leases in effect as of December 31, 2020 for our multifamily portfolio equaled approximately $0.8 million for the year ended December 31, 2020.
- Units represent the total number of units available for sale/rent at December 31, 2020.
- Average occupancy represents the percentage of available units that were sold during the 12-month period ended December 31, 2020, 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 12-month period ended December 31, 2020, by the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the 12-month period ended December 31, 2020 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.
- Average monthly base rent per leased unit represents the average monthly base rent per leased units as of December 31, 2020.

Tenant Diversification

At December 31, 2020, our operating portfolio had approximately 752 leases with office and retail tenants, of which 6 expired on December 31, 2020 and there were 6 that had not yet commenced as of such date. Our residential properties had 1,722 leases with residential tenants at December 31, 2020, excluding Santa Fe Park RV Resort. The retail portion of our mixed-use property had approximately 64 leases with retailers. Only one tenant or affiliated group of tenants accounted for more than 10.0% of our annualized base rent as of December 31, 2020 for our office, retail and retail portion of our mixed-use property portfolio. The following table sets forth information regarding the 25 tenants with the greatest annualized base rent for our combined retail, office and retail portion of our mixed-use property portfolios as of December 31, 2020.

Tenant	Property(ies)	Lease Expiration	Total Leased Square Feet	Rentable Square Feet as a Percentage of Total	Annualized Base Rent (1)	Annualized Base Rent as a Percentage of Total
Google LLC	The Landmark at One Market	12/31/2029	253,198	3.8 %	$ 24,178,824	10.0 %
LPL Holdings, Inc.	La Jolla Commons	4/30/2029	421,001	6.3	18,143,812	7.5
Autodesk, Inc.	The Landmark at One Market	12/31/2022 12/31/2023	138,615	2.1	12,273,512	5.1
Smartsheet, Inc.	City Center Bellevue	12/31/2026 4/30/2029	124,217	1.9	6,572,101	2.7
VMware, Inc.	City Center Bellevue	11/30/2022 5/31/2025 9/30/2027	109,985	1.7	5,579,954	2.3
Illumina, Inc.	La Jolla Commons	10/31/2027	73,176	1.1	4,302,751	1.8
Lowe's	Waikele Center	5/31/2028	155,000	2.3	3,720,000	1.5
Clearesult Operating, LLC	First & Main	4/30/2025	101,848	1.5	2,902,976	1.2
State of Oregon: Department of Environmental Quality	Lloyd District Portfolio	10/31/2031	87,787	1.3	2,766,541	1.1
Genentech, Inc.	Lloyd District Portfolio	10/31/2026	66,852	1.0	2,203,442	0.9
Internal Revenue Service (2)	First & Main	8/31/2030	63,648	1.0	2,200,553	0.9
Nordstrom Rack	Carmel Mountain Plaza, Alamo Quarry Market	9/30/2022 10/31/2022	69,047	1.0	2,189,648	0.9
Quiksilver	Waikiki Beach Walk	12/31/2021	8,365	0.1	2,175,177	0.9
Sprouts Farmers Market	Solana Beach Towne Centre, Carmel Mountain Plaza, Geary Marketplace	6/30/2024 3/31/2025 9/30/2032	71,431	1.1	2,121,187	0.9
Veterans Benefits Administration (2)	First & Main	8/31/2030	74,885	1.1	2,009,451	0.8
California Bank & Trust	Torrey Reserve Campus	2/29/2024	34,731	0.5	1,917,767	0.8
WeWork	Lloyd District Portfolio	1/31/2032	55,395	0.8	1,883,430	0.8
Industrious	City Center Bellevue	3/31/2034	37,166	0.6	1,833,468	0.8
Perkins Coie, LLP	Torrey Reserve Campus	12/31/2028	36,980	0.6	1,805,438	0.7
Marshalls	Solana Beach Towne Centre, Carmel Mountain Plaza	1/31/2025 1/31/2029	68,055	1.0	1,728,228	0.7
Troutman Sanders, LLP	Torrey Reserve Campus First & Main	3/31/2025 4/30/2025	33,812	0.5	1,695,429	0.7
MEI Pharma, Inc.	Torrey Reserve Campus	3/31/2028	32,775	0.5	1,474,875	0.6
Vons	Lomas Santa Fe Plaza	12/31/2022	49,895	0.8	1,399,205	0.6
At Home Stores	Carmel Mountain Plaza	7/31/2029	107,870	1.6	1,384,552	0.6
Cisco Systems, Inc.	City Center Bellevue	2/28/2023	29,415	0.4	1,341,874	0.6
TOTAL			**2,305,149**	**34.6 %**	**$ 109,804,195**	**45.4 %**

* Data withheld at tenant's request.

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents before abatements) for the month ended December 31, 2020 for the applicable lease(s) by (ii) 12.

(2) The earliest option termination date under this lease is August 31, 2028.

Geographic Diversification

Our properties are located in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. The following table shows the number of properties, the net rentable square feet and the percentage of total portfolio net rentable square footage in each region as of December 31, 2020. Our six multifamily properties are excluded from the table below and are located in Southern California and Portland, Oregon. The hotel portion of our mixed-use property is also excluded and is located in Hawaii.

Region	Number of Properties	Net Rentable Square Feet	Percentage of Net Rentable Square Feet (1)
Southern California	10	2,872,685	43.3 %
Northern California	4	1,231,010	18.5
Oregon	3	920,479	13.9
Washington	1	497,666	7.5
Texas	1	588,148	8.9
Hawaii (2)	3	526,425	7.9
Total	**22**	**6,636,413**	**100.0 %**

(1) Percentage of Net Rentable Square Feet is calculated based on the total net rentable square feet available in our retail portfolio, office portfolio and the retail portion of our mixed-use portfolio.
(2) Includes the retail portion related to the mixed-use property.

Segment Diversification

The following table sets forth information regarding the total property operating income for each of our segments for the year ended December 31, 2020 (dollars in thousands).

Segment	Number of Properties	Property Operating Income	Percentage of Property Operating Income
Office	9	$ 130,130	58.2 %
Retail	12	60,906	27.3
Mixed-Use	1	28,253	12.6
Multifamily	6	4,165	1.9
Total	**28**	**$ 223,454**	**100.0 %**

Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of December 31, 2020, plus available space, for each of the ten calendar years beginning January 1, 2021 at the properties in our retail portfolio, office portfolio and the retail portion of our mixed-use portfolio. The square footage of available space includes the space from 6 leases that terminated on December 31, 2020. In 2021, we expect a similar level of leasing activity for new and expiring leases compared to prior years with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

The lease expirations for our multifamily portfolio and the hotel portion of our mixed-use portfolio are excluded from this table because multifamily unit leases generally have lease terms ranging from seven to 15 months, with a majority having 12-month lease terms, and because rooms in the hotel are rented on a nightly basis. The information set forth in the table assumes that tenants do not exercise any renewal options.

Year of Lease Expiration	Square Footage of Expiring Leases	Percentage of Portfolio Net Rentable Square Feet	Annualized Base Rent [(1)]	Percentage of Portfolio Annualized Base Rent	Annualized Base Rent Per Leased Square Foot [(2)]
Available	540,119	8.1 %	$ —	— %	$ —
Month to Month	45,437	0.7	1,125,338	0.5	24.77
2021	329,507	5.0	17,075,850	7.4	51.82
2022	707,206	10.7	27,743,291	11.9	39.23
2023	566,734	8.5	23,025,741	9.9	40.63
2024	659,439	9.9	23,863,295	10.3	36.19
2025	630,399	9.5	22,158,482	9.5	35.15
2026	490,605	7.4	17,313,063	7.5	35.29
2027	322,692	4.9	13,905,325	6.0	43.09
2028	712,361	10.7	15,900,916	6.8	22.32
2029	935,874	14.1	50,072,627	21.6	53.50
2030	236,661	3.6	7,173,274	3.1	30.31
Thereafter	422,723	6.4	12,848,149	5.5	30.39
Signed Leases Not Commenced	36,656	0.6	—	—	—
Total:	**6,636,413**	**100.0 %**	**$ 232,205,351**	**100.0 %**	**$ 34.99**

(1) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) for the month ended December 31, 2020 for the leases expiring during the applicable period, by 12.

(2) Annualized base rent per leased square foot is calculated by dividing annualized base rent for leases expiring during the applicable period by square footage under such expiring leases.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

American Assets Trust, Inc. Market Information and Holders

Shares of American Assets Trust, Inc.'s common stock is listed on the NYSE under the symbol “AAT”. On February 5, 2021, we had 73 stockholders of record of our common stock. Certain shares are held in “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

American Assets Trust, L.P.

There is no established trading market for American Assets Trust, L.P.'s operating partnership units. As of February 5, 2021, we had 20 holders of record of American Assets Trust, L.P.'s operating partnership units, including American Assets Trust, Inc.

Distribution Policy

We pay and intend to continue to pay regular quarterly dividends to holders of our common stock and unitholders of our Operating Partnership and to make dividend distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. Dividend amounts depend on our available cash flows, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as our board of directors deems relevant.

Recent Sales of Unregistered Equity Securities

No unregistered equity securities were sold by us during 2020.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No equity securities were purchased by us during 2020.

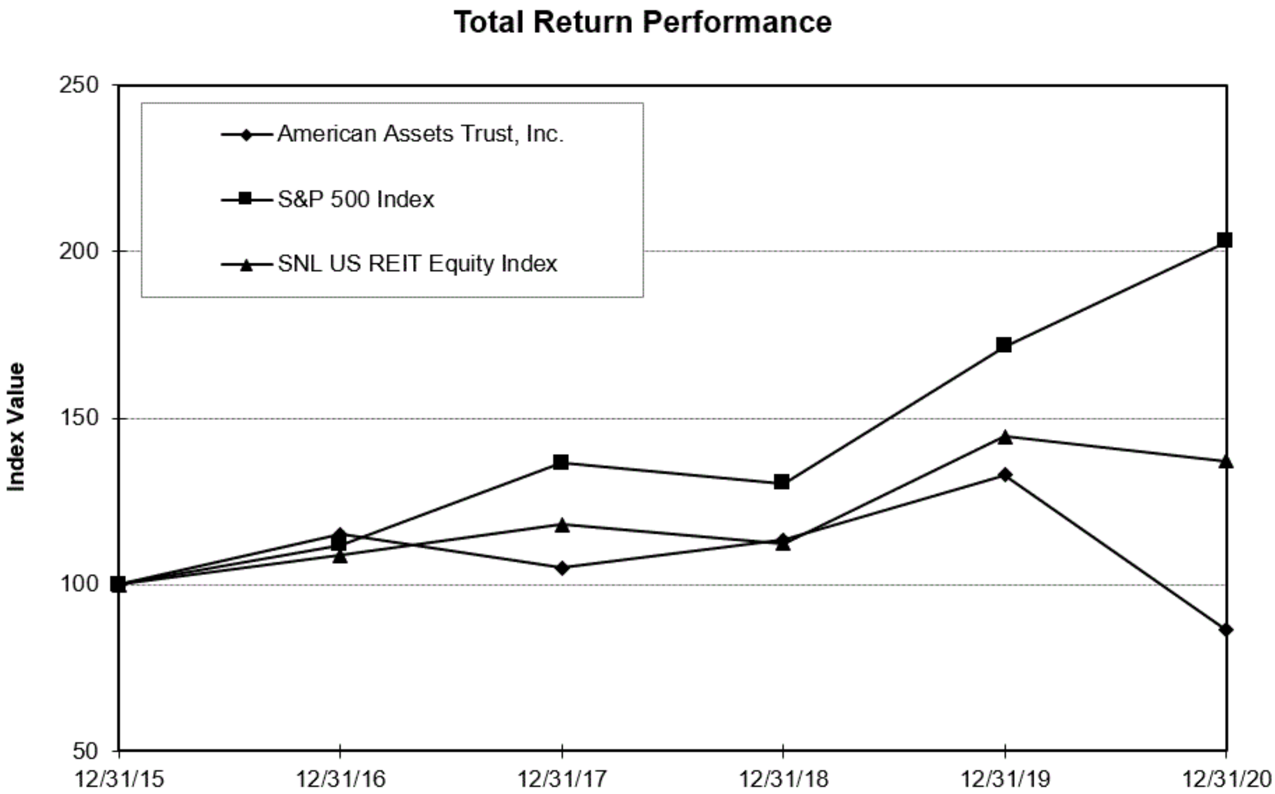
Equity Compensation Plan Information

Information about our equity compensation plans is incorporated by reference in Item 12 of Part III of this annual report on Form 10-K.

Stock Performance Graph

The information below shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.

The graph below compares the cumulative total return on the company's common stock with that of the Standard & Poor's 500 Stock Index, or S&P 500 Index, and an industry peer group, SNL US REIT Equity Index from December 31, 2015 through December 31, 2020. The stock price performance graph assumes that an investor invested $100 in each of AAT and the indices, and the reinvestment of any dividends. The comparisons in the graph are provided in accordance with the SEC disclosure requirements and are not intended to forecast or be indicative of the future performance of AAT's shares of common stock.



ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth, on a historical basis, selected financial and operating data. The financial information has been derived from our consolidated balance sheets and statements of operations. You should read the following summary selected financial data in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." The following data is in thousands, except per share and share data.

	American Assets Trust, Inc.				
	Year Ended December 31,				
	2020	2019	2018	2017	2016
Statement of Operations Data:					
Revenue:					
Rental income	$ 330,312	$ 343,865	$ 309,537	$ 298,803	$ 279,498
Other property income	14,261	22,876	21,330	16,180	15,590
Total revenues	344,573	366,741	330,867	314,983	295,088
Expenses:					
Rental expenses	79,178	91,967	86,482	84,006	79,553
Real estate taxes	41,941	40,013	34,973	32,671	28,378
General and administrative	26,581	24,871	22,784	21,382	17,897
Depreciation and amortization	108,292	96,205	107,093	83,278	71,319
Total operating expenses	255,992	253,056	251,332	221,337	197,147
Operating income	88,581	113,685	79,535	93,646	97,941
Interest expense	(53,440)	(54,008)	(52,248)	(53,848)	(51,936)
Gain on sale of real estate	—	633	—	—	—
Other income (expense), net	447	(122)	(85)	334	(368)
Net income	35,588	60,188	27,202	40,132	45,637
Net income attributable to restricted shares	(383)	(381)	(311)	(241)	(189)
Net income attributable to unitholders in the Operating Partnership	(7,545)	(14,089)	(7,205)	(10,814)	(12,863)
Net income attributable to American Assets Trust, Inc. stockholders	$ 27,660	$ 45,718	$ 19,686	$ 29,077	$ 32,585
Net income attributable to common stockholders per share					
Basic earnings per share	$ 0.46	$ 0.84	$ 0.42	$ 0.62	$ 0.72
Diluted earnings per share	$ 0.46	$ 0.84	$ 0.42	$ 0.62	$ 0.72
Weighted average shares of common stock outstanding - basic	59,806,309	54,110,949	46,950,812	46,715,520	45,332,471
Weighted average shares of common stock outstanding - diluted	76,119,763	70,786,132	64,136,559	64,087,250	63,228,159
Dividends declared per share	$ 1.00	$ 1.14	$ 1.09	$ 1.05	$ 1.01

	American Assets Trust, Inc.				
	Year Ended December 31,				
	2020	2019	2018	2017	2016
Balance Sheet Data:					
Net real estate	$ 2,492,734	$ 2,523,475	$ 2,039,853	$ 2,076,707	$ 1,831,546
Total assets	2,817,309	2,790,333	2,198,250	2,259,864	1,986,933
Notes payable and line of credit	1,406,751	1,357,659	1,290,772	1,325,020	1,061,530
Total liabilities	1,563,903	1,496,661	1,395,779	1,415,720	1,148,382
Stockholders' equity	1,271,442	1,313,917	802,977	833,710	809,556
Noncontrolling interests	(18,036)	(20,245)	(506)	10,434	28,995
Total equity	1,253,406	1,293,672	802,471	844,144	838,551
Total liabilities and equity	2,817,309	2,790,333	2,198,250	2,259,864	1,986,933
Other Data:					
Funds from operations (FFO) (1)	$ 143,880	$ 155,760	$ 134,295	$ 123,410	$ 116,956
FFO attributable to common stock and units	143,503	155,384	133,990	123,174	116,773

(1) We present FFO because we consider FFO an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of our FFO to net income, the nearest GAAP equivalent, for the periods presented (in thousands):

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Net income	$ 35,588	$ 60,188	$ 27,202	$ 40,132	$ 45,637
Plus: Real estate depreciation and amortization	108,292	96,205	107,093	83,278	71,319
Less: Gain on sale of real estate	—	(633)	—	—	—
Funds from operations, as defined by NAREIT	143,880	155,760	134,295	123,410	116,956
Less: Nonforfeitable dividends on restricted stock awards	(377)	(376)	(305)	(236)	(183)
FFO attributable to common stock and units	$ 143,503	$ 155,384	$ 133,990	$ 123,174	$ 116,773

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the audited historical consolidated financial statements and notes thereto appearing in “Item 8. Financial Statements and Supplementary Data” of this report. As used in this section, unless the context otherwise requires, “we,” “us,” “our,” and “our company” mean American Assets Trust, Inc., a Maryland corporation and its consolidated subsidiaries, including American Assets Trust, L.P. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth under “Item 1A. Risk Factors” or elsewhere in this document. See “Item 1A. Risk Factors” and “Forward-Looking Statements.”

Overview

Our Company

We are a full service, vertically integrated and self-administered REIT that owns, operates, acquires and develops high quality office, retail, multifamily and mixed-use properties in attractive, high-barrier-to-entry markets in Southern California, Northern California, Oregon, Washington, Texas, and Hawaii. As of December 31, 2020, our portfolio was comprised of nine office properties; twelve retail shopping centers; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and six multifamily properties. Additionally, as of December 31, 2020, we owned land at three of our properties that we classified as held for development and construction in progress. Our core markets include San Diego, the San Francisco Bay Area, Portland, Oregon, Bellevue, Washington and Oahu, Hawaii. Our company, as the sole general partner of our Operating Partnership, has control of our Operating Partnership and owned 78.8% of our Operating Partnership as of December 31, 2020. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

Taxable REIT Subsidiary

On November 5, 2010, we formed American Assets Services, Inc., a Delaware corporation that is wholly owned by our Operating Partnership and which we refer to as our services company. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a 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. We may form additional taxable REIT subsidiaries in the future, and our Operating Partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries.

Outlook

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

We intend to opportunistically pursue projects in our development pipeline including future phases of La Jolla Commons, Lloyd District Portfolio, as well as other redevelopments at Waikele Center. The commencement of these developments is based on, among other things, market conditions and our evaluation of whether such opportunities would generate appropriate risk adjusted financial returns. Our redevelopment and development opportunities are subject to various factors, including market conditions and may not ultimately come to fruition. We continue to review acquisition opportunities in our primary markets that would complement our portfolio and provide long-term growth opportunities. Some of our acquisitions do not initially contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance a property acquisition. Generally, our acquisitions are initially financed by available cash, mortgage loans and/or borrowings under our second amended and restated credit facility, which may be repaid later with funds raised through the issuance of new equity or new long-term debt.

COVID-19

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

In addition, we cannot predict the impact that COVID-19 will have on our tenants and other business partners; however, any material effect on these parties could adversely impact us. For the year ended December 31, 2020, we have collected to date approximately 99% of office rents, 78% of retail rents (including retail component of Waikiki Beach Walk) and 96% of multifamily rents that were due during the year ended December 31, 2020. During the year ended December 31, 2020, we received and executed a significant amount of rent deferment requests from various tenants, primarily within the retail segment, as a result of COVID-19. We are evaluating each tenant rent deferment request on an individual basis, considering a number of factors. Not all rent deferment requests will ultimately result in executed lease modification agreements. As of December 31, 2020, we have entered into lease modifications that resulted in COVID-19 adjustments (including rent deferrals and other monetary lease concessions) for approximately $13.4 million or 4% of the rent originally contracted for the year ended December 31, 2020.

We believe the company's financial condition and liquidity are currently strong. Although there is uncertainty related to the anticipated impact of the COVID-19 outbreak on the Company's future results, we believe our efficient business model and ongoing steps we have taken to strengthen our balance sheet has positioned to manage our business through this crisis as it continues to unfold. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our tenants, vendors, and other third-party relationships, and developing new opportunities for growth. Due to COVID-19, we cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company’s results of operations, financial position, and liquidity. See Part II, Item 1A - “Risk Factors” - “The ongoing COVID-10 pandemic, and restrictions intended to prevent its spread, could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders."

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law to provide widespread emergency relief for the economy and to provide aid to corporations. The CARES Act includes several significant provisions related to taxes, refundable payroll tax credits and deferment of social security payments. We continue to evaluate the relief options available under the CARES Act. We will continue to assess these options, and any subsequent legislation or other relief packages, including the accompanying restrictions on our business, as the pandemic continues to evolve.

Same-store

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

While there is judgment surrounding changes in designations, we typically reclassify significant development, redevelopment or expansion properties to same-store properties once they are stabilized. Properties are deemed stabilized typically at the earlier of (1) reaching 90% occupancy or (2) four quarters following a property's inclusion in operating real estate. We typically remove properties from same-store properties when the development, redevelopment or expansion has or is expected to have a significant impact on the property's annualized base rent, occupancy and operating income within the calendar year. Acquired properties are classified to same-store properties once we have owned such properties for the entirety of comparable period(s) and the properties are not under significant development or expansion.

In our determination of same-store and redevelopment same-store properties, Waikele Center and One Beach Street have been identified as a same-store redevelopment property due to significant construction activity. Retail same-store net operating income decreased approximately 23.6% for the year ended December 31, 2020, respectively, compared to 2019. Retail redevelopment same-store net operating income decreased approximately 20.6% for the year ended December 31, 2020, respectively, compared to 2019.

Below is a summary of our same-store composition for the years ended December 31, 2020, 2019 and 2018. For the year ended December 31, 2020, when compared to the designations for the year ended December 31, 2019, Torrey Point was reclassified to same-store properties as the property was placed into operations and became available for occupancy in August 2018. One Beach Street was reclassified to non-same-store properties when compared to the designations for the year ended December 31, 2019 due to redevelopment activity to renovate the property. Waikiki Beach Walk Retail and Embassy Suites™ Hotel is classified as a non-same-store properties due to spalling repair activity disrupting the hotel portion of the property's operations. Waikele Center is classified as a non-same-store property due to significant redevelopment activity. La Jolla Commons is classified as a non-same-store property, as it was acquired on June 20, 2019.

For the year ended December 31, 2019, when compared to the designations for the year ended December 31, 2018, Pacific Ridge Apartments and Gateway Marketplace were reclassified to same-store properties as the entities were acquired on April 28, 2017 and July 6, 2017, respectively, and are comparable for the year ended December 31, 2019. Waikiki Beach Walk Retail and Embassy Suites™ Hotel was reclassified to non-same-store properties when compared to the designation for the year ended December 31, 2018 due to spalling repair activity disrupting the hotel portion of the properties operations. Additionally, Waikele Center was transferred out of same-store properties due to significant redevelopment activity for the year ended December 31, 2018. Torrey Point was placed into operations and became available for occupancy in August 2018 and will be classified as a non-same-store property until it becomes stabilized and comparable.

	December 31,		
	2020	**2019**	**2018**
Same-Store	24	25	23
Non-Same Store	4	3	4
Total Properties	28	28	27
Redevelopment Same-Store	26	26	24
Total Development Properties	3	3	3

Revenue Base

Rental income consists of scheduled rent charges, straight-line rent adjustments and the amortization of above market and below market rents acquired. We also derive revenue from tenant recoveries and other property revenues, including parking income, lease termination fees, late fees, storage rents and other miscellaneous property revenues.

Office Leases. Our office portfolio included nine properties with a total of approximately 3.4 million rentable square feet available for lease as of December 31, 2020. As of December 31, 2020, these properties were 93.0% leased. For the year ended December 31, 2020, the office segment contributed 51.5% of our total revenue. Historically, we have leased office properties to tenants primarily on a full service gross or a modified gross basis and to a limited extent on a triple-net lease basis. We expect to continue to do so in the future. A full-service gross or modified gross lease has a base year expense stop, whereby the tenant pays a stated amount of certain expenses as part of the rent payment, while future increases in property operating expenses (above the base year stop) are billed to the tenant based on such tenant's proportionate square footage of the property. The increased property operating expenses billed are reflected as operating expenses and amounts recovered from tenants are reflected as rental income in the statements of operations.

During the year ended December 31, 2020, we signed 42 office leases for 338,062 square feet with an average rent of $47.20 per square foot during the initial year of the lease term. Of the leases, 33 represent comparable leases where there was a prior tenant, with an increase of 18.6% in cash basis rent and an increase of 21.9% in straight-line rent compared to the prior leases.

Retail Leases. Our retail portfolio included twelve properties with a total of approximately 3.1 million rentable square feet available for lease as of December 31, 2020. As of December 31, 2020, these properties were 90.7% leased. For the year ended December 31, 2020, the retail segment contributed 25.6%, of our total revenue. Historically, we have leased retail properties to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. In a triple-net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. The full amount of the expenses for this lease type, to the extent they are paid by the landlord, is reflected in operating expenses, and the reimbursement is reflected as rental income in the statements of operations.

During the year ended December 31, 2020, we signed 76 retail leases for 314,147 square feet with an average rent of $32.40 per square foot during the initial year of the lease term, including leases signed for the retail portion of our mixed-use property. Of the leases, 69 represent comparable leases where there was a prior tenant, with an decrease of 7.4% in cash basis rent and an decrease of 2.4% in straight-line rent compared to the prior leases.

Multifamily Leases. Our multifamily portfolio included six apartment properties, as well as an RV resort, with a total of 2,112 units (including 122 RV spaces) available for lease as of December 31, 2020. As of December 31, 2020, these properties were 86.2% leased. For the year ended December 31, 2020, the multifamily segment contributed 14.6% of our total revenue. Our multifamily leases, other than at our RV Resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Tenants normally pay a base rental amount, usually quoted in terms of a monthly rate for the respective unit. Spaces at the RV Resort can be rented at a daily, weekly, or monthly rate. The average monthly base rent per leased unit as of December 31, 2020 was $2,238, compared to $2,099 at December 31, 2019.

Mixed-Use Property Revenue. Our mixed-use property consists of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel. Revenue from the mixed-use property consists of revenue earned from retail leases, and revenue earned from the hotel, which consists of room revenue, food and beverage services, parking and other guest services. As of December 31, 2020, the retail portion of the property was 89.2% leased, and for the year ended December 31, 2020, the hotel had an average occupancy of 51.3%. For the year ended December 31, 2020, the mixed-use segment contributed 8.2%, of our total revenue. We have leased the retail portion of such property to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. As such, the base rent payment under such leases does not include any operating expenses, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. Rooms at the hotel portion of our mixed-use property are rented on a nightly basis.

Leasing

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

During the twelve months ended December 31, 2020, we signed 42 office leases for a total of 338,062 square feet of office space including 297,739 square feet of comparable space leases, at an average rental rate increase of 18.6% on a cash basis and an average rental increase of 21.9% on a straight-line basis. New office leases for comparable spaces were signed for 9,744 square feet at an average rental rate increase of 7.5% on a cash basis and an average rental rate increase of 11.9% on a straight-line basis. Renewals for comparable office spaces were signed for 287,995 square feet at an average rental rate increase of 19.0% on a cash basis and increase of 22.3% on a straight-line basis. Tenant improvements and incentives were $35.44 per square foot of office space for comparable new leases for the twelve months ended December 31, 2020. There were $15.03 per square foot of office space of tenant improvement or incentives for comparable renewal leases for the twelve months ended December 31, 2020.

During the twelve months ended December 31, 2020, we signed 76 retail leases for a total of 314,147 square feet of retail space including 303,490 square feet of comparable space leases (leases for which there was a prior tenant), a decrease of 7.4% on a cash basis and a decrease of 2.4% on a straight-line basis. New retail leases for comparable spaces were signed for 12,155 square feet at an average rental rate decrease of 12.8% on a cash basis and an average rental rate decrease of 4.4% on a straight-line basis. Renewals for comparable retail spaces were signed for 291,335 square feet at an average rental rate decrease of 7.1% on a cash basis and a decrease of 2.3% on a straight-line basis. Tenant improvements and incentives were $27.64 per square foot of retail space for comparable new leases for the twelve months ended December 31, 2020. There were $6.13 per square foot of retail space of tenant improvement or incentives for comparable renewal leases for the twelve months ended December 31, 2020.

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

The leases signed in 2020 generally become effective over the following year, though some may not become effective until 2022. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, we believe that these increases do provide information about the tenant/landlord relationship and the potential fluctuations we may achieve in rental income over time.

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

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in the section above entitled “Item 1A. Risk Factors.” Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in the notes to the consolidated financial statements included elsewhere in this report; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed rent escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risks. When we determine that we are the owner of tenant improvements and the tenant has reimbursed us for a portion or all of the tenant improvement costs, we consider the amount paid to be additional rent, which is recognized on a straight-line basis over the term of the related lease. For first generation tenants, in instances in which we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When we determine that the tenant is the owner of tenant improvements, tenant allowances are recorded as lease incentives and we commence revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred.

Other property income includes parking income, general excise tax billed to tenants, fees charged to tenants at our multifamily properties and food and beverage sales at the hotel portion of our mixed-use property. Other property income is recognized when we satisfy performance obligations as evidenced by the transfer of control of our services to customers. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the later of the termination date or the satisfaction of all conditions precedent to the lease termination, including, without limitation, payment of all lease termination fees. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We recognize revenue on the hotel portion of our mixed-use property from the rental of hotel rooms and guest services when we satisfy performance obligations as evidenced by the transfer of control when the rooms are occupied and services have been provided. Food and beverage sales are recognized when the customer has been served or at the time the transaction occurs. Revenue from room rental is included in rental revenue on the statement of income. Revenue from other sales and services provided is included in other property income on the statement of income.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous different factors including current economic trends, including the impact of the COVID-19 pandemic on tenant's businesses and changes in tenants' payment patterns, tenant bankruptcies, the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in our tenants' credit ratings, communications between our operating personnel and tenants, the extent of security deposits and letters of credits held with respect to tenants, and the ability of the tenant to perform under the terms of their lease agreement when evaluating the adequacy of the allowance for doubtful accounts. If our assessment of these factors indicates it is probable that we will be unable to collect substantially all rents, we recognize a charge to rental income and limit our rental income to the lesser of lease income on a straight-line basis plus variable rents when they become accruable or cash collected. If we change our conclusion regarding the probability of collecting rent payments required by a lessee, we may recognize an adjustment to rental income in the period we make a change to our prior conclusion.

Due to the nature of the accounts receivable from straight-line rents, the collection period of these amounts typically extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. Any changes to our conclusion regarding these assessments of collectability would have a direct impact on our net income.

During the year ended December 31, 2020, we provided lease concessions to certain tenants, primarily within the retail segment, as a result of the COVID-19 pandemic, in the form of rent deferrals and abatements. These lease concessions generally included an increase in our rights as a lessor. We assess each lease concession and determine whether it represents a lease modifications under Accounting Standards Codification Topic 842, Leases ("ASC 842"). The FASB staff provided guidance that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how those concessions would be accounted for under ASC 842 as though enforceable rights and obligations for those concessions existed in the existing lease contract, as long as the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee, thereby not requiring entities to apply lease modification guidance to those contracts. The Company has elected to account for such COVID-19 concessions as lease modifications As of December 31, 2020, we have entered into lease modifications that resulted in COVID-19 adjustments (including rent deferrals and other monetary lease concessions) for approximately $13.4 million or 4% of the rent originally contracted for the year ended December 31, 2020.

Effective January 1, 2018, (upon the adoption of ASU 2014-09, *Revenue from Contracts with Customers*) sales of real estate are recognized generally upon the transfer of control, which usually occurs when the real estate is legally sold. Prior to January 1, 2018, sales of real estate were recognized only when sufficient down payments had been obtained, possession and other attributes of ownership had been transferred to the buyer and we had no significant continuing involvement. The application of these criteria can be complex and required us to make assumptions. We believe the relevant criteria were met for all real estate sold during the periods presented.

Real Estate

Depreciation and maintenance costs relating to our properties constitute substantial costs for us. Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. Our estimates of useful lives have a direct impact on our net income. If expected useful lives of our real estate assets were shortened, we would depreciate the assets over a shorter time period, resulting in an increase to depreciation expense and a corresponding decrease to net income on an annual basis.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the noncancelable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below market renewal options are determined based on a review of several qualitative and quantitative factors on a lease-by-lease basis at acquisition to determine whether it is probable that the tenant would exercise its option to renew the lease agreement. These factors include: (1) the type of tenant in relation to the property it occupies, (2) the quality of the tenant, including the tenant's long term business prospects, and (3) whether the fixed rate renewal option was sufficiently lower than the fair rental of the property at the date the option becomes exercisable such that it would appear to be reasonably assured that the tenant would exercise the option to renew. Each of these estimates requires a great deal of judgment, and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations because if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the buildings, as opposed to allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the remaining terms of the leases.

The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the consolidated statements of comprehensive income. The value of above and below market leases associated with the original noncancelable lease terms are amortized to rental income over the terms of the respective noncancelable lease periods and are reflected as either an increase (for below market leases) or a decrease (for above market leases) to rental income in the consolidated statement of comprehensive income. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense. The value of the leases associated with below market lease renewal options that are likely to be exercised are amortized to rental income over the respective renewal periods. We make assumptions and estimates related to below market lease renewal options, which impact revenue in the period in which the renewal options are exercised and could result in significant increases to revenue if the renewal options are not exercised at which time the related below market lease liabilities would be written off as an increase to revenue.

Transaction costs related to the acquisition of a business, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are expensed as incurred and included in “general and administrative expenses” in our consolidated statements of comprehensive income. For asset acquisitions not meeting the definition of a business, transaction costs are capitalized as part of the acquisition cost.

Capitalized Costs

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

We capitalized external and internal costs related to both development and redevelopment activities combined of $8.4 million and $4.5 million for the years ended December 31, 2020 and 2019, respectively.

We capitalized external and internal costs related to other property improvements combined of $56.7 million and $95.6 million for the years ended December 31, 2020 and 2019, respectively.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use as noted above. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period. We capitalized interest costs related to both development and redevelopment activities combined of $1.1 million and $0.6 million for the years ended December 31, 2020 and 2019, respectively.

Segment capital expenditures for the years ended December 31, 2020 and 2019 are as follows (dollars in thousands):

	Year Ended December 31, 2020					
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
Office Portfolio	$ 35,732	$ 8,745	$ 44,477	$ 4,096	$ 4,309	$ 52,882
Retail Portfolio	4,504	4,089	8,593	3	—	8,596
Multifamily Portfolio	—	3,897	3,897	—	—	3,897
Mixed-Use Portfolio	36	3,666	3,702	—	—	3,702
Total	$ 40,272	$ 20,397	$ 60,669	$ 4,099	$ 4,309	$ 69,077

	Year Ended December 31, 2019					
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
Office Portfolio	$ 46,947	$ 10,501	$ 57,448	$ 6,165	$ 936	$ 64,549
Retail Portfolio	5,654	16,882	22,536	308	—	22,844
Multifamily Portfolio	—	3,711	3,711	—	—	3,711
Mixed-Use Portfolio	323	8,167	8,490	—	—	8,490
Total	$ 52,924	$ 39,261	$ 92,185	$ 6,473	$ 936	$ 99,594

The decrease in maintenance capital expenditures in our retail portfolio was primarily related to the Safeway lease buildout at Waikele Center in the prior period. The decrease in maintenance capital expenditures in our office portfolio was primarily related to The Landmark at One Market and Torrey Reserve Campus building renovations in the prior period, partially offset by building renovations at Torrey Point, Solana Crossing and Lloyd District Portfolio during 2020.

The increase in new development expenditures for the year ended December 31, 2020 was primarily related to costs incurred for the development of the La Jolla Commons development parcel.

Our capital expenditures during 2021 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of our development, held for development and construction in progress properties. While the amount of future expenditures will depend on numerous factors, we expect expenditures incurred in 2021 will increase from 2020 in connection with our development activities at La Jolla Commons and renovations at One Beach Street, and completion of the Google LLC's tenant improvements at The Landmark at One Market.

Derivative Instruments

We may use derivative instruments to manage exposure to variable interest rate risk. We may enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt.

Any interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income which is included in accumulated other comprehensive income on our consolidated balance sheet and our consolidated statement of equity. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not match, such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

Impairment of Long-Lived Assets

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Since our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income because recording an impairment charge results in a negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods.

Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. Although our strategy is to hold our properties over the long-term, if our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to fair value and such loss could be material.

No impairment charges were recorded for the years ended December 31, 2020, 2019 or 2018.

Income Taxes

We elected to be taxed as a REIT under the Code commencing with the taxable year ended December 31, 2011. To maintain our qualification as a REIT, we are required to distribute at least 90% of our net taxable income to our stockholders, excluding net capital gains, and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders. If we fail to maintain our qualification as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, our taxable income generally would be subject to regular U.S. federal corporate income tax. Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We, together with one of our subsidiaries, have elected to treat such subsidiary as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary is subject to federal and state income taxes.

Property Acquisitions and Dispositions

2020 Acquisitions and Dispositions

During 2020, there were no acquisitions or dispositions.

2019 Acquisitions and Dispositions

On June 20, 2019, we acquired La Jolla Commons, consisting of two office towers totaling approximately 724,000 square feet, an entitled development parcel and two parking structures, located in San Diego, California. The purchase price was approximately $525 million, less seller credits of (i) approximately $11.5 million for speculative lease-up, (ii) approximately $4.2 million for assumed contractual liabilities (iii) and approximately $1.7 million for closing prorations, excluding closing costs of approximately $0.2 million.

The property was acquired with proceeds from an underwritten public offering and borrowings under our Second Amended and Restated Credit Facility.

On May 22, 2019, we sold Solana Beach - Highway 101. The property is located in San Diego, California and was previously included in our retail segment. The sales price of this property of approximately $9.4 million, less costs to sell, resulted in net proceeds to the company of approximately $9.4 million. Accordingly, we recorded a gain on sale of approximately $0.6 million for the year ended December 31, 2019.

2018 Acquisitions and Dispositions

During 2018, there were no acquisitions or dispositions.

Results of Operations

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

For our discussion related to the results of operations and liquidity and capital resources for fiscal year 2019 compared to fiscal year 2018 please refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2019 Form 10-K, filed with the Securities and Exchange Commission on February 14, 2020.

Comparison of the Year Ended December 31, 2020 to the Year Ended December 31, 2019

The following summarizes our consolidated results of operations for the year ended December 31, 2020 compared to our consolidated results of operations for the year ended December 31, 2019. As of December 31, 2020, our operating portfolio was comprised of 28 office, retail, multifamily and mixed-use properties with an aggregate of approximately 6.6 million rentable square feet of office and retail space (including mixed-use retail space), 2,112 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2020, we owned land at three of our properties that we classified as held for development and construction in progress. As of December 31, 2019, our operating portfolio was comprised of 28 office, retail, multifamily and mixed-use properties with an aggregate of approximately 6.6 million rentable square feet of office and retail space (including mixed-use retail space), 2,112 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2019, we owned land at three of our properties that we classified as held for development and construction in progress.

The following table sets forth selected data from our consolidated statements of income for the years ended December 31, 2020 and 2019 (dollars in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	%
Revenues				
Rental income	$ 330,312	$ 343,865	$ (13,553)	(4)%
Other property income	14,261	22,876	(8,615)	(38)
Total property revenues	344,573	366,741	(22,168)	(6)
Expenses				
Rental expenses	79,178	91,967	(12,789)	(14)
Real estate taxes	41,941	40,013	1,928	5
Total property expenses	121,119	131,980	(10,861)	(8)
Net operating income	223,454	234,761	(11,307)	(5)
General and administrative	(26,581)	(24,871)	(1,710)	7
Depreciation and amortization	(108,292)	(96,205)	(12,087)	13
Interest expense	(53,440)	(54,008)	568	(1)
Gain on sale of real estate	—	633	(633)	100
Other income (expense), net	447	(122)	569	(466)
Net income	35,588	60,188	(24,600)	(41)
Net income attributable to restricted shares	(383)	(381)	(2)	1
Net income attributable to unitholders in the Operating Partnership	(7,545)	(14,089)	6,544	(46)
Net income attributable to American Assets Trust, Inc. stockholders	$ 27,660	$ 45,718	$ (18,058)	(39)%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue decreased $22.2 million, or 6%, to $344.6 million for the year ended December 31, 2020, compared to $366.7 million for the year ended December 31, 2019. The percentage leased was as follows for each segment as of December 31, 2020 and 2019:

	Percentage Leased (1) Year Ended December 31, 2020	2019
Office	93.0 %	95.0 %
Retail	90.7 %	97.8 %
Multifamily	86.2 %	92.8 %
Mixed-Use (2)	89.2 %	97.9 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of December 31, 2020 or December 31, 2019, as applicable.
(2) Includes the retail portion of the mixed-use property only.

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

Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue decreased $13.6 million, or 4%, to $330.3 million for the year ended December 31, 2020, compared to $343.9 million for the year ended December 31, 2019. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio (1)			
	Year Ended December 31,				Year Ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Office	$ 171,955	$ 137,380	$ 34,575	25 %	$ 128,375	$ 113,088	$ 15,287	14 %
Retail	86,204	101,841	(15,637)	(15)%	71,033	86,856	(15,823)	(18)%
Multifamily	47,274	47,630	(356)	(1)	47,274	47,630	(356)	(1)
Mixed-Use	24,879	57,014	(32,135)	(56)	—	—	—	—
	$ 330,312	$ 343,865	$ (13,553)	(4)%	$ 246,682	$ 247,574	$ (892)	— %

(1) For this table and tables following, the same-store portfolio includes the 830 building at Lloyd District Portfolio which was placed into operations on August 1, 2019 after renovating the building. The same-store portfolio excludes: (i) Waikele Center due to significant redevelopment activity; (ii) La Jolla Commons as it was acquired on June 20, 2019; (iii) One Beach Street due to the renovation of the building; (iv) Waikiki Beach Walk Retail and Embassy Suites™ Hotel due to significant spalling repair activity; and (v) land held for development.

Total office rental revenue increased $34.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had incremental rental revenue of approximately $22.2 million during the period. The increase in total office rental revenue is partially offset by the decrease in rental revenue of approximately $2.9 million at One Beach Street due to the expiration of leases to allow for the modernization of the property. Same-store office rental revenue increased $15.3 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to higher annualized base rents at The Landmark at One Market, Lloyd District Portfolio, City Center Bellevue, Torrey Point and Torrey Reserve Campus. The increase in same-store office rental revenue is partially offset by the decrease at First & Main primarily due to the increase in collectability related adjustments of straight-line rent receivables of approximately $0.8 million as the collectability was determined to be no longer probably for certain tenants.

Total retail rental revenue decreased $15.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the increase in collectability related adjustments of rent receivables of approximately $2.8 million and straight-line rent receivables of approximately $5.9 million as the collectability was determined to be no longer probable for certain tenants at Alamo Quarry Market, Carmel Mountain Plaza, Del Monte Center, Waikele Center and The Shops at Kalakaua as the temporary store closures or restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic caused the financial condition of certain tenants to deteriorate. Additionally, the decrease in total retail rental revenue is also attributable to rent concessions of approximately $3.1 million and a decrease in cost reimbursements of approximately $4.0 million due to a real estate tax refund at Alamo Quarry Market and decrease in rental expenses for the retail segment. The decrease in total retail rental revenue was partially offset by higher annualized base rent at Waikele Center related to the Safeway lease and higher annualized base rent at Carmel Mountain Plaza related to the At Home Stores lease.

Multifamily rental revenue decreased $0.4 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the decrease in average occupancy to 88.5% for the year ended December 31, 2020 compared to 92.5% for the year ended December 31, 2019. The decrease in occupancy primarily related to Hassalo on Eighth - Residential. The decrease in average occupancy is partially offset by the increase in average base rent per unit to $2,166 for the year ended December 31, 2020 compared to $2,077 for the year ended December 31, 2019.

Mixed-use rental revenue decreased $32.1 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the COVID-19 pandemic reducing tourism and hotel occupancy through hotel reservation cancellations and travel restrictions during the second, third, and fourth quarters, which led to a decrease in average occupancy and revenue per available room to 51.3% and $127 for the year ended December 31, 2020 compared to 91.7% and $299 for year ended December 31, 2019. The decrease in tourism and hotel occupancy in Oahu due to COVID-19 is expected to substantially reduce rental revenue at the hotel portion of the mixed-use property through the first half of 2021 or until the COVID-19 vaccine distribution is generally available to the public. The decrease in mixed-use rental revenue is also attributed to the increase in collectability related adjustments of rent receivables of approximately $5.7 million and straight-line rent receivables of approximately $1.2 million as the collectability was determined to be no longer probable for certain tenants at the retail portion of our mixed-use property.

Other property income. Other property income decreased $8.6 million, or 38%, to $14.3 million for the year ended December 31, 2020, compared to $22.9 million for the year ended December 31, 2019. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Office	$ 5,599	$ 7,303	$ (1,704)	(23)%	$ 4,834	$ 6,876	$ (2,042)	(30)%
Retail	2,076	5,763	(3,687)	(64)%	1,369	4,774	(3,405)	(71)%
Multifamily	3,053	3,436	(383)	(11)	3,053	3,436	(383)	(11)
Mixed-Use	3,533	6,374	(2,841)	(45)	—	—	—	—
	$ 14,261	$ 22,876	$ (8,615)	(38)%	$ 9,256	$ 15,086	$ (5,830)	(39)%

Office other property income decreased $1.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had incremental other property income of approximately $0.3 million during the period. Same-store office other property income decreased $2.0 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the decrease in parking garage income at City Center Bellevue, Lloyd District Portfolio and First & Main during the period as the "stay-at home" order issued by state and local governments related to the COVID-19 pandemic during the second quarter caused a substantial portion of our tenants employees and their guests to continue to partially work from home during the period.

Retail other property income decreased $3.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to non-cash lease termination fees recognized in connection with the termination of a ground lease, and the ground lessee's surrender of, the former Sears building at Carmel Mountain Plaza during the prior period. The decrease in retail other property income was partially offset by an increase in lease termination fees received at Alamo Quarry Market, Del Monte Center, Carmel Country Plaza and Geary Marketplace during the period.

Multifamily other property income decreased $0.4 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the decrease in parking garage income at Hassalo on Eighth - Residential and late fees.

Mixed-use other property income decreased $2.8 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the COVID-19 pandemic reducing tourism and hotel occupancy beginning in March 2020 which led to a decrease in excise tax and food & beverage revenue at the hotel portion of our mixed-use property and a decrease in parking garage income at the retail portion of our mixed-use property. The decrease in tourism and hotel occupancy in Oahu due to COVID-19 is expected to substantially reduce mixed-use other property income through at least the first half of 2021 or until the COVID-19 vaccine distribution is generally available to the public.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses decreased by $10.9 million, or 8%, to $121.1 million for the year ended December 31, 2020, compared to $132.0 million for the year ended December 31, 2019. This decrease in total property expenses was attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses decreased $12.8 million, or 14%, to $79.2 million for the year ended December 31, 2020, compared to $92.0 million for the year ended December 31, 2019. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Office	$ 28,234	$ 26,881	$ 1,353	5 %	$ 22,588	$ 23,300	$ (712)	(3)%
Retail	15,446	16,063	(617)	(4)%	12,212	12,695	(483)	(4)%
Multifamily	15,324	14,362	962	7	15,324	14,362	962	7
Mixed-Use	20,174	34,661	(14,487)	(42)	—	—	—	—
	$ 79,178	$ 91,967	$ (12,789)	(14)%	$ 50,124	$ 50,357	$ (233)	— %

Total office rental expenses increased $1.4 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had rental expenses of approximately $2.2 million during the period. The increase in total office rental expense was partially offset by the decrease in rental expenses of approximately $0.3 million at One Beach Street due to the expiration of leases to allow for the modernization of the property. Same-store office rental expenses decreased $0.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to utilities expense, janitorial services and supplies, and repairs and maintenance as the "stay-at home" order issued by state and local governments related to the COVID-19 pandemic during the second quarter caused a substantial portion of our tenants' employees to continue to work from home during the period. The decrease in same-store office rental expenses was partially offset by the increase in sublease expense related to the Annex Lease extension option exercised in March 2020, an increase in commercial rent tax at The Landmark at One Market, and an increase in insurance expense during the period.

Total retail rental expenses decreased $0.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to a decrease in utilities, day porter services, repairs and maintenance and trash services during the period as temporary store closures and restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic caused reduced demand for these rental expenses. The decrease in retail rental expense was partially offset by the increase in insurance expense during the period.

Multifamily rental expensed increased $1.0 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to personnel compensation expenses, utilities, janitorial services and supplies, security services and insurance expense during the period.

Mixed-use rental expenses decreased $14.5 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to a decrease in hotel room expenses, marketing expenses, and general excise tax expenses at the hotel portion of our mixed-use property during the period. The decrease in tourism and hotel occupancy in Oahu due to COVID-19 is expected to substantially reduce rental expenses at the hotel portion of our mixed-use property through at least the first half of 2021 or until the COVID-19 vaccine distribution is generally available to the public. Additionally, the decrease in mixed-use rental expenses is also due to the decrease of personnel compensation, repairs and maintenance, and utilities expenses at the retail portion of our mixed-use property during the period.

Real Estate Taxes. Real estate tax expense increased $1.9 million, or 5%, to $41.9 million for the year ended December 31, 2020, compared to $40.0 million for the year ended December 31, 2019. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Office	$ 19,190	$ 15,353	$ 3,837	25 %	$ 12,237	$ 11,526	$ 711	6 %
Retail	11,928	14,570	(2,642)	(18)%	8,809	11,674	(2,865)	(25)%
Multifamily	6,750	6,501	249	4	6,750	6,501	249	4
Mixed-Use	4,073	3,589	484	13	—	—	—	—
	$ 41,941	$ 40,013	$ 1,928	5 %	$ 27,796	$ 29,701	$ (1,905)	(6)%

Total office real estate taxes increased $3.8 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had incremental real estate taxes of approximately $3.2 million. Same-store office real estate taxes increased $0.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in the assessed values of City Center Bellevue, The Landmark at One Market, Lloyd District Portfolio and Torrey Reserve Campus.

Retail real estate taxes decreased $2.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to a net real estate tax refund of approximately $2.3 million at Alamo Quarry Market for the tax assessment for 2016 - 2018. The decrease in retail real estate taxes was partially offset by an increase in the assessed values of Waikele Center.

Multifamily real estate taxes increased $0.2 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in assessed values at Pacific Ridge Apartments, Lomas Palisades and Hassalo on Eighth - Residential.

Mixed-use real estate taxes increased $0.5 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in assessed values for the hotel portion of our mixed-use property.

Property Operating Income.

Property operating income decreased $11.3 million, or 5%, to $223.5 million for the year ended December 31, 2020, compared to $234.8 million for the year ended December 31, 2019. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Office	$ 130,130	$ 102,449	$ 27,681	27 %	$ 98,384	$ 85,138	$ 13,246	16 %
Retail	60,906	76,971	(16,065)	(21)	51,381	67,261	(15,880)	(24)
Multifamily	28,253	30,203	(1,950)	(6)	28,253	30,203	(1,950)	(6)
Mixed-Use	4,165	25,138	(20,973)	(83)	—	—	—	—
	$ 223,454	$ 234,761	$ (11,307)	(5)%	$ 178,018	$ 182,602	$ (4,584)	(3)%

Total office property operating income increased $27.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had incremental property operating income of $17.0 million during the period. The increase in total office property operating income was partially offset by a decrease in property operating income of approximately $2.7 million at One Beach Street due to the expiration of leases to allow for the modernization of the property. Same-store property operating income increased $13.2 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to higher annualized base rents at The Landmark at One Market, Lloyd District Portfolio, City Center Bellevue, Torrey Point and Torrey Reserve Campus.

Retail property operating income decreased $16.1 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in collectability related adjustment of rent receivables of approximately $2.8 million and straight-line rent receivables of approximately $5.9 million as the collectability was determined to be no longer probable for certain tenants at Alamo Quarry Market, Carmel Mountain Plaza, Del Monte Center, Waikele Center and The Shops at Kalakaua as the temporary store closures or restrictions on business operations from orders issued by state and local governments related to the COVID-19 pandemic caused the financial condition of certain tenants to deteriorate. Additionally, the decrease in total retail property operating income was also due to the non-cash lease termination fees recognized in connection with the termination of a ground lease, and the ground lessee's surrender of, the former Sears building at Carmel Mountain Plaza during the prior period. Additionally, the decrease in total retail rental revenue is also attributable to rent concessions of approximately $3.1 million. The decrease in total retail property operating income was partially offset by the net property operating income related to the real estate tax refund at Alamo Quarry Market during the period and higher annualized base rent at Waikele Center related to the Safeway lease and higher annualized base rent at Carmel Mountain Plaza related to the At Home Stores lease.

Multifamily property operating income decreased $2.0 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the decrease in average occupancy to 88.5% for the year ended December 31, 2020 compared to 92.5% for the year ended December 31, 2019, and increase in real estate tax assessments at Pacific Ridge, Lomas Palisades, and Hassalo on Eighth - Residential, and an increase in personnel compensation expenses, utilities, security services and insurance expense during the period.

Mixed-use property operating income decreased $21.0 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the COVID-19 pandemic reducing tourism and hotel occupancy through hotel reservation cancellations and travel restrictions during the second, third, and fourth quarters, which led to a decrease in average occupancy and revenue per available room to 51.3% and $127 for the year ended December 31, 2020 compared to 91.7% and $299 for year ended December 31, 2019. The decrease in tourism and hotel occupancy in Oahu due to COVID-19 is expected to substantially reduce property operating income at the hotel portion of the mixed-use property through the first half of 2021 or until the COVID-19 vaccine distribution is generally available to the public. The decrease in mixed-use property operating income is also attributed to the increase in collectability related adjustments of rent receivables of approximately $5.7 million and straight-line rent receivables of approximately $1.2 million as the collectability was determined to be no longer probable for certain tenants at the retail portion of our mixed-use property.

Other

General and administrative. General and administrative expenses increased $1.7 million, or 7%, to $26.6 million for the year ended December 31, 2020, compared to $24.9 million for the year ended December 31, 2019. This increase was primarily due to an increase in employee related costs, furlough expense for our hotel staff and legal costs.

Depreciation and amortization. Depreciation and amortization expense increased $12.1 million, or 13%, to $108.3 million for the year ended December 31, 2020, compared to $96.2 million for the year ended December 31, 2019. This increase was primarily due to the acquisition of La Jolla Commons on June 20, 2019, which had incremental depreciation and amortization of $7.2 million during the period and higher depreciation and amortization at Lloyd District Portfolio, City Center Bellevue, Torrey Reserve Campus, Torrey Point, and Waikele Center due to tenant improvements that were put into service in 2019 and 2020.

Interest expense. Interest expense decreased $0.6 million, or 1%, to $53.4 million for the year ended December 31, 2020 compared with $54.0 million for the year ended December 31, 2019. This decrease was primarily due to the repayment of the mortgages on Torrey Reserve - VCI, VCII, VCIII, Solana Crossing I-II, and Solana Beach Towne Centre on March 2, 2020 and a lower weighted average interest rate on our line of credit in 2020 partially offset by the closing of our Series G Notes on July 30, 2019.

Gain on sale of real estate. Gain on sale of real estate of $0.6 million during 2019 relates to our sale of Solana Beach - Highway 101 on May 22, 2019.

Other Income (Expense), Net. Other (expense) income, net increased $0.6 million, or 466%, to other income, net of $0.4 million for the year ended December 31, 2020 compared to other expense, net of $0.1 million for the year ended December 31, 2019, primarily due to a decrease in income tax expense related to lower taxable income for our taxable REIT subsidiary partially offset by a decrease in interest and investment income attributed to lower weighted average interest rates on our money market balances.

Liquidity and Capital Resources of American Assets Trust, Inc.

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

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

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

As of December 31, 2020, the company owned an approximate 78.8% partnership interest in the Operating Partnership. The remaining 21.3% are owned by non-affiliated investors and certain of the company's directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has the full, exclusive and complete authority and control over the Operating Partnership’s day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital structure and distribution policies. The company causes the Operating Partnership to distribute such portion of its available cash as the company may in its discretion determine, in the manner provided in the Operating Partnership’s partnership agreement.

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

We believe the Operating Partnership’s sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured line of credit, are adequate for it to make its distribution payments to the company and, in turn, for the company to make its dividend payments to its stockholders. As of December 31, 2020, the company has determined that it has adequate working capital to meet its dividend funding obligations for the next 12 months. However, we cannot assure you that the Operating Partnership’s sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the company. The unavailability of capital could adversely affect the Operating Partnership’s ability to pay its distributions to the company, which would in turn, adversely affect the company’s ability to pay cash dividends to its stockholders.

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

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

For the company to maintain its qualification as a REIT, it must pay dividends to its stockholders aggregating annually at least 90% of its REIT taxable income, excluding net capital gains. While historically the company has satisfied this distribution requirement by making cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the company’s own stock. As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. The company may need to continue to raise capital in the equity markets to fund the operating partnership’s working capital needs, acquisitions and developments.

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

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

On May 27, 2015, the company entered into a new at-the-market, or ATM, equity program with five sales agents under which the company may, from time to time, offer and sell shares of common stock having an aggregate offering price of up to $250.0 million (the "2015 ATM Program"). The sales of shares of the company's common stock made through the 2015 ATM Program were made in “at-the-market” offerings as defined in Rule 415 of the Securities Act. As of December 31, 2020, the company has issued 6,930,002 shares of common stock at a weighted average price per share of $38.58 for gross cash proceeds of $267.4 million under the ATM equity program, in the aggregate.

The company intends to use the net proceeds to fund development or redevelopment activities, repay amounts outstanding from time to time under our amended and restated credit facility or other debt financing obligations, fund potential acquisition opportunities and/or for general corporate purposes. As of December 31, 2020, the company had the capacity to issue up to an additional $132.6 million in shares of common stock under the 2015 ATM Program. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of the company's common stock and the company's capital needs. The company has no obligation to sell the remaining shares available for sale under the 2015 ATM Program.

On June 14, 2019, we issued and sold 10,925,000 shares of common stock in an underwritten public offering at a price to the public of $44.75 per share. We received net proceeds of approximately $472.6 million, after deducting underwriting discounts, commissions and offering expenses.

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

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

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

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

Our long-term liquidity needs consist primarily of funds necessary to pay for the repayment of debt at maturity, property acquisitions, tenant improvements and capital improvements. We expect to meet our long-term liquidity requirements to pay scheduled debt maturities and to fund property acquisitions and capital improvements with net cash from operations, long-term secured and unsecured indebtedness and, if necessary, the issuance of equity and debt securities. We also may fund property acquisitions and capital improvements using our second amended and restated credit facility pending permanent financing. We believe that we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt, noting that during the third quarter of 2015, the company obtained investment grade credit ratings from Moody’s Investors Service (Baa3), Standard & Poor’s Ratings Services (BBB-) and Fitch Ratings, Inc. (BBB), and the issuance of additional equity. However, we cannot be assured that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also delay the timing of future development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

Our overall capital requirements will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of developments. Our capital investments will be funded on a short-term basis with cash on hand, cash flow from operations and/or our second amended and restated credit facility.

We intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment grade debt ratings. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, and property dispositions that are consistent with this conservative structure.

We currently believe that cash flows from operations, cash on hand, our ATM equity program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements and capital expenditures.

Contractual Obligations

The following table outlines the timing of required payments related to our commitments as of December 31, 2020 (dollars in thousands):

	Payments by Period						
Contractual Obligations	**Total**	**Within 1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**More than 5 Years**
Principal payments on long-term indebtedness	$ 1,311,000	$ 150,000	$ 211,000	$ 150,000	$ 100,000	$ 200,000	$ 500,000
Line of credit (1)	100,000	—	100,000	—	—	—	—
Interest payments	235,730	48,669	41,943	34,576	31,859	21,976	56,707
Operating lease	36,444	3,215	3,232	3,328	3,428	3,531	19,710
Tenant-related commitments	45,213	41,585	3,428	—	200	—	—
Construction-related commitments	14,715	14,715	—	—	—	—	—
Total	$ 1,743,102	$ 258,184	$ 359,603	$ 187,904	$ 135,487	$ 225,507	$ 576,417

(1) The unsecured revolving line of credit has a capacity of $350 million plus an accordion feature that may allow us to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders. The unsecured revolving line of credit initially matures on January 9, 2022 and we have two six-month options to extend its maturity to January, 9, 2023.

Off-Balance Sheet Arrangements

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

Cash Flows

Comparison of the year ended December 31, 2020 to the year ended December 31, 2019

Total cash, cash equivalents, and restricted cash were $139.0 million and $109.5 million at December 31, 2020 and 2019, respectively.

Net cash provided by operating activities decreased $26.8 million to $127.0 million for the year ended December 31, 2020, compared to $153.8 million for the year ended December 31, 2019. The decrease in cash from operations was primarily due to the decrease in rental revenue from the hotel portion of our mixed-use property and a decrease in rent collections from our retail portfolio.

Net cash used in investing activities decreased $530.1 million to $69.1 million for the year ended December 31, 2020, compared to $599.2 million for the year ended December 31, 2019. The decrease was primarily due to the acquisition of La Jolla Commons on June 20, 2019 in the prior period.

Net cash used in financing activities was $28.3 million for the year ended December 31, 2020, compared to net cash provided by financing activities of $497.5 million for the year ended December 31, 2019. The decrease in cash used in financing activities was primarily due to the underwritten public offering that settled on June 14, 2019.

Net Operating Income

Net Operating Income, or NOI, is a non-GAAP financial measure of performance. We define NOI as operating revenues (rental income, tenant reimbursements, lease termination fees, ground lease rental income and other property income) less property and related expenses (property expenses, ground lease expense, property marketing costs, real estate taxes and insurance). NOI excludes general and administrative expenses, interest expense, depreciation and amortization, acquisition-related expense, other non-property income and losses, gains and losses from property dispositions, extraordinary items, tenant improvements and leasing commissions. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs.

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

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

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

The following is a reconciliation of our NOI to net income for the years ended December 31, 2020, 2019 and 2018 computed in accordance with GAAP (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net operating income	$ 223,454	$ 234,761	$ 209,412
General and administrative	(26,581)	(24,871)	(22,784)
Depreciation and amortization	(108,292)	(96,205)	(107,093)
Interest expense	(53,440)	(54,008)	(52,248)
Gain on sale of real estate	—	633	—
Other income (expense), net	447	(122)	(85)
Net income	$ 35,588	$ 60,188	$ 27,202

Funds from Operations

We present FFO because we consider FFO an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

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

The following table sets forth a reconciliation of our FFO for the years ended December 31, 2020, 2019 and 2018 to net income, the nearest GAAP equivalent (in thousands, except per share and share data):

	Year Ended December 31,		
	2020	2019	2018
Net income	$ 35,588	$ 60,188	$ 27,202
Plus: Real estate depreciation and amortization	108,292	96,205	107,093
Less: Gain on sale of real estate	—	(633)	—
Funds from operations, as defined by NAREIT	$ 143,880	$ 155,760	$ 134,295
Less: Nonforfeitable dividends on restricted stock awards	(377)	(376)	(305)
FFO attributable to common stock and units	$ 143,503	$ 155,384	$ 133,990
FFO per diluted share/unit	$ 1.89	$ 2.20	$ 2.09
Weighted average number of common shares and units, diluted [1]	76,122,842	70,788,597	64,139,437

(1) For the years ended December 31, 2020, 2019 and 2018 the weighted average common shares used to compute FFO per diluted share include unvested restricted stock awards that are subject to time vesting, as the vesting of the restricted stock awards is dilutive in the computation of FFO per diluted

shares, but is anti-dilutive for the computation of diluted EPS for the periods. Diluted shares exclude incentive restricted stock as these awards are considered contingently issuable.

Inflation

Substantially all of our office and retail leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. In addition, our multifamily leases (other than at our RV resort where spaces can be rented at a daily, weekly or monthly rate) generally have lease terms ranging from seven to 15 months, with a majority having 12-month lease terms, and generally allow for rent adjustments at the time of renewal, which we believe reduces our exposure to the effects of inflation. For the hotel portion of our mixed-use property, we possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit our ability to raise room rates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates.

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. See the discussion under Note 8, “Derivative and Hedging Activities,” to the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps.

Interest Rate Risk

Outstanding Debt

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

Fixed Interest Rate Debt

Except as described below, all of our outstanding debt obligations (maturing at various times through May 2029) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At December 31, 2020, we had $1.061 billion of fixed-rate debt outstanding with an estimated fair value of $1.131 billion. If interest rates at December 31, 2020 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $47.4 million. If interest rates at December 31, 2020 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $50.9 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At December 31, 2020, we had $350.0 million of variable rate debt outstanding. We have entered into term loans that have interest rates that contain both fixed and variable components. See the discussion under Note 8 to the accompanying consolidated financial statements for details related to the interest rate swaps and for a discussion on how we value derivative financial instruments. Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase by approximately $2.0 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market rates decreased 1.0%, our annual interest expense would decrease by approximately $2.0 million with a corresponding increase in our net income and cash flows for the year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Controls and Procedures (American Assets Trust, Inc.)

Evaluation of Disclosure Controls and Procedures

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

As required by Rule 13a-15(b) under the Exchange Act, American Assets Trust, Inc. carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on the foregoing, American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, American Assets Trust, Inc.’s disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, and effected by American Assets Trust, Inc.’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, American Assets Trust, Inc. conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled “Internal Control — Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the company’s internal control over financial reporting. Based on its evaluation, management has concluded that the company’s internal control over financial reporting was effective as of December 31, 2020.

American Assets Trust, Inc.’s independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report over American Assets Trust, Inc.’s internal control over financial reporting, which report is contained elsewhere in this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in American Assets Trust, Inc.'s internal control over financial reporting during the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, American Assets Trust, Inc.'s internal control over financial reporting.

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

Evaluation of Disclosure Controls and Procedures

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

As required by Rule 13a-15(b) under the Exchange Act, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of its general partner, of the effectiveness of the design and operation of the Operating Partnership’s disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner concluded that, as of the end of the period covered by this report, the Operating Partnership’s disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner and effected by the general partner's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Operating Partnership; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Operating Partnership are being made only in accordance with authorizations of management and directors of the general partner of the Operating Partnership; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Operating Partnership’s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Operating Partnership, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, the Operating Partnership conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled “Internal Control — Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Operating Partnership’s internal control over financial reporting. Based on its evaluation, management has concluded that the Operating Partnership’s internal control over financial reporting was effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in the Operating Partnership's internal control over financial reporting during the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, executive officers and corporate governance required by Item 10 will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning audit committee financial expert disclosure set forth under the heading “Information Regarding the Board - Committees of the Board - Audit Committee” will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning compliance with Section 16(a) of the Exchange Act concerning our directors and executive officers set forth under the heading entitled “General - Section 16(a) Beneficial Ownership Reporting Compliance” will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning our executive compensation required by Item 11 will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information concerning the security ownership of certain beneficial owners and management and related stockholder matters required by Item 12 will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information concerning certain relationships and related transactions, and director independence required by Item 13 will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning our principal accountant fees and services required by Item 14 will be included in the Proxy Statement to be filed relating to American Assets Trust, Inc.'s 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

(1) Financial Statements

Our consolidated financial statements and notes thereto, together with Report of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K commencing on page F-1.

(2) Financial Statement Schedule

Our financial statement schedule is included in a separate section of this Annual Report on Form 10-K commencing on page F-1.

(3) Exhibits

A list of exhibits to this Annual Report on Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

(b) See Exhibit Index

(c) Not Applicable

EXHIBIT INDEX

Exhibit No.	Description
3.1(1)	Articles of Amendment and Restatement of American Assets Trust, Inc.
3.2(1)	Amended and Restated Bylaws of American Assets Trust, Inc.
3.3(2)	Certificate of Limited Partnership of American Assets Trust, L.P.
4.1(1)	Form of Certificate of Common Stock of American Assets Trust, Inc.
4.2(3)	Indenture, dated January 26, 2021, by and among American Assets Trust, L.P., as issuer, American Assets Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee
4.3*	Description of Securities
10.1(4)	Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated January 19, 2011
10.2(4)	Registration Rights Agreement among American Assets Trust, Inc. and the persons named therein, dated January 19, 2011
10.3(1)	American Assets Trust, Inc. and American Assets Trust, L.P. Amended and Restated 2011 Equity Incentive Award Plan
10.4(1)	Form of Indemnification Agreement between American Assets Trust, Inc. and its directors and officers
10.5*	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Performance Vesting)
10.6(4)	Transition Services Agreement between American Assets, Inc. and American Assets Trust, L.P., dated January 19, 2011
10.7(1)	Management Agreement for Waikiki Beach Walk®—Retail between ABW Holdings LLC and Retail Resort Properties LLC, dated as of November 1, 2007
10.8(1)	Outrigger Hotels Hawaii—Hotel Management Agreement—Embassy SuitesTM—Waikiki Beach WalkTM Hotel by and among EBW Hotel LLC, Waikele Venture Holdings, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Outrigger Hotels Hawaii, dated as of January 10, 2006
10.9(4)	Franchise License Agreement—Embassy Suites—Waikiki Beach Walk—Honolulu, Hawaii between Embassy Suites Franchise LLC and WBW Hotel Lessee, LLC, dated January 19, 2011
10.10(5)	Deed of Trust and Security Agreement by and between AAT CC Bellevue, LLC, as Borrower, and PNC Bank, National Association, as Lender, dated October 10, 2012.
10.11(5)	Promissory Note by AAT CC Bellevue, LLC, as maker, to PNC Bank, National Association, dated as of October 10, 2012.
10.12(6)	American Assets Trust, Inc. and American Assets Trust, L.P. Amended and Restated Incentive Bonus Plan, effective as of December 5, 2019.
10.13(7)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Ernest S. Rady dated March 25, 2014
10.14(7)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Robert F. Barton dated March 25, 2014
10.15(7)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Adam Wyll dated March 25, 2014
10.16(8)	Note Purchase Agreement, dated as of October 31, 2014 by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series A, B and C)
10.17(9)	Joinder and First Amendment to Term Loan Agreement, dated as of May 2, 2016, among American Assets Trust, Inc., the American Assets Trust, L.P., the Lenders party thereto and U.S. Bank National Association, as Administrative Agent.
10.18(10)	Note Purchase Agreement, dated as of March 1, 2017 by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series D)
10.19(11)	Note Purchase Agreement, dated as of May 23, 2017 by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series E)
10.20(11)	Second Amendment to the Amended and Restated Credit Agreement dated as of May 23, 2017, by and among American Assets Trust, Inc., American Assets Trust, L.P., the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other entities named therein.
10.21(11)	Second Amendment to the Term Loan Agreement dated as of May 23, 2017, by and among American Assets Trust, Inc., American Assets Trust, L.P., the lenders from time to time party thereto, U.S. Bank National Association, as Administrative Agent, and the other entities named therein.
10.22(11)	First Amendment, dated as of May 23, 2017, to the Note Purchase Agreement, dated as if October 31, 2014, by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series E)

Exhibit No.	Description
10.23(11)	First Amendment, dated as of May 23, 2017, to the Note Purchase Agreement, dated as of March 1, 2017, by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series E)
10.24(12)	Note Purchase Agreement, dated as of July 19, 2017, by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein. (Series F)
10.25(13)	Second Amended and Restated Credit Agreement dated January 9, 2018, by and among the company, the Operating Partnership, Bank of America, N.A., as Administrative Agent, and other entities named therein.
10.26(13)	Third Amendment to Term Loan Agreement dated January 9, 2018, by and among the company, the Operating Partnership, each lender from time to time party thereto, and U.S. Bank National Association, as Administrative Agent.
10.27(14)	Amended and Restated Equity Distribution Agreement, dated March 2, 2018, by and among American Assets Trust, Inc., American Assets Trust, L.P., and RBC Capital Markets, LLC
10.28(14)	Amended and Restated Equity Distribution Agreement, dated March 2, 2018, by and among American Assets Trust, Inc., American Assets Trust, L.P., and Merrill Lynch, Pierce, Fenner & Smith Incorporated
10.29(14)	Amended and Restated Equity Distribution Agreement, dated March 2, 2018, by and among American Assets Trust, Inc., American Assets Trust, L.P., and Morgan Stanley & Co, LLC
10.30(14)	Amended and Restated Equity Distribution Agreement, dated March 2, 2018, by and among American Assets Trust, Inc., American Assets Trust, L.P., and Wells Fargo Securities, LLC
10.31(14)	Equity Distribution Agreement, dated March 2, 2018, by and among American Assets Trust, Inc., American Assets Trust, L.P., and Mizuho Securities USA LLC
10.32(15)	First Amendment to Second Amended and Restated Credit Agreement dated January 9, 2019, by and among the company, the Operating Partnership, Bank of America, N.A., as Administrative Agent, and other entities named therein.
10.33(16)	Note Purchase Agreement, dated as of July 30, 2019, by and among the Company, the Operating Partnership, and the purchasers named therein.
21.1*	List of Subsidiaries of American Assets Trust, Inc.
22.1*	Subsidiary Guarantors and Issuers of Guaranteed Securities
23.1*	Consent of Independent Registered Public Accounting Firm for American Assets Trust, Inc.
23.2*	Consent of Independent Registered Public Accounting Firm for American Assets Trust, L.P.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.2*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.
31.3*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

(1) Incorporated herein by reference to American Assets Trust, Inc.'s Registration Statement on Form S-11, as amended (File No. 333-169326), filed with the Securities and Exchange Commission on September 13, 2010.

(2) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 10-K filed with the Securities and Exchange Commission on February 20, 2015.

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

(4) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2011.

(5) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2012.

(6) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 10-K filed with the Securities and Exchange Commission on February 14, 2020.

(7) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 10-Q filed with the Securities and Exchange Commission on May 2, 2014.

(8) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2014.

(9) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 10-Q filed with the Securities and Exchange Commission on July 29, 2016.

(10) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2017.

(11) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2017.

(12) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 19, 2017.

(13) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2018.

(14) Incorporated herein by reference to American Assets Trust, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 5, 2018.

(15) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2019.

(16) Incorporated herein by reference to American Assets Trust, Inc's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 30, 2019.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrants have duly caused this Report to be signed on their behalf by the undersigned thereunto duly authorized this 16th day of February, 2021.

American Assets Trust, Inc.

/s/ ERNEST RADY
Ernest Rady
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT F. BARTON
Robert F. Barton
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

American Assets Trust, L.P.
By: American Assets Trust, Inc.
Its: General Partner

/s/ ERNEST RADY
Ernest Rady
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT F. BARTON
Robert F. Barton
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrants and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ERNEST RADY Ernest Rady	Chairman of the Board, President and Chief Executive Officer	February 16, 2021
/s/ ROBERT F. BARTON Robert F. Barton	Executive Vice President, Chief Financial Officer and Treasurer	February 16, 2021
/s/ JOY L. SCHAEFER Joy L. Schaefer	Director	February 16, 2021
/s/ DUANE A. NELLES Duane A. Nelles	Director	February 16, 2021
/s/ THOMAS S. OLINGER Thomas S. Olinger	Director	February 16, 2021
/s/ ROBERT S. SULLIVAN Robert S. Sullivan	Director	February 16, 2021

Item 8 and Item 15(a) (1) and (2)
Index to Consolidated Financial Statements and Schedule

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of American Assets Trust, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Assets Trust, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Impairment of real estate properties
Description of the Matter	The Company’s net real estate properties totaled $2.5 billion as of December 31, 2020. As discussed in Note 1 to the consolidated financial statements, the Company reviews for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount, at which time the property is written down to its estimated fair value. Properties classified as held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. There were no impairment charges during the year ended December 31, 2020. Auditing the Company's impairment assessment for real estate properties is challenging because of the subjective auditor judgment necessary in evaluating management’s identification of indictors of potential impairment and the related assessment of the severity of such indicators in determining whether a triggering event has occurred that requires the Company to evaluate the recoverability of the asset. Additionally, for real estate properties where a triggering event has occurred, the auditing involves a high degree of auditor judgment and increased extent of audit effort to evaluate management’s estimates underlying projected future cash flows as they are based on subjective assumptions such as market rents, occupancy rates and hold periods, which are affected by expectations about future market or economic conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s property impairment review process. For example, we tested controls over management’s process for identifying and evaluating potential impairment indicators and their review of the prospective financial data used in the Company’s impairment analysis. Our testing of the Company’s impairment assessment included, among other procedures, evaluating significant judgments applied in determining whether indicators of impairment were present at any given property by obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments. For example, we searched for tenants or groups of tenants with large reserved balances or upcoming lease expirations that occupy a substantial portion of any particular property and searched for significant declines in operating results of any particular property due to occupancy changes, tenant bankruptcies, environmental issues, adverse changes in legal factors or natural disasters. Additionally, for real estate properties where a triggering event has occurred, our testing also included, among other procedures, involving our internal valuation specialists and evaluating and testing the methodologies and significant assumptions used in the models as well as evaluating and testing the completeness and accuracy of the underlying prospective financial data.

	Collectability of accounts receivable and straight-line rents receivable
Description of the Matter	The Company’s accounts receivable and straight-line rent receivable totaled $79.4 million as of December 31, 2020. As discussed in Note 1 to the consolidated financial statements, the Company makes estimates of the collectability of its current accounts receivable and straight-line rents receivable which requires significant judgment by management as the collectability of receivables is affected by numerous different factors including current economic trends, including the impact of the COVID-19 pandemic on tenants' businesses and changes in tenants' payment patterns, tenant bankruptcies, the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in tenants' credit ratings, communications between the Company’s operating personnel and tenants, the extent of security deposits and letters of credits held with respect to tenants, and the ability of the tenants to perform under the terms of their lease agreement. If management’s assessment of these factors indicates it is not probable that the Company will be able to collect substantially all rents, the Company recognizes a charge to rental income and limits rental income recognition to the lesser of lease income on a straight-line basis plus variable rents when they become accruable or cash collected. During 2020, the Company recorded a $18.4 million collectability related adjustment as a reduction to rental income. Auditing the Company's collectability assessment is challenging because of the subjective auditor judgment necessary in evaluating management’s determination that collectability of lease payments from each of its tenants may not be probable and the related assessment of the severity of factors in determining whether collectability of substantially all of the remaining lease payments from a given tenant remains probable.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s collectability assessment process. For example, we tested controls over management’s process for identifying and evaluating potential factors indicating that collectability of lease payments from each of its tenants may not be probable and controls over the completeness and accuracy of the data used in management’s analyses. Our testing of the Company’s collectability assessment included, among other procedures, reviewing the Company’s tenant portfolio for tenants at higher risk of being negatively impacted by the COVID-19 pandemic and evaluating significant judgments applied in determining whether factors indicating that collectability of lease payments may not be probable were present by obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments. For example, we searched publicly available information for indicators of tenants experiencing financial difficulty, performed a look-back analysis in which we compared actual lease payments collected to previous estimates of collectability made by management, and made inquiries of operating personnel regarding their communications with tenants. In addition, we tested the completeness and accuracy of the data that was used in management’s collectability analyses.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2010.

San Diego, California
February 16, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of American Assets Trust, Inc.

Opinion on Internal Control over Financial Reporting

We have audited American Assets Trust, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, American Assets Trust, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Diego, California
February 16, 2021

Report of Independent Registered Public Accounting Firm

To the Partners of American Assets Trust, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Assets Trust, L.P. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, partners' capital, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Impairment of real estate properties
Description of the Matter	The Company’s net real estate properties totaled $2.5 billion as of December 31, 2020. As discussed in Note 1 to the consolidated financial statements, the Company reviews for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount, at which time the property is written down to its estimated fair value. Properties classified as held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. There were no impairment charges during the year ended December 31, 2020. Auditing the Company's impairment assessment for real estate properties is challenging because of the subjective auditor judgment necessary in evaluating management’s identification of indictors of potential impairment and the related assessment of the severity of such indicators in determining whether a triggering event has occurred that requires the Company to evaluate the recoverability of the asset. Additionally, for real estate properties where a triggering event has occurred, the auditing involves a high degree of auditor judgment and increased extent of audit effort to evaluate management’s estimates underlying projected future cash flows as they are based on subjective assumptions such as market rents, occupancy rates and hold periods, which are affected by expectations about future market or economic conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s property impairment review process. For example, we tested controls over management’s process for identifying and evaluating potential impairment indicators and their review of the prospective financial data used in the Company’s impairment analysis. Our testing of the Company’s impairment assessment included, among other procedures, evaluating significant judgments applied in determining whether indicators of impairment were present at any given property by obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments. For example, we searched for tenants or groups of tenants with large reserved balances or upcoming lease expirations that occupy a substantial portion of any particular property and searched for significant declines in operating results of any particular property due to occupancy changes, tenant bankruptcies, environmental issues, adverse changes in legal factors or natural disasters. Additionally, for real estate properties where a triggering event has occurred, our testing also included, among other procedures, involving our internal valuation specialists and evaluating and testing the methodologies and significant assumptions used in the models as well as evaluating and testing the completeness and accuracy of the underlying prospective financial data.

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/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2014.

San Diego, California
February 16, 2021

American Assets Trust, Inc.

Consolidated Balance Sheets
(In Thousands, Except Share Data)

	December 31, 2020	December 31, 2019
ASSETS		
Real estate, at cost		
Operating real estate	$ 3,155,280	$ 3,096,886
Construction in progress	91,047	91,264
Held for development	547	547
	3,246,874	3,188,697
Accumulated depreciation	(754,140)	(665,222)
Net real estate	2,492,734	2,523,475
Cash and cash equivalents	137,333	99,303
Restricted cash	1,716	10,148
Accounts receivable, net	6,938	12,016
Deferred rent receivables, net	72,476	52,171
Other assets, net	106,112	93,220
TOTAL ASSETS	$ 2,817,309	$ 2,790,333
LIABILITIES AND EQUITY		
LIABILITIES:		
Secured notes payable, net	$ 110,923	$ 161,879
Unsecured notes payable, net	1,196,677	1,195,780
Unsecured line of credit, net	99,151	—
Accounts payable and accrued expenses	59,262	62,576
Security deposits payable	6,590	8,316
Other liabilities and deferred credits	91,300	68,110
Total liabilities	1,563,903	1,496,661
Commitments and contingencies (Note 12)		
EQUITY:		
American Assets Trust, Inc. stockholders' equity		
Common stock, $0.01 par value, 490,000,000 shares authorized, 60,476,292 and 60,068,228 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	605	601
Additional paid-in capital	1,445,644	1,452,014
Accumulated dividends in excess of net income	(176,560)	(144,378)
Accumulated other comprehensive income	1,753	5,680
Total American Assets Trust, Inc. stockholders' equity	1,271,442	1,313,917
Noncontrolling interests	(18,036)	(20,245)
Total equity	1,253,406	1,293,672
TOTAL LIABILITIES AND EQUITY	$ 2,817,309	$ 2,790,333

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

American Assets Trust, Inc.

Consolidated Statements of Comprehensive Income
(In Thousands, Except Shares and Per Share Data)

	Year Ended December 31,		
	2020	2019	2018
REVENUE:			
Rental income	$ 330,312	$ 343,865	$ 309,537
Other property income	14,261	22,876	21,330
Total revenue	344,573	366,741	330,867
EXPENSES:			
Rental expenses	79,178	91,967	86,482
Real estate taxes	41,941	40,013	34,973
General and administrative	26,581	24,871	22,784
Depreciation and amortization	108,292	96,205	107,093
Total operating expenses	255,992	253,056	251,332
OPERATING INCOME	88,581	113,685	79,535
Interest expense	(53,440)	(54,008)	(52,248)
Gain on sale of real estate	—	633	—
Other income (expense), net	447	(122)	(85)
NET INCOME	35,588	60,188	27,202
Net income attributable to restricted shares	(383)	(381)	(311)
Net income attributable to unitholders in the Operating Partnership	(7,545)	(14,089)	(7,205)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS	$ 27,660	$ 45,718	$ 19,686
EARNINGS PER COMMON SHARE, BASIC			
Basic income attributable to common stockholders per share	$ 0.46	$ 0.84	$ 0.42
Weighted average shares of common stock outstanding - basic	59,806,309	54,110,949	46,950,812
EARNINGS PER COMMON SHARE, DILUTED			
Diluted income attributable to common stockholders per share	$ 0.46	$ 0.84	$ 0.42
Weighted average shares of common stock outstanding - diluted	76,119,763	70,786,132	64,136,559
COMPREHENSIVE INCOME			
Net income	$ 35,588	$ 60,188	$ 27,202
Other comprehensive (loss) gain - unrealized (loss) gain on swap derivatives during the period	(3,649)	(5,571)	120
Reclassification of amortization of forward starting swap included in interest expense	(1,330)	(1,304)	(1,279)
Comprehensive income	30,609	53,313	26,043
Comprehensive income attributable to noncontrolling interest	(6,496)	(12,301)	(6,877)
Comprehensive income attributable to American Assets Trust, Inc.	$ 24,113	$ 41,012	$ 19,166

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

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

	American Assets Trust, Inc. Stockholders' Equity						
	Common Shares						
	Shares	Amount	Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Unitholders in the Operating Partnership	Total
Balance at December 31, 2017	47,204,588	$ 473	$ 919,066	$ (97,280)	$ 11,451	$ 10,434	$ 844,144
Net income	—	—	—	19,997	—	7,205	27,202
Issuance of restricted stock	205,110	2	(2)	—	—	—	—
Forfeiture of restricted stock	(78,975)	(1)	1	—	—	—	—
Conversion of operating partnership units	17,372	—	(916)	—	—	916	—
Dividends declared and paid	—	—	—	(51,495)	—	(18,733)	(70,228)
Stock-based compensation	—	—	3,039	—	—	—	3,039
Shares withheld for employee taxes	(12,686)	—	(527)	—	—	—	(527)
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	105	15	120
Reclassification of amortization of forward starting swaps included in interest expense	—	—	—	—	(936)	(343)	(1,279)
Balance at December 31, 2018	47,335,409	474	920,661	(128,778)	10,620	(506)	802,471
Net income	—	—	—	46,099	—	14,089	60,188
Common shares issued	11,871,552	118	515,236	—	—	—	515,354
Issuance of restricted stock	173,008	2	(2)	—	—	—	—
Forfeiture of restricted stock	(70,641)	(1)	1	—	—	—	—
Conversion of operating partnership units	787,060	8	12,979	—	148	(13,135)	—
Dividends declared and paid	—	—	—	(61,699)	—	(18,906)	(80,605)
Stock-based compensation	—	—	4,477	—	—	—	4,477
Shares withheld for employee taxes	(28,160)	—	(1,338)	—	—	—	(1,338)
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	(4,482)	(1,602)	(6,084)
Other comprehensive income - unrealized gain on forward-starting interest rate swap	—	—	—	—	392	121	513
Reclassification of amortization of forward starting swaps included in interest expense	—	—	—	—	(998)	(306)	(1,304)
Balance at December 31, 2019	60,068,228	601	1,452,014	(144,378)	5,680	(20,245)	1,293,672
Net income	—	—	—	28,043	—	7,545	35,588
Issuance of restricted stock	317,574	3	(3)	—	—	—	—
Forfeiture of restricted stock	(95,086)	(1)	1	—	—	—	—
Conversion of operating partnership units	209,011	2	(12,003)	—	3	11,998	—
Dividends declared and paid	—	—	—	(60,225)	—	(16,285)	(76,510)
Stock-based compensation	—	—	6,307	—	—	—	6,307
Shares withheld for employee taxes	(23,435)	—	(672)	—	—	—	(672)

Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	(2,885)	(764)	(3,649)
Reclassification of amortization of forward-starting swaps included in interest expense	—	—	—	—	(1,045)	(285)	(1,330)
Balance at December 31, 2020	60,476,292	$ 605	$ 1,445,644	$ (176,560)	$ 1,753	$ (18,036)	$ 1,253,406

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

American Assets Trust, Inc.

Consolidated Statements of Cash Flows
(In Thousands)

	Year ended December 31, 2020	2019	2018
OPERATING ACTIVITIES			
Net income	$ 35,588	$ 60,188	$ 27,202
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred rent revenue and amortization of lease intangibles	(31,242)	(6,985)	(1,157)
Depreciation and amortization	108,292	96,205	107,093
Amortization of debt issuance costs and debt fair value adjustments	1,477	1,467	1,530
Provision for uncollectable rental income	18,427	1,751	790
Gain on sale of real estate	—	(633)	—
Stock-based compensation expense	6,307	4,477	3,039
Settlement of forward interest rate swap agreement	—	513	—
Lease termination income	—	(4,518)	—
Other noncash interest expense	(1,330)	(1,304)	(1,279)
Other, net	(695)	4,746	(407)
Changes in operating assets and liabilities			
Change in accounts receivable	(4,940)	(1,071)	(336)
Change in other assets	141	(2,420)	(227)
Change in accounts payable and accrued expenses	(2,108)	5,956	(3,297)
Change in security deposits payable	(1,726)	(971)	2,274
Change in other liabilities and deferred credits	(1,206)	(3,585)	1,282
Net cash provided by operating activities	126,985	153,816	136,507
INVESTING ACTIVITIES			
Acquisition of real estate, net	—	(507,780)	—
Capital expenditures	(63,488)	(88,327)	(54,411)
Proceeds from sale of real estate, net of selling costs	—	8,191	—
Leasing commissions	(5,589)	(11,267)	(9,936)
Net cash used in investing activities	(69,077)	(599,183)	(64,347)
FINANCING ACTIVITIES			
Repayment of secured notes payable	(51,003)	(20,762)	(97,124)
Proceeds from unsecured line of credit	100,000	59,000	84,000
Repayment of unsecured line of credit	—	(123,000)	(20,000)
Proceeds from issuance of unsecured notes payable	—	150,000	—
Debt issuance costs	(125)	(1,103)	(2,727)
Proceeds from issuance of common stock, net	—	515,354	(236)
Dividends paid to common stock and unitholders	(76,510)	(80,605)	(70,228)
Shares withheld for employee taxes	(672)	(1,338)	(527)
Net cash provided by (used in) financing activities	(28,310)	497,546	(106,842)
Net increase (decrease) in cash, cash equivalents and restricted cash	29,598	52,179	(34,682)
Cash, cash equivalents and restricted cash, beginning of year	109,451	57,272	91,954
Cash, cash equivalents and restricted cash, end of year	$ 139,049	$ 109,451	$ 57,272

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

	Year ended December 31, 2020	2019	2018
Cash and cash equivalents	$ 137,333	$ 99,303	$ 47,956
Restricted cash	1,716	10,148	9,316
Total cash, cash equivalents and restricted cash shown in Statement of Cash Flows	$ 139,049	$ 109,451	$ 57,272

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

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

	December 31, 2020	December 31, 2019
ASSETS		
Real estate, at cost		
Operating real estate	$ 3,155,280	$ 3,096,886
Construction in progress	91,047	91,264
Held for development	547	547
	3,246,874	3,188,697
Accumulated depreciation	(754,140)	(665,222)
Net real estate	2,492,734	2,523,475
Cash and cash equivalents	137,333	99,303
Restricted cash	1,716	10,148
Accounts receivable, net	6,938	12,016
Deferred rent receivables, net	72,476	52,171
Other assets, net	106,112	93,220
TOTAL ASSETS	$ 2,817,309	$ 2,790,333
LIABILITIES AND CAPITAL		
LIABILITIES:		
Secured notes payable, net	$ 110,923	$ 161,879
Unsecured notes payable, net	1,196,677	1,195,780
Unsecured line of credit, net	99,151	—
Accounts payable and accrued expenses	59,262	62,576
Security deposits payable	6,590	8,316
Other liabilities and deferred credits	91,300	68,110
Total liabilities	1,563,903	1,496,661
Commitments and contingencies (Note 12)		
CAPITAL:		
Limited partners' capital, 16,181,537 and 16,390,548 units issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	(19,020)	(22,281)
General partner's capital, 60,476,292 and 60,068,228 units issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	1,269,689	1,308,237
Accumulated other comprehensive income	2,737	7,716
Total capital	1,253,406	1,293,672
TOTAL LIABILITIES AND CAPITAL	$ 2,817,309	$ 2,790,333

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

American Assets Trust, L.P.

Consolidated Statements of Comprehensive Income
(In Thousands, Except Units and Per Unit Data)

	Year Ended December 31,		
	2020	**2019**	**2018**
REVENUE:			
Rental income	$ 330,312	$ 343,865	$ 309,537
Other property income	14,261	22,876	21,330
Total revenue	344,573	366,741	330,867
EXPENSES:			
Rental expenses	79,178	91,967	86,482
Real estate taxes	41,941	40,013	34,973
General and administrative	26,581	24,871	22,784
Depreciation and amortization	108,292	96,205	107,093
Total operating expenses	255,992	253,056	251,332
OPERATING INCOME	88,581	113,685	79,535
Interest expense	(53,440)	(54,008)	(52,248)
Gain on sale of real estate	—	633	—
Other income (expense), net	447	(122)	(85)
NET INCOME	35,588	60,188	27,202
Net income attributable to restricted shares	(383)	(381)	(311)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.	$ 35,205	$ 59,807	$ 26,891
EARNINGS PER UNIT - BASIC			
Earnings per unit, basic	$ 0.46	$ 0.84	$ 0.42
Weighted average units outstanding, basic	76,119,763	70,786,132	64,136,559
EARNINGS PER UNIT - DILUTED			
Earnings per unit, diluted	$ 0.46	$ 0.84	$ 0.42
Weighted average units outstanding, diluted	76,119,763	70,786,132	64,136,559
DISTRIBUTIONS PER UNIT	$ 1.00	$ 1.14	$ 1.09
COMPREHENSIVE INCOME			
Net income	$ 35,588	$ 60,188	$ 27,202
Other comprehensive (loss) gain - unrealized (loss) gain on swap derivatives during the period	(3,649)	(5,571)	120
Reclassification of amortization of forward starting swaps included in interest expense	(1,330)	(1,304)	(1,279)
Comprehensive income	30,609	53,313	26,043
Comprehensive income attributable to Limited Partners	(6,496)	(12,301)	(6,877)
Comprehensive income attributable to General Partner	$ 24,113	$ 41,012	$ 19,166

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

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

	Limited Partners' Capital [1]		General Partner's Capital [2]		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2017	17,194,980	$ 6,135	47,204,588	$ 822,259	$ 15,750	$ 844,144
Net income	—	7,205	—	19,997	—	27,202
Conversion of operating partnership units	(17,372)	916	17,372	(916)	—	—
Issuance of restricted units	—	—	205,110	—	—	—
Forfeiture of restricted units	—	—	(78,975)	—	—	—
Distributions	—	(18,733)	—	(51,495)	—	(70,228)
Stock-based compensation	—	—	—	3,039	—	3,039
Units withheld for employee taxes	—	—	(12,686)	(527)	—	(527)
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	120	120
Reclassification of amortization of forward starting swaps included in interest expense	—	—	—	—	(1,279)	(1,279)
Balance at December 31, 2018	17,177,608	(4,477)	47,335,409	792,357	14,591	802,471
Net income	—	14,089	—	46,099	—	60,188
Contributions from American Assets Trust, Inc.	—	—	11,871,552	515,354	—	515,354
Conversion of operating partnership units	(787,060)	(12,987)	787,060	12,987	—	—
Issuance of restricted units	—	—	173,008	—	—	—
Forfeiture of restricted units	—	—	(70,641)	—	—	—
Distributions	—	(18,906)	—	(61,699)	—	(80,605)
Stock-based compensation	—	—	—	4,477	—	4,477
Units withheld for employee taxes	—	—	(28,160)	(1,338)	—	(1,338)
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	(6,084)	(6,084)
Other comprehensive income - unrealized gain on forward-starting interest rate swap	—	—	—	—	513	513
Reclassification of amortization of forward starting swaps included in interest expense	—	—	—	—	(1,304)	(1,304)
Balance at December 31, 2019	16,390,548	(22,281)	60,068,228	1,308,237	7,716	1,293,672
Net income	—	7,545	—	28,043	—	35,588
Conversion of operating partnership units	(209,011)	12,001	209,011	(12,001)	—	—
Issuance of restricted units	—	—	317,574	—	—	—
Forfeiture of restricted units	—	—	(95,086)	—	—	—
Distributions	—	(16,285)	—	(60,225)	—	(76,510)
Stock-based compensation	—	—	—	6,307	—	6,307
Units withheld for employee taxes	—	—	(23,435)	(672)	—	(672)
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	(3,649)	(3,649)

Reclassification of amortization of forward-starting swaps included in interest expense	—	—	—	—	(1,330)	(1,330)
Balance at December 31, 2020	16,181,537	$ (19,020)	60,476,292	$ 1,269,689	$ 2,737	$ 1,253,406

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

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

American Assets Trust, L.P.

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31, 2020	2019	2018
OPERATING ACTIVITIES			
Net income	$ 35,588	$ 60,188	$ 27,202
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred rent revenue and amortization of lease intangibles	(31,242)	(6,985)	(1,157)
Depreciation and amortization	108,292	96,205	107,093
Amortization of debt issuance costs and debt fair value adjustments	1,477	1,467	1,530
Provision for uncollectable rental income	18,427	1,751	790
Gain on sale of real estate	—	(633)	—
Stock-based compensation expense	6,307	4,477	3,039
Settlement of forward interest rate swap agreement	—	513	—
Lease termination income	—	(4,518)	—
Other noncash interest expense	(1,330)	(1,304)	(1,279)
Other, net	(695)	4,746	(407)
Changes in operating assets and liabilities			
Change in accounts receivable and deferred rent receivables	(4,940)	(1,071)	(336)
Change in other assets	141	(2,420)	(227)
Change in accounts payable and accrued expenses	(2,108)	5,956	(3,297)
Change in security deposits payable	(1,726)	(971)	2,274
Change in other liabilities and deferred credits	(1,206)	(3,585)	1,282
Net cash provided by operating activities	126,985	153,816	136,507
INVESTING ACTIVITIES			
Acquisition of real estate, net	—	(507,780)	—
Capital expenditures	(63,488)	(88,327)	(54,411)
Proceeds from sale of real estate, net of selling costs	—	8,191	—
Leasing commissions	(5,589)	(11,267)	(9,936)
Net cash used in investing activities	(69,077)	(599,183)	(64,347)
FINANCING ACTIVITIES			
Repayment of secured notes payable	(51,003)	(20,762)	(97,124)
Proceeds from unsecured line of credit	100,000	59,000	84,000
Repayment of unsecured line of credit	—	(123,000)	(20,000)
Proceeds from issuance of unsecured notes payable	—	150,000	—
Debt issuance costs	(125)	(1,103)	(2,727)
Contributions from American Assets Trust, Inc.	—	515,354	(236)
Distributions	(76,510)	(80,605)	(70,228)
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Cash, cash equivalents and restricted cash, end of year	$ 139,049	$ 109,451	$ 57,272

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

	Year ended December 31, 2020	2019	2018
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Restricted cash	1,716	10,148	9,316
Total cash, cash equivalents and restricted cash shown in Statement of Cash Flows	$ 139,049	$ 109,451	$ 57,272

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Assets Trust, Inc. (which may be referred to in these financial statements as the “company,” “we,” “us,” or “our”) is a Maryland corporation formed on July 16, 2010 that did not have any operating activity until the consummation of our initial public offering (the “Offering”) and the related acquisition on January 19, 2011 of certain assets of a combination of entities whose assets included entities owned and/or controlled by Ernest S. Rady and his affiliates, including the Rady Trust, which in turn owned (1) controlling interests in entities owning 17 properties and the property management business of American Assets, Inc. and (2) noncontrolling interests in entities owning four properties. The company is the sole general partner of American Assets Trust, L.P., a Maryland limited partnership formed on July 16, 2010 (the “Operating Partnership”). The company's operations are carried on through our Operating Partnership and its subsidiaries, including our taxable REIT subsidiary. Since the formation of our Operating Partnership, the company has controlled our Operating Partnership as its general partner and has consolidated its assets, liabilities and results of operations.

We are a vertically integrated and self-administered REIT with 189 employees providing substantial in-house expertise in asset management, property management, property development, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

Any reference to the number of properties or units, square footage or acres, employees; or references to beneficial ownership interests, are unaudited and outside the scope of our independent registered public accounting firm's audit of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

As of December 31, 2020, we owned or had a controlling interest in 28 office, retail, multifamily and mixed-use operating properties, the operations of which we consolidate. Additionally, as of December 31, 2020, we owned land at three of our properties that we classify as held for development and construction in progress. A summary of the properties owned by us is as follows:

Retail

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

Office

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

Multifamily

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

Mixed-Use

Waikiki Beach Walk Retail and Embassy Suites™ Hotel

Held for Development and Construction in Progress
La Jolla Commons - Land
Solana Crossing – Land
Lloyd District Portfolio – Construction in Progress

Basis of Presentation

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

All significant intercompany transactions and balances are eliminated in consolidation. Certain reclassifications have been made to conform to current period presentation.

Impact of COVID-19

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as “GAAP,” requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Consolidated Statements of Cash Flows-Supplemental Disclosures

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

	Year Ended December 31,		
	2020	2019	2018
Supplemental cash flow information			
Total interest costs incurred	$ 54,510	$ 54,636	$ 53,736
Interest capitalized	$ 1,070	$ 628	$ 1,488
Interest expense	$ 53,440	$ 54,008	$ 52,248
Cash paid for interest, net of amounts capitalized	$ 53,467	$ 51,975	$ 52,632
Cash paid for income taxes	$ 844	$ 971	$ 462
Supplemental schedule of noncash investing and financing activities			
Accounts payable and accrued liabilities for construction in progress	$ 22,884	$ 25,413	$ 14,440
Accrued leasing commissions	$ 555	$ 3,345	$ 5,229
Reduction to capital for prepaid equity financing costs	$ —	$ —	$ 241
Building recorded in termination of ground lease	$ —	$ 4,518	$ —

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed rent escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, based on management's assessment of credit, collection and other business risks. When we determine that we are the owner of tenant improvements and the tenant has reimbursed us for a portion or all of the tenant improvement costs, we consider the amount paid to be additional rent, which is recognized on a straight-line basis over the term of the related lease. For first generation tenants, in instances in which we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When we determine that the tenant is the owner of tenant improvements, tenant allowances are recorded as lease incentives and we commence revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred.

Other property income includes parking income, general excise tax billed to tenants and fees charged to tenants at our multifamily properties. Other property income is recognized when we satisfy performance obligations as evidenced by the transfer of control of our services to customers. We measure other property income based on the amount of consideration we expect to be entitled to in exchange for the services provided. We recognize general excise tax gross, with the amounts billed to tenants and customers recorded in other property income and the related taxes paid as rental expense. The general excise tax included in other income was $2.3 million, $3.5 million and $3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the later of the termination date or the satisfaction of all conditions precedent to the lease termination, including, without limitation, payment of all lease termination fees. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We recognize revenue on the hotel portion of our mixed-use property from the rental of hotel rooms and guest services when we satisfy performance obligations as evidenced by the transfer of control when the rooms are occupied and services have been provided. Food and beverage sales are recognized when the customer has been served or at the time the transaction occurs. Revenue from room rental is included in rental revenue on the statement of income. Revenue from other sales and services provided is included in other property income on the statement of income.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous different factors including current economic trends, including the impact of the COVID-19 pandemic on tenant's businesses and changes in tenants' payment patterns, tenant bankruptcies, the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in our tenants' credit ratings, communications between our operating personnel and tenants, the extent of security deposits and letters of credits held with respect to tenants, and the ability of the tenant to perform under the terms of their lease agreement when evaluating the adequacy of the allowance for doubtful accounts. If our assessment of these factors indicates that it is no longer probable that we will be able to collect substantially all rents, we recognize a charge to rental income and limit our rental income to the lesser of lease income on a straight-line basis plus variable rents when they become accruable or cash collected. If we change our conclusion regarding the probability of collecting rent payments required by a lessee, we may recognize an adjustment to rental income in the period we make a change to our prior conclusion.

At December 31, 2020 and December 31, 2019, our allowance for doubtful accounts was $10.0 million and $1.2 million, respectively. Total collectability related adjustments for rental income, which includes the our allowance for doubtful accounts and deferred rent receivables, was $18.4 million, $1.8 million and $0.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total collectability related adjustments for the years ended December 31, 2020 and 2019 were included as a reduction to rental income on the consolidated statements of comprehensive income while the total collectability related adjustments for the years ended December 31, 2018 were included in rental expenses on the consolidated statements of comprehensive income.

During the year ended December 31, 2020, we provided lease concessions to certain tenants, primarily within the retail segment, as a result of the COVID-19 pandemic, in the form of rent deferrals and abatements. These lease concessions generally included an increase in our rights as a lessor. We assess each lease concession and determine whether it represents a lease modifications under Accounting Standards Codification Topic 842, Leases ("ASC 842"). The FASB staff provided guidance that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how those concessions would be accounted for under ASC 842 as though enforceable rights and obligations for those concessions existed in the existing lease contract, as long as the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee, thereby not requiring entities to apply lease modification guidance to those contracts. The Company has elected to account for such COVID-19 concessions as lease modifications. As of December 31, 2020, we have entered into lease modifications that resulted in adjustments (including rent deferrals and other monetary lease concessions) believed to be caused by the COVID-19 pandemic for approximately $13.4 million or 4% of the rent originally contracted for the year ended December 31, 2020.

Effective January 1, 2018, (upon the adoption of ASU 2014-09, *Revenue from Contracts with Customers*) sales of real estate are recognized generally upon the transfer of control, which usually occurs when the real estate is legally sold. Prior to January 1, 2018, sales of real estate were recognized only when sufficient down payments had been obtained, possession and other attributes of ownership had been transferred to the buyer and we had no significant continuing involvement. The application of these criteria can be complex and required us to make assumptions. We believe the relevant criteria were met for all real estate sold during the periods presented.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 years to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to the contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. For the years ended December 31, 2020, 2019 and 2018, real estate depreciation expense was $95.8 million, $85.3 million and $99.6 million, respectively.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the noncancelable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below market renewal options are determined based on a review of several qualitative and quantitative factors on a lease-by-lease basis at acquisition to determine whether it is probable that the tenant would exercise its option to renew the lease agreement. These factors include: (1) the type of tenant in relation to the property it occupies, (2) the quality of the tenant, including the tenant's long term business prospects and (3) whether the fixed rate renewal option was sufficiently lower than the fair rental of the property at the date the option becomes exercisable such that it would appear to be reasonably assured that the tenant would exercise the option to renew. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of income.

The value of above and below market leases associated with the original noncancelable lease terms are amortized to rental income over the terms of the respective noncancelable lease periods and are reflected as either an increase (for below market leases) or a decrease (for above market leases) to rental income in the statement of income. The value of the leases associated with below market lease renewal options that are likely to be exercised are amortized to rental income over the respective renewal periods. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

Transaction costs related to the acquisition of a business, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are expensed as incurred and included in “general and administrative expenses” in our consolidated statements of comprehensive income. For asset acquisitions not meeting the definition of a business, transaction costs are capitalized as part of the acquisition cost.

Capitalized Costs

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance and construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and significant redevelopment activities. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use, at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine that the completion of development or redevelopment is no longer probable, we expense all capitalized costs which are not recoverable.

Impairment of Long Lived Assets

We review for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. As discussed above, as a result of the COVID-19 pandemic, certain of the our tenants may be unable to operate their businesses, maintain profitability and make timely rental payments under their leases. Accordingly, the reduction of estimated future cash flows could result in the recognition of an impairment charge on certain of our long-lived assets. Management does not believe that the value of our real estate investments was impaired at December 31, 2020 or December 31, 2019. There were no impairment charges during the years ended December 31, 2020, 2019 and 2018.

Financial Instruments

The estimated fair values of financial instruments are determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair values. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

Derivative Instruments

At times, we may use derivative instruments to manage exposure to variable interest rate risk. We may enter into interest rate swaps to manage our exposure to variable interest rate risk. If and when we enter into derivative instruments, we ensure that such instruments qualify as cash flow hedges and would not enter into derivative instruments for speculative purposes.

Any interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. See the discussion under Note 8 for certain quantitative details related to interest rate swaps and for a discussion on how we value derivative financial instruments.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity of less than 3 months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). No losses have been experienced related to such accounts. At December 31, 2020 and December 31, 2019, we had $33.0 million and $36.2 million, respectively, in excess of the FDIC insured limit. At December 31, 2020 and December 31, 2019, we had $97.8 million and $52.5 million, respectively, in money market funds that are not FDIC insured.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures and reserves for capital improvements. At December 31, 2020 and 2019, we had $1.7 million and $10.1 million, respectively, in restricted cash.

Other Assets

Other assets consist primarily of lease costs, lease incentives, acquired in-place leases and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions related to obtaining a lease. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of income. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow. Therefore, we classify cash outflows for lease costs as an investing activity in our consolidated statements of cash flows.

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as variable interest entities (“VIEs”). VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is the party that has a controlling interest in the VIE. Identifying the party with the controlling interest requires a focus on which entity has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (1) the obligation to absorb the expected losses of the VIE or (2) the right to receive the benefits from the VIE. At December 31, 2020 and December 31, 2019 we had no investments in real estate joint ventures, and no other interests in VIEs to be evaluated for consolidated.

Stock-Based Compensation

We grant stock-based compensation awards to our employees and directors typically in the form of restricted shares of common stock, options to purchase common stock and/or shares of common stock. We measure stock-based compensation expense based on the fair value of the award on the grant date and recognize the expense ratably over the vesting period.

Modifications of stock-based compensation awards are treated as an exchange of the original award for a new award with the resulting total compensation cost equal to the grant-date fair value of the original award plus the incremental value of the modification to the award. The calculation of the incremental value is based on the excess of the fair value of the new (modified) award based on current circumstances over the fair value of the original option measured immediately before its terms are modified. For the year ended December 31, 2020, we incurred incremental compensation cost of approximately $1.2 million related to the discretionary vesting of previously granted restricted stock awards that did not meet the original vesting criteria. For the years ended December 31, 2019 and 2018, there were no modifications of stock-based compensation awards.

Deferred Compensation

Our Operating Partnership has adopted the American Assets Trust Executive Deferral Plan V (“EDP V”) and the American Assets Trust Executive Deferral Plan VI (“EDP VI”). These plans were adopted by our Operating Partnership as successor plans to those deferred compensation plans maintained by American Assets Inc. ("AAI") in which certain employees of AAI, who were transferred to us in connection with the Offering (the “Transferred Participants”), participated prior to the Offering. EDP V and EDP VI contain substantially the same terms and conditions as these predecessor plans. AAI transferred to our Operating Partnership the Transferred Participants' account balances under the predecessor plans. These transferred account balances represent amounts deferred by the Transferred Participants prior to the Offering while they were employed by AAI.

At the time eligible participants defer compensation, we record compensation cost and a corresponding deferred compensation plan liability, which is included in other liabilities and deferred credits on our consolidated balance sheets. This liability is adjusted to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each participant, and the impact of adjusting the liability to fair value is recorded as an increase or decrease to compensation cost.

Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with the taxable year ending December 31, 2011. To maintain our qualification as a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to maintain our qualification as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to regular U.S. federal income tax. We are subject to certain state and local income taxes.

We, together with one of our subsidiaries, have elected to treat such subsidiary as a taxable REIT subsidiary (a “TRS”) for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

Segment Information

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides the principles for the recognition, measurement, presentation and disclosure of leases. This ASU significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases.

We adopted the provisions of ASU No. 2016-02 effective January 1, 2019 using the modified retrospective approach. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows lessors to elect a practical expedient by class of underlying assets to not separate non-lease components from the lease component if certain conditions are met. The lessor's practical expedient election would be limited to circumstances in which the non-lease components otherwise would be accounted for under the new revenue guidance and both (i) the timing and pattern of transfer are the same for the non-lease component and the related lease component and (ii) the lease component would be classified as an operating lease. The company elected the practical expedient, which allows the company the ability to combine the lease and non-lease components if the underlying asset meets the criteria above. Due to our election of the practical expedient approach, for the year ended December 31, 2020 and 2019, approximately $37.6 million and $38.4 million, respectively, of non-lease components are combined with lease rental income. ASU 2018-11 also includes an optional transition method in addition to the existing requirements for transition to the new standard by recognizing a cumulative effect adjustment to the opening balance sheet of retained earnings in the period of adoption. Consequently, a company's reporting for the comparative periods presented in the financial statements would continue to be in accordance with previous GAAP (Topic 840). The company elected this practical expedient as well. Further, bad debt expense, which has previously been recorded in rental expenses, has now been classified as a contra-revenue account in rental income in the company's consolidated statements of comprehensive income beginning in the year ended December 31, 2019.

We evaluated all leases within this scope under existing accounting standards and under the new ASU lease standard recognized approximately $7.7 million of right-of-use assets and lease liabilities for the year ended December 31, 2019. Effective January 1, 2019, approximately $0.8 million of deferred rent expense was reclassified to lease liability within the other liabilities and deferred credits, net. As of December 31, 2020 and 2019, the remaining contractual payments under lease agreements for which the company is the lessee aggregated approximately $36.4 million and $5.6 million, respectively.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. The pronouncement is effective for reporting periods beginning after December 15, 2017. We adopted the provisions of the ASU effective January 1, 2018 using the modified retrospective approach. As discussed above, lease are specifically excluded from this and will be governed by the applicable lease codification.

We evaluated the revenue recognition for all contracts within this scope under existing accounting standards and under the new revenue recognition ASU and confirmed that there were no differences in the amounts recognized or the pattern of recognition. This evaluation included revenues from the hotel portion of our mixed-use property, parking income and excise taxes charged to customers. Therefore, the adoption of this ASU did not result in an adjustment to the company's retained earnings on January 1, 2018.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Topics*. The pronouncement requires companies to adopt a new approach to estimating credit losses on certain types of financial instruments, such as trade and other receivables and loans. The standard requires entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. The pronouncement is effective for fiscal years and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which clarifies that receivables arising from operating leases are not within the scope of the pronouncement. We adopted the provisions of ASU No. 2016-13 effective January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements as the majority of our receivables are derived from operating leases and are excluded from this standard.

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

NOTE 2. REAL ESTATE

A summary of our real estate investments is as follows (in thousands):

	Retail	Office	Multifamily	Mixed-Use	Total
December 31, 2020					
Land	$ 254,016	$ 225,238	$ 72,668	$ 76,635	$ 628,557
Buildings	526,522	1,137,711	392,224	128,477	2,184,934
Land improvements	47,425	11,672	7,346	2,606	69,049
Tenant improvements	88,326	186,423	—	1,890	276,639
Furniture, fixtures, and equipment	1,069	3,236	16,480	15,651	36,436
Construction in progress	5,170	43,595	1,831	663	51,259 (1)
	922,528	1,607,875	490,549	225,922	3,246,874
Accumulated depreciation	(314,610)	(290,768)	(100,745)	(48,017)	(754,140)
Net real estate	$ 607,918	$ 1,317,107	$ 389,804	$ 177,905	$ 2,492,734
December 31, 2019					
Land	$ 254,016	$ 225,238	$ 72,668	$ 76,635	$ 628,557
Buildings	523,645	1,132,990	390,379	126,726	2,173,740
Land improvements	46,335	11,097	7,106	2,606	67,144
Tenant improvements	87,707	151,662	—	2,252	241,621
Furniture, fixtures, and equipment	911	3,065	14,995	7,187	26,158
Construction in progress	6,487	35,397	2,212	7,381	51,477 (1)
	919,101	1,559,449	487,360	222,787	3,188,697
Accumulated depreciation	(294,189)	(241,595)	(86,208)	(43,230)	(665,222)
Net real estate	$ 624,912	$ 1,317,854	$ 401,152	$ 179,557	$ 2,523,475

(1) Land related to held for development and construction in progress is included in the Held for Development and Construction in Progress classifications on the consolidated balance sheets.

Dispositions

On May 22, 2019, we sold Solana Beach – Highway 101. The property is located in Solana Beach, California and was previously included in our retail segment. The sales price of this property was approximately $9.4 million, less costs to sell, and resulted in net proceeds to us of approximately $9.4 million. Accordingly, we recorded a gain on sale of approximately nil, $0.6 million and nil for the years ended December 31, 2020, 2019, and 2018, respectively.

Property Asset Acquisitions

On June 20, 2019, we acquired La Jolla Commons, consisting of two office towers totaling approximately 724,000 square feet, an entitled development parcel and two parking structures, located in San Diego, California. The acquisition was classified as an asset acquisition with a purchase price of approximately $525 million, less seller credits of (i) approximately $11.5 million for speculative lease-up, (ii) approximately $4.2 million for assumed contractual liabilities (iii) and approximately $1.7 million for closing prorations, excluding closing costs of approximately $0.2 million. The property was acquired with proceeds from an underwritten public offering and borrowings under the company's Second Amended and Restated Credit Facility (defined herein).

The financial information set forth below summarizes the company's purchase price allocations for La Jolla Commons during the year ended December 31, 2019 (in thousands):

		La Jolla Commons
Land	$	82,759
Building		361,471
Land improvements		1,359
Furniture, fixtures, and equipment		30,822
Total real estate		476,411
Lease intangibles		40,082
Prepaid expenses and other assets		13
Assets acquired	$	516,506
Accounts payable and accrued expenses	$	3,578
Security deposits payable		443
Other liabilities and deferred credits		3,817
Liabilities assumed	$	7,838

The value allocated to lease intangibles is amortized over the related lease term as depreciation and amortization expense in the statement of comprehensive income. The remaining weighted average amortization period as of December 31, 2020, is 7.2 years.

The following table summarizes the operating results for the La Jolla Commons included in the company's historical consolidated statement of comprehensive income and in the office segment for the period of acquisition through December 31, 2019 (in thousands):

		June 20, 2019 through December 31, 2019
Revenues	$	20,579
Operating expenses	$	18,140
Operating income	$	2,439
Net income attributable to American Assets Trust, Inc.	$	2,650

Pro Forma Financial Information (Unaudited)

The pro forma financial information set forth below is based upon the company's historical consolidated statements of operations for the year ended December 31, 2019 and 2018, adjusted to give effect to the acquisition of La Jolla Commons, described above, as if such transaction had been completed on January 1, 2018. The pro forma financial information includes adjustments to depreciation expense for acquired property and equipment and adjustments to amortization charges for acquired intangible assets and liabilities. The pro forma financial information set forth below is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred at the beginning of 2018, nor does it purport to represent the results of future operations (in thousands).

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	As Reported		ProForma		As Reported		ProForma	
Total revenue	$	366,741	$	383,125	$	330,867	$	365,326
Total operating expenses	$	253,056	$	264,107	$	251,332	$	281,253
Operating income	$	113,685	$	119,018	$	79,535	$	84,073
Net income	$	60,188	$	64,278	$	27,202	$	30,662

NOTE 3. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW MARKET LEASES

The following summarizes our acquired lease intangibles, which are included in other assets and other liabilities and deferred credits (in thousands):

	December 31, 2020	December 31, 2019
In-place leases	$ 60,965	$ 63,896
Accumulated amortization	(34,758)	(32,672)
Above market leases	5,389	7,534
Accumulated amortization	(5,268)	(7,351)
Acquired lease intangible assets, net	$ 26,328	$ 31,407
Below market leases	$ 56,677	$ 62,126
Accumulated accretion	(35,219)	(36,674)
Acquired lease intangible liabilities, net	$ 21,458	$ 25,452

The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of income. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of income. Rental income (loss) includes net amortization from acquired above and below market leases of $3.9 million, $3.8 million and $3.6 million in 2020, 2019 and 2018, respectively. The remaining weighted-average amortization period as of December 31, 2020, is 7.9 years, 4.4 years and 11.3 years for in-place leases, above market leases and below market leases, respectively. Below market leases include $10.5 million related to below market renewal options, and the weighted-average period prior to the commencement of the renewal options is 9.4 years.

Increases (decreases) in net income as a result of amortization of our in-place leases, above market leases and below market leases are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Amortization of in-place leases	$ (5,018)	$ (4,762)	$ (2,090)
Amortization of above market leases	(62)	(345)	(660)
Amortization of below market leases	3,994	4,131	4,230
Net income (loss)	$ (1,086)	$ (976)	$ 1,480

As of December 31, 2020, the amortization for acquired leases during the next five years and thereafter, assuming no early lease terminations, is as follows (in thousands):

	In-Place Leases	Above Market Leases	Below Market Leases
Year Ending December 31,			
2021	$ 4,215	$ 28	$ 3,035
2022	3,560	28	2,467
2023	3,341	26	2,232
2024	3,156	24	1,932
2025	2,918	15	1,564
Thereafter	9,017	—	10,228
	$ 26,207	$ 121	$ 21,458

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. Financial assets and liabilities whose fair values we measure on a recurring basis using Level 2 inputs consist of our deferred compensation liability and interest rate swap liability. We measure the fair values of these liabilities based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques provided by third parties using proprietary valuation models and analytical tools as of December 31, 2020 and 2019. These valuation models and analytical tools use market pricing or similar instruments that are both objective and publicly available, including matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and/or offers.

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

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Deferred compensation liability	$ —	$ 2,059	$ —	$ 2,059	$ —	$ 1,669	$ —	$ 1,669
Interest rate swap asset	$ —	$ —	$ —	$ —	$ —	$ 434	$ —	$ 434
Interest rate swap liability	$ —	$ 4,531	$ —	$ 4,531	$ —	$ 1,317	$ —	$ 1,317

The fair value of our secured notes payable and unsecured notes payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable, using rates ranging from 2.4% to 3.1%.

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

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable	$ 110,923	$ 114,074	$ 161,879	$ 166,885
Unsecured term loan	$ 249,233	$ 250,000	$ 248,864	$ 250,000
Unsecured senior guaranteed notes	$ 947,444	$ 1,017,378	$ 946,916	$ 975,291
Unsecured line of credit	$ 99,151	$ 100,000	$ —	$ —

NOTE 5. OTHER ASSETS

Other assets consist of the following (in thousands):

	December 31, 2020	December 31, 2019
Leasing commissions, net of accumulated amortization of $35,167 and $30,775, respectively	$ 38,173	$ 42,539
Interest rate swap asset	—	434
Acquired above market leases, net	121	183
Acquired in-place leases, net	26,207	31,224
Lease incentives, net of accumulated amortization of $802 and $565, respectively	994	2,603
Other intangible assets, net of accumulated amortization of $1,213 and $1,031, respectively	2,565	2,893
Debt issuance costs, net of accumulated amortization of $0 and $814, respectively	—	1,256
Right-of-use lease asset, net	29,350	4,863
Prepaid expenses, deposits and other	8,702	7,225
Total other assets	$ 106,112	$ 93,220

Lease incentives are amortized over the term of the related lease and included as a reduction of rental income in the statement of income.

NOTE 6. OTHER LIABILITIES AND DEFERRED CREDITS

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

	December 31, 2020	December 31, 2019
Acquired below market leases, net	$ 21,458	$ 25,452
Prepaid rent and deferred revenue	14,518	16,969
Interest rate swap liability	4,531	1,317
Straight-line rent liability	18,049	16,903
Deferred rent expense and lease intangible	16	28
Deferred compensation	2,059	1,669
Deferred tax liability	570	332
Lease liability	30,060	5,380
Other liabilities	39	60
Total other liabilities and deferred credits, net	$ 91,300	$ 68,110

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

NOTE 7. DEBT

Debt of American Assets Trust, Inc.

American Assets Trust, Inc. does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, American Assets Trust, Inc. has guaranteed the Operating Partnership's Second Amended and Restated Credit Facility, term loan and carve-out guarantees on property-level debt.

Debt of American Assets Trust, L.P.

Secured notes payable

The following is a summary of the Operating Partnership's total secured notes payable outstanding as of December 31, 2020 and December 31, 2019 (in thousands):

	Principal Balance as of		Stated Interest Rate	
Description of Debt	**December 31, 2020**	**December 31, 2019**	**as of December 31, 2020**	**Stated Maturity Date**
Torrey Reserve—VCI, VCII, VCIII [(1)(2)]	—	6,498	6.36 %	June 1, 2020
Solana Beach Corporate Centre I-II [(1)(2)]	—	10,270	5.91 %	June 1, 2020
Solana Beach Towne Centre [(1)(2)]	—	34,235	5.91 %	June 1, 2020
City Center Bellevue [(3)]	111,000	111,000	3.98 %	November 1, 2022
	111,000	162,003		
Debt issuance costs, net of accumulated amortization of $345 and $449, respectively	(77)	(124)		
Total Secured Notes Payable	$ 110,923	$ 161,879		

(1) Loan repaid in full, without premium or penalty, on March 2, 2020.
(2) Principal payments based on a 30-year amortization schedule.
(3) Interest only.

Certain loans require us to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2020, we were in compliance with all loan covenants.

Unsecured notes payable

The following is a summary of the Operating Partnership's total unsecured notes payable outstanding as of December 31, 2020 and December 31, 2019 (in thousands):

Description of Debt	Principal Balance as of December 31, 2020	Principal Balance as of December 31, 2019	Stated Interest Rate as of December 31, 2020	Stated Maturity Date
Term Loan A	$ 100,000	$ 100,000	Variable [1]	January 9, 2022
Senior Guaranteed Notes, Series A	150,000	150,000	4.04 % [2]	October 31, 2021
Term Loan B	100,000	100,000	Variable [3]	March 1, 2023
Term Loan C	50,000	50,000	Variable [4]	March 1, 2023
Senior Guaranteed Notes, Series F	100,000	100,000	3.78 % [5]	July 19, 2024
Senior Guaranteed Notes, Series B	100,000	100,000	4.45 %	February 2, 2025
Senior Guaranteed Notes, Series C	100,000	100,000	4.50 %	April 1, 2025
Senior Guaranteed Notes, Series D	250,000	250,000	4.29 % [6]	March 1, 2027
Senior Guaranteed Notes, Series E	100,000	100,000	4.24 % [7]	May 23, 2029
Senior Guaranteed Notes, Series G	150,000	150,000	3.91 % [8]	July 30, 2030
	1,200,000	1,200,000		
Debt issuance costs, net of accumulated amortization of $8,856 and $7,835, respectively	(3,323)	(4,220)		
Total Unsecured Notes Payable	**$ 1,196,677**	**$ 1,195,780**		

(1) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan A at approximately 4.13% through its January 9, 2021, subject to adjustments based on our consolidated leverage ratio. Subsequent to January 9, 2021, the interest rate associated with Term Loan A will be variable as described below.

(2) The company entered into a one month forward-starting seven years swap contract on August 19, 2014, which was settled on September 19, 2014 at a gain of approximately $1.6 million (see Note 8). The forward-starting seven-year swap contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.88% per annum. On January 26, 2021, we prepaid the entirety of the Senior Guaranteed Notes, Series A with make-whole premium thereon.

(3) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan B at approximately 3.15% through its maturity date, subject to adjustments based on our consolidated leverage ratio. Effective March 1, 2018, the effective interest rate associated with Term Loan B is approximately 2.75%, subject to adjustments based on our consolidated leverage ratio.

(4) The Operating Partnership has entered into an interest rate swap agreement that is intended to fix the interest rate associated with Term Loan C at approximately 3.14% through its maturity date, subject to adjustments based on our consolidated leverage ratio. Effective March 1, 2018, the effective interest rate associated with Term Loan C is approximately 2.74%, subject to adjustments based on our consolidated leverage ratio.

(5) The Operating Partnership entered into a treasury lock contract on May 31, 2017, which was settled on June 23, 2017 at a loss of approximately $0.5 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.85% per annum.

(6) The Operating Partnership entered into forward-starting interest rate swap contracts on March 29, 2016 and April 7, 2016, which were settled on January 18, 2017 at a gain of approximately $10.4 million. The forward-starting interest swap rate contracts were deemed to be highly effective cash flow hedges, accordingly, the effective interest rate is approximately 3.87% per annum.

(7) The Operating Partnership entered into a treasury lock contract on April 25, 2017, which was settled on May 11, 2017 at a gain of approximately $0.7 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 4.18% per annum.

(8) The Operating Partnership entered into a treasury lock contract on June 20, 2019, which was settled on July 17, 2019 at a gain of approximately $0.5 million. The treasury lock contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.88% per annum.

On March 1, 2016, the Operating Partnership entered into a Term Loan Agreement with each lender from time to time party thereto, and U.S. Bank National Association, as Administrative Agent (as amended, the “Term Loan Agreement”). The Term Loan Agreement provides for a new, seven years unsecured term loan to the Operating Partnership of $100 million that matures on March 1, 2023 (“Term Loan B”). Concurrent with the closing of the Term Loan Agreement, the Operating Partnership drew down the entirety of Term Loan B.

On May 2, 2016, the Operating Partnership entered into a Joinder and First Amendment to the Term Loan Agreement to provide for a new lender to fund an incremental term loan. The Joinder and First Amendment provides for a new, seven years unsecured term loan to the Operating Partnership of $50 million that matures on March 1, 2023 ("Term Loan C"). Term Loan

C has the same borrowing terms as the Term Loan Agreement noted below. Concurrent with the closing of the Joinder and First Amendment, the Operating Partnership drew down the entirety of Term Loan C.

Borrowings under the Term Loan Agreement with respect to Term Loan B and Term Loan C bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from 1.70% to 2.35% based on our consolidated leverage ratio, or (2) a base rate equal to the highest of (a) 0%, (b) the prime rate, (c) the federal funds rate plus 50 bps or (d) the Eurodollar rate plus 100 bps, in each case plus a spread which ranges from 0.70% to 1.35% based on our consolidated leverage ratio. The company entered into interest rate swap agreements intended to fix the interest rates associated with Term Loan B and Term Loan C at approximately 3.15% and 3.14%, respectively, through the maturity dates, subject to adjustments based on our consolidated leverage ratio.

The Term Loan Agreement contains a number of customary financial covenants, including, without limitation, tangible net worth thresholds, secured and unsecured leverage ratios and fixed charge coverage ratios. Subject to the terms of the Term Loan Agreement, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal or interest under Term Loan B or Term Loan C, and (ii) a default in the payment of certain other indebtedness of the Operating Partnership, the company or their subsidiaries, the principal and accrued and unpaid interest and prepayment penalties on the outstanding Term Loan B or Term Loan C will become due and payable at the option of the lenders.

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

On October 31, 2014, the Operating Partnership entered into a note purchase agreement (the "Note Purchase Agreement") with a group of institutional purchasers that provided for the private placement of an aggregate of $350 million of senior guaranteed notes, of which (i) $150 million are designated as 4.04% Senior Guaranteed Notes, Series A, due October 31, 2021 (the “Series A Notes”), (ii) $100 million are designated as 4.45% Senior Guaranteed Notes, Series B, due February 2, 2025 (the “Series B Notes”) and (iii) $100 million are designated as 4.50% Senior Guaranteed Notes, Series C, due April 1, 2025 (the “Series C Notes”). The Series A Notes were issued on October 31, 2014, the Series B Notes were issued on February 2, 2015 and the Series C Notes were issued on April 2, 2015. The Series A Notes, the Series B Notes and the Series C Notes will pay interest quarterly on the last day of January, April, July and October until their respective maturities. On January 26, 2021, we repaid the entirety of the $150.0 million Series A Notes with a make-whole payment (as defined in the Note Purchase Agreement) of approximately $3.9 million.

On March 1, 2017, the Operating Partnership entered into a Note Purchase Agreement for the private placement of $250 million of 4.29% Senior Guaranteed Notes, Series D, due March 1, 2027 (the "Series D Notes"). The Series D Notes were issued on March 1, 2017 and will pay interest quarterly on the last day of January, April, July and October until their respective maturities.

On May 23, 2017, the Operating Partnership entered into a Note Purchase Agreement for the private placement of $100 million of 4.24% Senior Guaranteed Notes, Series E, due May 23, 2029 (the "Series E Notes"). The Series E Notes were issued on May 23, 2017 and will pay interest semi-annually on the 23rd of May and November until their respective maturities.

On July 19, 2017, the Operating Partnership entered into a Note Purchase Agreement for the private placement of $100 million of 3.78% Senior Guaranteed Notes, Series F, due July 19, 2024 (the "Series F Notes"). The Series F Notes were issued on July 19, 2017 and will pay interest semi-annually on the 31st of January and July until their respective maturities.

On July 30, 2019, the Operating Partnership entered into a Note Purchase Agreement for the private placement of $150 million of 3.91% Senior Guaranteed Notes, Series G, due July 30, 2030 (the "Series G Notes" and collectively with the Series A

Notes, Series B Notes, Series C Notes, Series D Notes, Series E Notes, and Series G Notes are referred to herein as, the “Notes".) The Series G Notes were issued on July 30, 2019 and will pay interest semi-annually on the 30th of July and January until their maturity.

The Operating Partnership may prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 5% of the aggregate principal amount of any series of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid plus a Make-Whole Amount.

The Note Purchase Agreements contain a number of customary financial covenants, including, without limitation, tangible net worth thresholds, secured and unsecured leverage ratios and fixed charge coverage ratios. Subject to the terms of the Note Purchase Agreement and the Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, Make-Whole Amount or interest under the Notes, and (ii) a default in the payment of certain other indebtedness by us or our subsidiaries, the principal, accrued and unpaid interest, and the Make-Whole Amount on the outstanding Notes will become due and payable at the option of the purchasers.

The Operating Partnership's obligations under the Notes are fully and unconditionally guaranteed by the Operating Partnership and certain of the Operating Partnership's subsidiaries.

Certain loans require the Operating Partnership to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2020, the Operating Partnership was in compliance with all loan covenants.

Scheduled principal payments on secured and unsecured notes payable as of December 31, 2020 are as follows (in thousands):

2021	$	150,000
2022		211,000
2023		150,000
2024		100,000
2025		200,000
Thereafter		500,000
	$	1,311,000

Credit Facility

On January 9, 2014, the company and the Operating Partnership entered into an amended and restated credit agreement (the "Prior Credit Facility"), or the amended and restated credit facility, which amended and restated the then in-place credit facility. The amended and restated credit facility provides for aggregate, unsecured borrowing of $350 million, consisting of a revolving line of credit of $250 million (the "Prior Revolver Loan") and a term loan of $100 million (the "Term Loan A"). The Prior Credit Facility had an accordion feature that allowed the Operating Partnership to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders.

On October 16, 2014, we entered into a first amendment to the Prior Credit Agreement that amended provisions of the Prior Credit Agreement to, among other things, (1) describe the treatment of our pari passu obligations under the amended and restated credit agreement and (2) remove the material acquisition provisions previously set forth in the Prior Credit Agreement.

Borrowings under the Prior Credit Facility initially bore interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from (a) 1.35%-1.95% (with respect to the Prior Revolver Loan) and (b) 1.30% to 1.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) the Eurodollar rate plus 100 bps, plus a spread which ranges from (i) 0.35%-0.95% (with respect to the Prior Revolver Loan) and (ii) 0.30% to 0.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio. The foregoing rates were more favorable than previously contained in the credit agreement in place as of December 31, 2013. If American Assets Trust, Inc. obtained an investment grade debt rating, under the terms set forth in the Prior Credit Facility, the spreads would further improve.

The Prior Revolver Loan initially matured on January 9, 2018, subject to the Operating Partnership's option to extend the Prior Revolver Loan up to two times, with each such extension for a six months period. The Term Loan initially matured on January 9, 2016, subject to our option to extend the Term Loan A up to three times, with each such extension for a 12-month period. The foregoing extension options were exercisable by us subject to the satisfaction of certain conditions. Effective as of January 8, 2018, the Operating Partnership exercised the third of three options to extend the maturity date of Term Loan A to January 9, 2019.

Concurrent with the closing of the Prior Credit Facility, the Operating Partnership drew down on the entirety of the $100 million Term Loan, which remains outstanding and is included in unsecured notes payable as discussed above.

Additionally, the Prior Credit Facility included a number of financial covenants, including:

- A maximum leverage ratio (defined as total indebtedness net of certain cash and cash equivalents to total asset value) of 60%,
- A maximum secured leverage ratio (defined as total secured debt to secured total asset value) of 40%,
- A minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.50x,
- A minimum unsecured interest coverage ratio of 1.75x,
- A maximum unsecured leverage ratio of 60%,
- A minimum tangible net worth of $721.16 million, and 75% of the net proceeds of any additional equity issuances (other than additional equity issuances in connection with any dividend reinvestment program), and
- Recourse indebtedness at any time cannot exceed 15% of total asset value.

The Prior Credit Facility provided that American Assets Trust, Inc.'s annual distributions may not exceed the greater of (1) 95% of our funds from operations (“FFO”) or (2) the amount required for us to (a) qualify and maintain our REIT status and (b) avoid the payment of federal or state income or excise tax. If certain events of default exist or would result from a distribution, we may be precluded from making distributions other than those necessary to qualify and maintain our status as a REIT.

American Assets Trust, Inc. and certain of its subsidiaries guaranteed the obligations under the Prior Credit Agreement, and certain of its subsidiaries pledged specified equity interests in our subsidiaries as collateral for our obligations under the Prior Credit Facility.

On January 9, 2018, we entered into a second amended and restated credit agreement (the "Second Amended and Restated Credit Facility"), which amended and restated the Prior Credit Agreement. The Second Amended and Restated Credit Facility provides for aggregate, unsecured borrowing of $450 million, consisting of a revolving line of credit of $350 million (the "Revolver Loan") and a term loan of $100 million (the "Term Loan A"). The Second Amended and Restated Credit Facility has an accordion feature that may allow us to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders. At December 31, 2020, there was $100 million outstanding balance under the Revolver Loan and we had incurred approximately $0.8 million of debt issuance costs, net, which are recorded in other assets, net on the consolidated balance sheet.

Borrowings under the Second Amended and Restated Credit Facility initially bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from (a) 1.05% to 1.50% (with respect to the Revolver Loan) and (b) 1.30% to 1.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) LIBOR plus 100 bps, plus a spread which ranges from (i) 0.10% to 0.50% (with respect to the Revolver Loan) and (ii) 0.30% to 0.90% (with respect to Term Loan A), in each case based on our consolidated leverage ratio. The foregoing rates are more favorable than previously contained in the Prior Credit Facility in place as of December 31, 2017. For the year-ended December 31, 2020, the weighted average interest rate on the Revolver Loan was 1.32%.

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

On January 9, 2019, we entered into the first amendment (“First Amendment”) to the Second Amended and Restated Credit Facility, which extended the maturity date of Term Loan A to January 9, 2021, subject to three, one year extension options. On October 16, 2020, we exercised an option to extend the maturity date of Term Loan A to January 9, 2022. Additionally, in connection with the First Amendment, borrowings under the Second Amended and Restated Credit Facility with respect to Term Loan bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from 1.20% to 1.70% based on our consolidated total leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) the Eurodollar rate plus 100 bps, in each case plus a spread which ranges from 0.20% to 0.70% based on our consolidated total leverage ratio. The foregoing rates are more favorable than previously contained in the Second Amended and Restated Credit Facility (prior to entry into the First Amendment) with respect to Term Loan A.

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

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

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

As of December 31, 2020, the Operating Partnership was in compliance with all then in-place Second Amended and Restated Credit Facility covenants.

NOTE 8. DERIVATIVE AND HEDGING ACTIVITIES

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

Concurrent with the closing of our second amended and restated credit facility, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with our term loan of $100 million at approximately 4.13% through its original maturity date, subject to adjustments based on our consolidated leverage ratio.

On January 29, 2016, we entered into a forward-starting interest rate swap contract with U.S. Bank National Association to reduce the interest rate variability exposure of the projected interest cash flows of our then prospective $100 million seven-year term loan. The forward-starting seven years swap contract had a notional amount of $100 million, a termination date of March 1, 2023, a fixed pay rate of 1.4485%, and a receive rate equal to the one-month LIBOR, with fixed rate payments due monthly commencing April 1, 2016, floating payments due monthly commencing April 1, 2016, and floating reset dates two days prior to the first day of each calculation period. The forward-starting seven-year swap contract accrual period, March 1, 2016 to March 1, 2023, was designed to match the expected tenor of our then prospective $100 million seven years term loan, which successfully closed on March 1, 2016.

On March 23, 2016, we entered into a forward-starting interest rate swap contract with Wells Fargo Bank, National Association to reduce the interest rate variability exposure of the projected interest cash flows of our then prospective incremental $50 million seven-year term loan. The forward-starting seven years swap contract had a notional amount of $50 million, a termination date of March 1, 2023, a fixed pay rate of 1.4410%, and a receive rate equal to the one-month LIBOR, with fixed rate payments due monthly commencing June 1, 2016, floating payments due monthly commencing June 1, 2016, and floating reset dates two days prior to the first day of each calculation period. The forward-starting seven-year swap contract accrual period, May 2, 2016 to March 1, 2023, was designed to match the expected tenor of our then prospective incremental $50 million seven years term loan, which successfully closed on May 2, 2016.

On March 29, 2016, we entered into a forward-starting interest rate swap contract with Wells Fargo Bank, National Association to reduce the interest rate variability exposure of the projected interest cash flows of our prospective new ten-year debt offering (private placement, investment grade bonds, term loan or otherwise) (anticipated to close on or before March 31, 2017). The forward-starting ten years swap contract had a notional amount of $150 million, a termination date of March 31, 2027, a fixed pay rate of 1.8800%, and a receive rate equal to the three-month LIBOR, with fixed rate payments due semi-annually commencing September 29, 2017, floating payments due semi-annually commencing September 29, 2017, and floating reset dates the first day of each quarterly period. The forward-starting ten-year swap contract accrual period, March 31, 2017 to March 31, 2027, was designed to match the expected tenor of our prospective new ten years debt offering (private placement, investment grade bonds, term loan or otherwise).

On April 7, 2016, we entered into a forward-starting interest rate swap contract with Wells Fargo Bank, National Association to reduce the interest rate variability exposure of the projected interest cash flows of our prospective new ten-year debt offering (private placement, investment grade bonds, term loan or otherwise) (anticipated to close on or before March 31, 2017). The forward-starting ten years swap contract had a notional amount of $100 million, a termination date of March 31, 2027, a fixed pay rate of 1.7480%, and a receive rate equal to the three-month LIBOR, with fixed rate payments due semi-annually commencing September 29, 2017, floating payments due semi-annually commencing September 29, 2017, and floating reset dates the first day of each quarterly period. The forward-starting ten-year swap contract accrual period, March 31, 2017 to March 31, 2027, was designed to match the expected tenor of our prospective new ten years debt offering (private placement, investment grade bonds, term loan or otherwise).

On January 18, 2017, we settled the March 29, 2016 $150 million and April 7, 2016 $100 million ten-year forward-starting interest rate swaps resulting in an aggregate gain of approximately $10.4 million. This gain is included in accumulated other comprehensive income and will be amortized to interest expense over the life of the Series D Notes. The forward-starting interest rate swap contracts have been deemed to be highly effective cash flow hedges and we elected to designate all the forward-starting swap contracts as accounting hedges.

On April 25, 2017, we entered into a treasury lock contract (the "April 2017 Treasury Lock") with Bank of America, National Association, to reduce the interest rate variability exposure of the projected interest cash flows of our then prospective new twelve years private placement. The April 2017 Treasury Lock had a notional amount of $100 million, termination date of May 18, 2017, a fixed pay rate of 2.313%, and a receive rate equal to the ten years treasury rate on the settlement date.

On May 11, 2017, we settled the April 2017 Treasury Lock, resulting in a gain of approximately $0.7 million. This gain is included in accumulated other comprehensive income and will be amortized to interest expense over ten years. The April 2017 Treasury Lock has been deemed to be a highly effective cash flow hedge and we elected to designate the April 2017 Treasury Lock as an accounting hedge.

On May 31, 2017, we entered into a treasury lock contract (the "May 2017 Treasury Lock") with Bank of America, National Association, to reduce the interest rate variability exposure of the projected interest cash flows of our then prospective new seven years private placement. The May 2017 Treasury Lock had a notional amount of $100 million, termination date of July 26, 2017, a fixed pay rate of 2.064%, and a receive rate equal to the seven years treasury rate on the settlement date.

On June 23, 2017, we settled the May 2017 Treasury Lock, resulting in a loss of approximately $0.5 million. This loss is included in accumulated other comprehensive income and will be amortized to interest expense over seven years. The May 2017 Treasury Lock has been deemed to be a highly effective cash flow hedge and we elected to designate the May 2017 Treasury Lock as an accounting hedge.

On November 26, 2018, we entered into an interest rate swap agreement with Bank of America, National Association, to fix the interest rate associated with Term Loan A associated with our then prospective First Amendment at approximately 4.13% through its maturity date of January 9, 2021, subject to adjustments based on our consolidated leverage ratio.

On June 20, 2019, we entered into a treasury lock contract (the "June 2019 Treasury Lock") with Wells Fargo Bank, N.A., to reduce the interest rate variability exposure of the projected interest cash flows of our then prospective eleven-year private placement. The treasury lock contract has a notional amount of $100 million, termination date of July 31, 2019, a fixed pay rate of 1.9925%, and a receive rate equal to the ten years treasury rate on the settlement date.

On July 17, 2019, we settled the June 2019 Treasury Lock, resulting in a gain of approximately $0.5 million, which is included in accumulated other comprehensive income and will be amortized to interest expense over ten years. The treasury lock contract has been deemed to be a highly effective cash flow hedge and we elected to designate the treasury lock contract as an accounting hedge.

The forward-starting interest rate swap contracts have been deemed to be highly effective cash flow hedges and we elected to designate all the forward-starting swap contracts as accounting hedges.

On August 11, 2020, we entered into a treasury lock contract (the "August 2020 Treasury Lock") with Wells Fargo Bank, N.A., to reduce the interest rate variability exposure of the projected interest cash flows of a then prospective future financing. The treasury lock contract had a notional amount of $200 million, termination date of November 12, 2020, a fixed pay rate of 0.7115%, and a receive rate equal to the ten years treasury rate on the settlement date.

We determined that there was no compelling reason from a capital requirement perspective to move forward with the prospective financing at prevailing rates and, as a result, on October 1, 2020, we settled the August 2020 Treasury Lock, resulting in no gain or loss.

The following is a summary of the terms of the interest rate swaps as of December 31, 2020 (dollars in thousands):

Swap Counterparty	Notional Amount		Effective Date	Maturity Date	Fair Value	
Bank of America, N.A.	$	100,000	1/9/2019	1/9/2021	$	(85)
U.S. Bank N.A.	$	100,000	3/1/2016	3/1/2023	$	(2,972)
Wells Fargo Bank, N.A.	$	50,000	5/2/2016	3/1/2023	$	(1,474)

The effective portion of changes in the fair value of the derivatives that are designated as cash flow hedges are being recorded as accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. During the next twelve months, we estimate that $1.3 million will be reclassified as a decrease to interest expense.

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

NOTE 9. PARTNERS' CAPITAL OF AMERICAN ASSETS TRUST, L.P.

As of December 31, 2020, the Operating Partnership had 16,181,537 common units (the “Noncontrolling Common Units”) outstanding. American Assets Trust, Inc. owned 78.8% of the Operating Partnership at December 31, 2020. The remaining 21.3% of the partnership interests are owned by non-affiliated investors and certain of our directors and executive officers. Common units and shares of the company's common stock have essentially the same economic characteristics in that common units and shares of the company's common stock share equally in the total net income or loss distributions of the Operating Partnership.

American Assets Trust, Inc. is the Operating Partnership’s general partner and is responsible for the management of the Operating Partnership’s business. As the general partner of the Operating Partnership, the company effectively controls the ability to issue common stock of American Assets Trust, Inc. upon a limited partner’s notice of redemption. Investors who own common units have the right to cause the Operating Partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of the company's common stock, or, at the company's election, shares of the company's common stock on a one-for-one basis. In addition, American Assets Trust, Inc. has generally acquired common units upon a limited partner’s notice of redemption in exchange for shares of the company's common stock. The redemption provisions of common units owned by limited partners that permit the Operating Partnership to settle in either cash or common stock at the option of the company are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that these common units meet the requirements to qualify for presentation as permanent equity.

During the years ended December 31, 2020, 2019 and 2018, approximately 209,011, 787,060 and 17,372, respectively, common units were converted into shares of the company's common stock.

NOTE 10. EQUITY OF AMERICAN ASSETS TRUST, INC.

Stockholders' Equity

On May 6, 2013, we entered into an at-the-market (“ATM”) equity program with four sales agents pursuant to which we may, from time to time, offer and sell shares of our common stock having an aggregate offering price of up to $150.0 million. We completed $150.0 million of issuances under such ATM program on May 21, 2015. On May 27, 2015, we entered into a new ATM equity program with five sales agents under which we may, from time to time, offer and sell shares of our common stock having an aggregate offering price of up to $250.0 million. The sales of shares of our common stock made through the ATM equity program are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended. For the year ended December 31, 2020, no shares of common stock were sold through the ATM equity program.

We intend to use the net proceeds from the ATM equity program to fund our development or redevelopment activities, repay amounts outstanding from time to time under our revolving line of credit or other debt financing obligations, fund potential acquisition opportunities and/or for general corporate purposes. As of December 31, 2020, we had the capacity to issue up to an additional $132.6 million in shares of our common stock under our ATM equity program. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of our common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under the active ATM equity program.

In June 2019, we issued and sold 10,925,000 shares of common stock in an underwritten public offering. The shares of common stock that we issued and sold included the full exercise of the underwriters' option to purchase 1,425,000 additional shares. We received net proceeds of approximately $472.6 million, after deducting underwriting discounts, commissions and offering expenses.

Preferred Stock Authorized Shares

We have been authorized to issue 10,000,000 shares of preferred stock with a par value of $0.01, of which no shares were outstanding at December 31, 2020. Upon issuance, our board of directors has the ability to define the terms of the preferred shares, including voting rights, liquidation preferences, conversion and redemption provisions and dividend rates.

Dividends

The following table lists the dividends declared and paid on our shares of common stock and Noncontrolling Common Units for the years ended December 31, 2020, 2019 and 2018:

Period	Amount per Share/Unit	Period Covered	Dividend Paid Date
First Quarter 2018	$ 0.27	January 1, 2018 to March 31, 2018	March 19, 2018
Second Quarter 2018	$ 0.27	April 1, 2018 to June 30, 2018	June 28, 2018
Third Quarter 2018	$ 0.27	July 1, 2018 to September 30, 2018	September 27, 2018
Fourth Quarter 2018	$ 0.28	October 1, 2018 to December 31, 2018	December 27, 2018
First Quarter 2019	$ 0.28	January 1, 2019 to March 31, 2019	March 28, 2019
Second Quarter 2019	$ 0.28	April 1, 2019 to June 30, 2019	June 27, 2019
Third Quarter 2019	$ 0.28	July 1, 2019 to September 30, 2019	September 26, 2019
Fourth Quarter 2019	$ 0.30	October 1, 2019 to December 31, 2019	December 26, 2019
First Quarter 2020	$ 0.30	January 1, 2020 to March 31, 2020	March 26, 2020
Second Quarter 2020	$ 0.20	April 1, 2020 to June 30, 2020	June 25, 2020
Third Quarter 2020	$ 0.25	July 1, 2020 to September 30, 2020	September 24, 2020
Fourth Quarter 2020	$ 0.25	October 1, 2020 to December 31, 2020	December 24, 2020

Taxability of Dividends

Earnings and profits, which determine the taxability of distributions to stockholders and holders of common units, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of loss on extinguishment of debt, revenue recognition and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation. A summary of the income tax status of dividends per share paid is as follows:

	Year Ended December 31,					
	2020		2019		2018	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	$ 0.66	66.0 %	$ 1.09	95.6 %	$ 1.05	96.3 %
Capital gain	—	— %	—	— %	—	— %
Return of capital	0.34	34.0 %	0.05	4.4 %	0.04	3.7 %
Total	$ 1.00	100.0 %	$ 1.14	100.0 %	$ 1.09	100.0 %

Stock-Based Compensation

The company has established the 2011 Equity Incentive Award Plan (the "2011 Plan"), which provides for grants to directors, employees and consultants of the company and the Operating Partnership of stock options, restricted stock, dividend equivalents, stock payments, performance shares, LTIP units, stock appreciation rights and other incentive awards. In June 2020, at the annual shareholder meeting, the shareholders approved the Amended and Restated 2011 Equity Incentive Award Plan ("Amended and Restated 2011 Plan"). An aggregate of 4,054,411 shares of our common stock are authorized for issuance under awards granted pursuant to the Amended and Restated 2011 Plan, and as of December 31, 2020, 2,477,277 shares of common stock remain available for future issuance.

The following shares of restricted common stock have been issued as of December 31, 2020:

Grant	Fair Value at Grant Date	Number
June 12, 2018 (1)	$37.58	5,320
December 6, 2018 (2)	$25.68 - $28.18	199,790
June 11, 2019 (1)	$45.35	4,412
December 9, 2019 (3)	$28.06 - $30.97	168,596
June 9, 2020 (1)	$33.29	6,008
December 4, 2020 (4)	$19.02 - $20.83	311,566

(1) Restricted common stock issued to members of the company's non-employee directors. These awards of restricted stock will vest subject to the director's continued service on the Board of Directors on the earlier of (i) the one year anniversary of the date of grant or (ii) the date of the next annual meeting of our stockholders, if such non-employee director continues his or her service on the Board of Directors until the next annual meeting of stockholders, but not thereafter, pursuant to our independent director compensation policy.

(2) Restricted common stock issued to certain of the company's senior management and other employees, which are subject to quantitative and qualitative performance criteria based vesting. Up to one-third of the shares of restricted stock may vest based on such performance criteria determined as of November 30, 2019, 2020 and 2021, subject to the employee's continued employment on those dates.

(3) Restricted common stock issued to certain of the company's senior management and other employees, which are subject to quantitative and qualitative performance criteria based vesting. Up to one-third of the shares of restricted stock may vest based on such performance criteria determined as of November 30, 2020, 2021 and 2022, subject to the employee's continued employment on those dates.

(4) Restricted common stock issued to certain of the company's senior management and other employees, which are subject to quantitative and qualitative performance criteria based vesting. Up to one-third of the shares of restricted stock may vest based on such performance criteria determined as of November 30, 2021, 2022 and 2023, subject to the employee's continued employment on those dates.

For the performance-based stock awards, the fair value of the awards was estimated using a Monte Carlo Simulation model. Our stock price, along with the stock prices of the group of peer REITs, is assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion is a common assumption when modeling in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value and take any value greater than zero. The volatilities of the returns on the stock price of the company and the group REITs were estimated based on a three year look-back period. The expected growth rate of the stock prices over the “derived service period” of the employee is determined with consideration of the risk free rate as of the grant date. For the restricted stock grants that are time-vesting, we estimate the stock compensation expense based on the fair value of the stock at the grant date.

The following table summarizes the activity of non-vested restricted stock awards during the year ended December 31, 2020:

	2020	
	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	345,156	$ 28.75
Granted	317,574	20.20
Vested	(75,687)	28.46
Forfeited	(95,086)	27.49
Balance at end of year	491,957	$ 23.53

We recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized $6.3 million, $4.5 million and $3.0 million in noncash compensation expense for the years ended December 31, 2020, 2019 and 2018, respectively, each of which is included in general and administrative expense on the statement of income. Unrecognized compensation expense was $8.4 million at December 31, 2020, which will be recognized over a weighted-average period of 1.6 years.

Earnings Per Share

We have calculated earnings per share ("EPS") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating security is calculated according to dividends declared and participation rights in undistributed earnings. For the years ended December 31, 2020, 2019 and 2018, we had a weighted average of approximately 357,048 shares, 330,197 shares and 271,905 unvested shares outstanding, respectively, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares.

Diluted EPS is calculated by dividing the net income attributable to common stockholders for the period by the weighted average number of common and dilutive instruments outstanding during the period using the treasury stock method. For the year ended December 31, 2020, diluted shares exclude incentive restricted stock as these awards are considered contingently issuable. Additionally, the unvested restricted stock awards subject to time vesting are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

Earnings Per Unit of the Operating Partnership

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

The calculation of diluted earnings per unit for the year ended December 31, 2020, 2019 and 2018 does not include 357,048, 330,197, and 271,905 unvested weighted average Operating Partnership units, respectively, as these equity securities are either considered contingently issuable or the effect of including these equity securities was anti-dilutive.

The computation of basic and diluted EPS for American Assets Trust, Inc. is presented below (dollars in thousands, except share and per share amounts):

	Year Ended December 31, 2020	2019	2018
NUMERATOR			
Net income	$ 35,588	$ 60,188	$ 27,202
Less: Net income attributable to restricted shares	(383)	(381)	(311)
Less: Income attributable to unitholders in the Operating Partnership	(7,545)	(14,089)	(7,205)
Net income attributable to common stockholders—basic	$ 27,660	$ 45,718	$ 19,686
Income attributable to American Assets Trust, Inc. common stockholders—basic	$ 27,660	$ 45,718	$ 19,686
Plus: Income attributable to unitholders in the Operating Partnership	7,545	14,089	7,205
Net income attributable to common stockholders—diluted	$ 35,205	$ 59,807	$ 26,891
DENOMINATOR			
Weighted average common shares outstanding—basic	59,806,309	54,110,949	46,950,812
Effect of dilutive securities—conversion of Operating Partnership units	16,313,454	16,675,183	17,185,747
Weighted average common shares outstanding—diluted	76,119,763	70,786,132	64,136,559
Earnings per common share, basic	$ 0.46	$ 0.84	$ 0.42
Earnings per common share, diluted	$ 0.46	$ 0.84	$ 0.42

NOTE 11. INCOME TAXES

We elected to be taxed as a REIT and operate in a manner that allows us to qualify as a REIT, for federal income tax purposes commencing with our taxable year ending December 31, 2011. As a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. Taxable income from non-REIT activities managed through our TRS is subject to federal and state income taxes.

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

A deferred tax liability is included in our consolidated balance sheets of $0.6 million and $0.3 million as of December 31, 2020 and 2019, respectively, in relation to real estate asset basis differences and prepaid expenses for our TRS.

The income tax provision included in other income (expense) on the consolidated statement of income is as follows (in thousands):

	Year Ended December 31, 2020	2019	2018
Current:			
Federal	$ (542)	$ 48	$ 60
State	412	625	465
Deferred:			
Federal	$ (80)	$ 237	$ (6)
State	201	(91)	(192)
Provision for income taxes (benefit)	$ (9)	$ 819	$ 327

NOTE 12. COMMITMENTS AND CONTINGENCIES

Legal

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

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

Commitments

See Footnote 13 for description of our leases, as a lessee.

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

A wholly owned subsidiary of our Operating Partnership, WBW Hotel Lessee LLC, entered into a franchise license agreement with Embassy Suites Franchise LLC, the franchisor of the brand “Embassy Suites™,” to obtain the non-exclusive right to operate the hotel under the Embassy Suites brand for 20 years. The franchise license agreement provides that WBW Hotel Lessee LLC must comply with certain management, operational, record keeping, accounting, reporting and marketing standards and procedures. In connection with this agreement, we are also subject to the terms of a product improvement plan pursuant to which we expect to undertake certain actions to ensure that our hotel's infrastructure is maintained in compliance with the franchisor's brand standards. In addition, we must pay to Embassy Suites Franchise LLC a monthly franchise royalty fee equal to 4.0% of the hotel's gross room revenue through December 2021 and 5.0% of the hotel's gross room revenue thereafter, as well as a monthly program fee equal to 4.0% of the hotel's gross room revenue. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we may be liable to the franchisor for a termination payment, which could be as high as $5.5 million based on operating performance through December 31, 2020.

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

As of December 31, 2020, the company accrued approximately $6.6 million for transfer taxes in connection with its Offering. The company believes that it has filed all necessary forms with the requisite taxing authorities.

Concentrations of Credit Risk

Our properties are located in Southern California, Northern California, Hawaii, Oregon, Texas and Washington. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate. Fifteen of our consolidated properties, representing 45.1% of our total revenue for the year ended December 31, 2020, are located in Southern California, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. Our mixed-use property located in Honolulu, Hawaii accounted for 8.2% of total revenues for the year ended December 31, 2020.

Tenants in the retail industry accounted for 25.6% and 29.3% of total revenues for the years December 31, 2020 and 2019, respectively. This makes us susceptible to demand for retail rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the retail industry. Two retail properties, Alamo Quarry Market and Waikele Center, accounted for 9.1% and 10.0% of total revenues for the years ended December 31, 2020 and 2019, respectively.

Tenants in the office industry accounted for 51.5% and 39.5% of total revenues for the years December 31, 2020 and 2019, respectively. This makes us susceptible to demand for office rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the office industry.

For the years ended December 31, 2020 and 2019, no tenant accounted for more than 10.0% of our total rental revenue. At December 31, 2020, Google LLC at The Landmark at One Market accounted for 10.0% of total annualized base rent. Four other tenants (LPL Holdings, Inc., Autodesk, Inc., Smartsheet, Inc., and VMware, Inc.) comprise 17.6% of our total annualized base rent at December 31, 2020, in the aggregate. No other tenants represent greater than 2.0% of our total annualized base rent. Total annualized base rent used for the percentage calculations includes the annualized base rent as of December 31, 2020 for our office properties, retail properties and the retail portion of our mixed-use property.

NOTE 13. LEASES

Lessor Operating Leases

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

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

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

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

At December 31, 2020, our retail, office and mixed-use properties are located in five states: California, Oregon, Hawaii, Washington and Texas. At December 31, 2020, we had approximately 816 leases with office and retail tenants, including the retail portion of our mixed-use property. Our multifamily properties are located in Southern California and Portland, Oregon, and we had 1,722 leases with residential tenants at December 31, 2020, excluding Santa Fe Park RV Resort.

As of December 31, 2020, minimum future rentals from noncancelable operating leases before any reserve for uncollectible amounts and assuming no early lease terminations, at our office and retail properties and the retail portion of our mixed-use property are as follows for the years ended December 31 (in thousands):

2021	$	222,357
2022		210,536
2023		192,702
2024		163,025
2025		142,446
Thereafter		435,100
Total	$	1,366,166

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

Lessee Operating Leases

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

At the Landmark at One Market, we lease, as lessee, a building adjacent to the Landmark at One Market under an operating lease effective through June 30, 2026, which we have the option to extend until 2031 by way of the remaining five years extension option (the "Annex Lease"). The lease payments under the extension option provided for under the Annex Lease will be equal to the fair rental value at the time the extension option is exercised. The extension option is included in the calculation of the right-of-use asset and lease liability as we are reasonably certain of exercising the extension option. In March 2020, we exercised a five years extension option to extend the Annex Lease through June 30, 2026, which was memorialized in a lease amendment executed in August 2020 that additionally modified other certain lease payment terms.

At Waikiki Beach Walk, we lease a portion of the building of which Quiksilver is currently in possession, under an operating lease effective through December 31, 2021.

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

Current annual payments under the operating leases are as follows, as of December 31, 2020 (in thousands):

Year Ending December 31,		
2021	$	3,215
2022		3,232
2023		3,328
2024		3,428
2025		3,531
Thereafter		19,710
Total lease payments	$	36,444
Imputed interest	$	(6,384)
Present value of lease liability	$	30,060

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

	Year Ended December 31,			
		2020		2019
Operating lease cost	$	3,902	$	3,334
Variable lease cost		—		—
Sublease income		(4,297)		(3,098)
Total lease (income) cost	$	(395)	$	236
Weighted-average remaining lease term - operating leases (in years)		10.2		
Weighted-average discount rate - operating leases		3.22 %		

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

	Year Ended December 31,			
		2020		2019
Operating cash flow information:				
Cash paid for amounts included in the measurement of lease liabilities	$	3,422	$	3,347
Non-cash activity:				
Right-of-use assets obtained in exchange for operating lease obligations	$	27,321	$	7,661

Subleases

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

At Waikiki Beach Walk, we (as sublandlord) sublease a portion of the building to Quiksilver under an operating lease effective through December 31, 2021.

NOTE 14. COMPONENTS OF RENTAL INCOME AND EXPENSE

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

	Year Ended December 31,		
	2020	2019	2018
Minimum rents			
Office	$ 170,853	$ 136,118	$ 95,081
Retail	82,176	99,601	77,147
Multifamily	47,071	47,448	46,897
Mixed-Use	7,302	15,702	11,019
Cost reimbursement	—	—	34,584
Percentage rent	3,516	2,476	3,149
Hotel revenue	17,209	40,297	40,049
Other	2,185	2,223	1,611
Total rental income	$ 330,312	$ 343,865	$ 309,537

Minimum rents include $18.9 million, $3.2 million and $2.4 million for the years ended December 31, 2020, 2019 and 2018, respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include $3.9 million, $3.8 million and $3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, to recognize the amortization of above and below market leases.

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

	Year Ended December 31,		
	2020	2019	2018
Rental operating	$ 38,194	$ 38,331	$ 37,322
Hotel operating	13,691	24,522	24,030
Repairs and maintenance	17,813	17,035	13,486
Marketing	2,023	2,538	2,108
Rent	3,955	3,372	3,216
Hawaii excise tax	2,479	4,160	4,333
Management fees	1,023	2,009	1,987
Total rental expenses	$ 79,178	$ 91,967	$ 86,482

NOTE 15. OTHER INCOME (EXPENSE)

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

	Year Ended December 31,		
	2020	2019	2018
Interest and investment income	$ 436	$ 696	$ 238
Income tax benefit (expense)	9	(819)	(327)
Other non-operating income	2	1	4
Total other income (expense)	$ 447	$ (122)	$ (85)

NOTE 16. RELATED PARTY TRANSACTIONS

At Torrey Reserve Campus, we previously leased space to ICW, an entity owned and controlled by Ernest Rady. Rental revenue recognized on the leases of $0.0 million, $0.0 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, is included in rental income on the consolidated statements of comprehensive income..

During the first quarter of 2019, we terminated the lease agreement with American Assets, Inc. ("AAI"), an entity owned and controlled by Mr. Rady, and entered into a new lease agreement with AAI for office space at Torrey Reserve Campus. Rents commenced on March 1, 2019 for an initial lease term of three years at an average annual rental rate of $0.2 million. Rental revenue recognized on the leases of $0.2 million, $0.2 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, is included in rental income on the consolidated statements of comprehensive income.

During the third quarter of 2020, we entered into a new lease with AAI for office space at Torrey Point to replace its existing lease at Torrey Reserve Campus. Rents are expected to begin in January 2021 for an initial lease term of ten years at an average annual rental rate of $0.2 million.

At Torrey Reserve Campus, we lease space to EDisability, LLC, an entity majority owned and controlled by Ernest Rady. During the fourth quarter of 2020, we entered into a lease termination agreement with EDisability, LLC and entered into a new lease agreement for office space at Torrey Reserve Campus. Rents under the new lease agreement are expected to commence June 1, 2021 for an initial three years at an average rental rate of $0.1 million. Rent revenue recognized on the lease of $0.2 million, $0.2 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, is included in rental income on the consolidated statements of comprehensive income.

On occasion, the company utilizes aircraft services provided by AAI Aviation, Inc. ("AAIA"), an entity owned and controlled by Ernest Rady. For the years ending December 31, 2020, 2019 and 2018, we incurred approximately $0.0 million, $0.2 million and $0.1 million, respectively, of expenses related to aircraft services of AAIA or reimbursement to Mr. Rady (or his trust) for use of the aircraft owned by AAIA. These expenses are recorded as general and administrative expenses in our consolidated statements of comprehensive income.

As of December 31, 2020, Mr. Rady and his affiliates owned approximately 13.4% of our outstanding common stock and 19.5% of our outstanding common units, which together represent an approximate 33% beneficial interest in our company on a fully diluted basis.

The Waikiki Beach Walk entities have a 47.7% investment in WBW CHP LLC, an entity that was formed to, among other things, construct a chilled water plant to provide air conditioning to the property and other adjacent facilities. The operating expenses of WBW CHP LLC are recovered through reimbursements from its members, and reimbursements to WBW CHP LLC of $1.0 million, $1.1 million and $1.1 million were made for the years ended December 31, 2020, 2019 and 2018, respectively, and included in rental expenses on the statements of income.

NOTE 17. SEGMENT REPORTING

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. However, we have aggregated our properties into reportable segments as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies.

We operate in four business segments: the acquisition, redevelopment, ownership and management of retail real estate, office real estate, multifamily real estate and mixed-use real estate. The products for our retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

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

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

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

	Year Ended December 31,		
	2020	2019	2018
Total Office			
Property revenue	177,554	144,683	112,362
Property expense	(47,424)	(42,234)	(33,860)
Segment profit	130,130	102,449	78,502
Total Retail			
Property revenue	$ 88,280	$ 107,604	$ 105,552
Property expense	(27,374)	(30,633)	(30,078)
Segment profit	60,906	76,971	75,474
Total Multifamily			
Property revenue	50,327	51,066	50,627
Property expense	(22,074)	(20,863)	(20,441)
Segment profit	28,253	30,203	30,186
Total Mixed-Use			
Property revenue	28,412	63,388	62,326
Property expense	(24,247)	(38,250)	(37,076)
Segment profit	4,165	25,138	25,250
Total segments’ profit	$ 223,454	$ 234,761	$ 209,412

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

	Year Ended December 31,		
	2020	2019	2018
Total segments' profit	$ 223,454	$ 234,761	$ 209,412
General and administrative	(26,581)	(24,871)	(22,784)
Depreciation and amortization	(108,292)	(96,205)	(107,093)
Interest expense	(53,440)	(54,008)	(52,248)
Gain on sale of real estate	—	633	—
Other income (expense), net	447	(122)	(85)
Net income	35,588	60,188	27,202
Net income attributable to restricted shares	(383)	(381)	(311)
Net income attributable to unitholders in the Operating Partnership	(7,545)	(14,089)	(7,205)
Net income attributable to American Assets Trust, Inc. stockholders	$ 27,660	$ 45,718	$ 19,686

The following table shows net real estate and secured note payable balances for each of the segments, along with their capital expenditures for each year (in thousands):

	December 31, 2020	December 31, 2019
Net real estate		
Office	$ 1,317,107	$ 1,317,854
Retail	607,918	624,912
Multifamily	389,804	401,152
Mixed-Use	177,905	179,557
	$ 2,492,734	$ 2,523,475
Secured Notes Payable (1)		
Office	$ 111,000	$ 127,768
Retail	—	34,235
	$ 111,000	$ 162,003
Capital Expenditures (2)		
Office	$ 52,882	$ 64,549
Retail	8,596	22,844
Multifamily	3,897	3,711
Mixed-Use	3,702	8,490
	$ 69,077	$ 99,594

(1) Excludes unamortized debt issuance costs of $0.1 million and $0.1 million as of December 31, 2020 and 2019, respectively.
(2) Capital expenditures represent cash paid for capital expenditures during the year and includes leasing commissions paid.

NOTE 18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The tables below reflect selected American Assets Trust, Inc. quarterly information for 2020 and 2019 (in thousands, except per shares data):

	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total revenue	$ 81,347	$ 84,374	$ 82,109	$ 96,743
Operating income	16,415	20,323	22,995	28,848
Net income	3,788	6,490	9,826	15,484
Net income attributable to restricted shares	(123)	(87)	(69)	(104)
Net income loss attributable to unitholders in the Operating Partnership	(767)	(1,365)	(2,101)	(3,312)
Net income attributable to American Assets Trust, Inc. stockholders	$ 2,898	$ 5,038	$ 7,656	$ 12,068
Net income per share attributable to common stockholders - basic and diluted	$ 0.05	$ 0.08	$ 0.13	$ 0.20

	Three Months Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total revenue	$ 98,947	$ 98,362	$ 84,113	$ 85,319
Operating income	29,993	30,384	24,487	28,821
Net income (loss)	16,485	16,519	11,941	15,243
Net (income) loss attributable to restricted shares	(104)	(92)	(92)	(93)
Net (income) loss attributable to unitholders in the Operating Partnership	(3,536)	(3,565)	(2,933)	(4,055)
Net income (loss) attributable to American Assets Trust, Inc. stockholders	$ 12,845	$ 12,862	$ 8,916	$ 11,095
Net income (loss) per share attributable to common stockholders - basic and diluted	$ 0.22	$ 0.22	$ 0.18	$ 0.24

The tables below reflect selected American Assets Trust, L.P. quarterly information for 2020 and 2019 (in thousands, except per shares data):

	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total revenue	$ 81,347	$ 84,374	$ 82,109	$ 96,743
Operating income	16,415	20,323	22,995	28,848
Net income	3,788	6,490	9,826	15,484
Net income attributable to restricted shares	(123)	(87)	(69)	(104)
Net income attributable to American Assets Trust, L.P. unit holders	$ 3,665	$ 6,403	$ 9,757	$ 15,380
Net income per unit attributable to unit holders - basic and diluted	$ 0.05	$ 0.08	$ 0.13	$ 0.20

	Three Months Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total revenue	$ 98,947	$ 98,362	$ 84,113	$ 85,319
Operating income	29,993	30,384	24,487	28,821
Net income (loss)	16,485	16,519	11,941	15,243
Net (income) loss attributable to restricted shares	(104)	(92)	(92)	(93)
Net income (loss) attributable to American Assets Trust, L.P. unit holders	$ 16,381	$ 16,427	$ 11,849	$ 15,150
Net income per unit attributable to common unit holders - basic and diluted	$ 0.22	$ 0.22	$ 0.18	$ 0.24

NOTE 19. SUBSEQUENT EVENTS

On January 26, 2021, we issued $500 million of fixed rate senior unsecured notes that mature on February 1, 2031 and bear interest at 3.375% per annum. The notes were priced at 98.935% of the principal amount with a yield to maturity of 3.502%. The net proceeds from the note offering after net issuance discount, underwriting fees, and other costs were approximately $489.9 million, which were primarily used to prepay our $150 million Senior Guaranteed Notes, Series A, with a prepayment penalty of approximately $3.9 million, on January 26, 2021, repay our $100 million outstanding balance under Revolver Loan on January 26, 2021, fund the development of the La Jolla Commons III office building and for general corporate purposes.

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

SCHEDULE III—Consolidated Real Estate and Accumulated Depreciation (In Thousands)

Description	Encumbrance as of December 31, 2020	Initial Cost: Land	Initial Cost: Building and Improvements	Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2020: Land	Gross Carrying Amount at December 31, 2020: Building and Improvements	Accumulated Depreciation and Amortization	Year Built/ Renovated	Date Acquired	Life on which depreciation in latest income statements is computed
Alamo Quarry Market	$ —	$26,396	$ 109,294	$ 18,227	$26,816	$ 127,101	$ (64,168)	1997/1999	12/9/2003	35 years
Carmel Country Plaza	—	4,200	—	13,074	4,200	13,074	(9,006)	1991	1/10/1989	35 years
Carmel Mountain Plaza	—	22,477	65,217	38,934	31,034	95,594	(47,365)	1994/2014	3/28/2003	35 years
Del Monte Center	—	27,412	87,570	35,136	27,117	123,001	(70,136)	1967/1984/2006	4/8/2004	35 years
Gateway Marketplace	—	17,363	21,644	1,239	17,363	22,883	(2,889)	1997/2016	7/6/2017	35 years
Geary Marketplace	—	8,239	12,353	212	8,239	12,565	(3,190)	2012	12/19/2012	35 years
Hassalo on Eighth - Retail	—	—	—	28,529	597	27,932	(6,356)	2015	7/1/2011	35 years
Lomas Santa Fe Plaza	—	8,600	11,282	13,767	8,620	25,029	(17,927)	1972/1997	6/12/1995	35 years
The Shops at Kalakaua	—	13,993	10,817	144	14,006	10,948	(4,989)	1971/2006	3/31/2005	35 years
Solana Beach Towne Centre	—	40,980	38,842	4,287	40,980	43,129	(13,754)	1973/2000/2004	1/19/2011	35 years
South Bay Marketplace	—	4,401	—	12,513	4,401	12,513	(8,009)	1997	9/16/1995	35 years
Waikele Center	—	55,593	126,858	42,934	70,643	154,742	(66,820)	1993/2008	9/16/2004	35 years
City Center Bellevue	111,000	25,135	190,998	53,599	25,135	244,597	(62,613)	1987	8/21/2012	40 years
First & Main	—	14,697	109,739	5,933	14,697	115,672	(34,125)	2010	3/11/2011	40 years
The Landmark at One Market	—	34,575	141,196	27,900	34,575	169,096	(40,885)	1917/2000	6/30/2010	40 years
Lloyd District Portfolio	—	18,660	61,401	101,072	11,845	169,288	(43,017)	1940-2015	7/1/2011	40 years
One Beach Street	—	15,332	18,017	4,192	15,332	22,209	(6,284)	1924/1972/1987/1992	1/24/2012	40 years
Solana Beach Corporate Centre:										
Solana Beach Corporate Centre I-II	—	7,111	17,100	7,514	7,111	24,614	(7,623)	1982/2005	1/19/2011	40 years
Solana Beach Corporate Centre III-IV	—	7,298	27,887	5,678	7,298	33,565	(9,616)	1982/2005	1/19/2011	40 years
Solana Beach Corporate Centre Land	—	487	—	60	547	—	—	N/A	1/19/2011	N/A
Torrey Reserve Campus:										
Torrey Plaza	—	4,095	—	56,586	5,408	55,273	(20,723)	1996-1997/2014	6/6/1989	40 years
Pacific North Court	—	3,263	—	26,645	4,309	25,599	(12,808)	1997-1998	6/6/1989	40 years
Pacific South Court	—	3,285	—	40,066	4,226	39,125	(16,498)	1996-1997	6/6/1989	40 years
Pacific VC	—	1,413	—	10,521	2,148	9,786	(5,651)	1998/2000	6/6/1989	40 years
Pacific Torrey Daycare	—	715	—	1,941	911	1,745	(984)	1996-1997	6/6/1989	40 years

Torrey Reserve Building 6	—	—	—	8,012	682	7,330	(2,081)	2013	6/6/1989	40 years
Torrey Reserve Building 5	—	—	—	4,012	1,017	2,995	(518)	2014	6/6/1989	40 years
Torrey Reserve Building 13 & 14	—	—	—	16,138	2,188	13,950	(2,770)	2015	6/6/1989	40 years
Torrey Point	—	2,073	741	49,668	5,050	47,432	(3,346)	2018	5/9/1997	40 years
La Jolla Commons										
La Jolla Commons I-II	—	62,312	393,662	2,407	62,312	396,069	(21,227)	2008-2014	6/20/2019	40 years
La Jolla Commons Land	—	20,446	—	4,294	20,446	4,294	—	N/A	6/20/2019	N/A
Imperial Beach Gardens	—	1,281	4,820	5,445	1,281	10,265	(8,425)	1959/2008	7/31/1985	30 years
Loma Palisades	—	14,000	16,570	29,900	14,052	46,418	(30,582)	1958/2001-2008	7/20/1990	30 years
Mariner’s Point	—	2,744	4,540	1,731	2,744	6,271	(3,949)	1986	5/9/2001	30 years
Santa Fe Park RV Resort	—	401	928	1,263	401	2,191	(1,562)	1971/2007-2008	6/1/1979	30 years
Pacific Ridge Apartments	—	47,971	178,497	2,062	47,971	180,559	(24,598)	2013	4/28/2017	30 years

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

SCHEDULE III—Consolidated Real Estate and Accumulated Depreciation
(In Thousands)

Description	Encumbrance as of December 31, 2020	Initial Cost: Land	Initial Cost: Building and Improvements	Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2020: Land	Gross Carrying Amount at December 31, 2020: Building and Improvements	Accumulated Depreciation and Amortization	Year Built/ Renovated	Date Acquired	Life on which depreciation in latest income statements is computed
Hassalo on Eighth - Multifamily	—	—	—	178,397	6,219	172,178	(31,629)	2015	7/1/2011	30 years
Waikiki Beach Walk:										
Retail	—	45,995	74,943	428	45,995	75,371	(22,940)	2006	1/19/2011	35 years
Hotel	—	30,640	60,029	13,886	30,640	73,915	(25,077)	2008/2020	1/19/2011	35 years
	$ 111,000	**$593,583**	**$ 1,784,945**	**$ 868,346**	**$628,556**	**$ 2,618,318**	**$ (754,140)**			

(1) For Federal tax purposes, the aggregate tax basis is approximately $2.3 billion as of December 31, 2020.

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

SCHEDULE III—Consolidated Real Estate and Accumulated Depreciation -(Continued)
(In Thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Real estate assets			
Balance, beginning of period	$ 3,188,697	2,630,191	2,614,138
Additions:			
Property acquisitions	—	476,421	—
Improvements	64,997	101,285	62,790
Deductions:			
Cost of Real Estate Sold	—	(8,845)	—
Other (1)	(6,820)	(10,355)	(46,737)
Balance, end of period	$ 3,246,874	$ 3,188,697	$ 2,630,191
Accumulated depreciation			
Balance, beginning of period	$ 665,222	$ 590,338	$ 537,431
Additions—depreciation	95,738	85,428	99,644
Deductions:			
Cost of Real Estate Sold	—	(189)	—
Other (1)	(6,820)	(10,355)	(46,737)
Balance, end of period	$ 754,140	$ 665,222	$ 590,338

(1) Other deductions for the years ended December 31, 2020, 2019 and 2018 represent the write-off of fully depreciated assets.