American Assets Trust (AAT)

Updated February 4th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$18	**5 Year CAGR Estimate:**	16.8%	**Market Cap:**	$1.4 B
Fair Value Price:	$29	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	3/5/2026
% Fair Value:	62%	**5 Year Valuation Multiple Estimate:**	10.1%	**Dividend Payment Date:**	3/19/2026
Dividend Yield:	7.6%	**5 Year Price Target**	$32	**Years Of Dividend Growth:**	5
Dividend Risk Score:	F	**Sector:** REITs		**Rating:**	Hold

Overview & Current Events

American Assets Trust (AAT) is a real estate investment trust (REIT) that was formed in 2011 as a successor of American Assets, a privately held company founded in 1967. AAT is headquartered in San Diego, California, and has great experience in acquiring, improving and developing office, retail and residential properties throughout the U.S., primarily in Southern California, Northern California, Oregon, Washington and Hawaii. Its office portfolio and its retail portfolio comprise of approximately 4.3 million and 2.4 million square feet, respectively. AAT also owns more than 2,300 multifamily units and has a market capitalization of $1.4 billion.

In early February, AAT reported (2/3/26) financial results for the fourth quarter of fiscal 2025. Same-store net operating income remained flat but funds from operations (FFO) per share declined -15% over the prior year's quarter, mostly due to higher interest expense. AAT provided lackluster guidance for 2026, expecting FFO per share of $1.96-$2.10. We note that AAT has missed the analysts' estimates only once in the last 20 quarters. We expect FFO per share of $2.05 this year, slightly above the mid-point of the guidance. We also note that the REIT appears somewhat resilient to high inflation thanks to its ability to raise rental rates every year. AAT raised its dividend by 1.5% last year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
FFO	$1.85	$1.92	$2.09	$2.19	$1.89	$2.00	$2.34	$2.40	$2.58	$2.00	***$2.05***	***$2.26***
DPS	$1.01	$1.05	$1.09	$1.14	$1.00	$1.16	$1.28	$1.32	$1.34	$1.36	***$1.36***	***$1.44***
Shares[1]	63.2	64.1	64.1	70.8	76.1	76.2	76.3	76.4	76.6	76.8	***77.0***	***100.0***

AAT pursues growth by acquiring properties in submarkets with favorable supply and demand characteristics, including high barriers to entry. It also redevelops several of its newly-acquired properties in order to enhance their value. In addition, it has a capital recycling strategy, which involves selling properties whose returns seem to have been maximized and buying high-return properties. With that said, AAT has grown its adjusted FFO per share by just 0.9% per year on average over the last decade, primarily due to weak performance in recent years amid high interest rates and high interest expense. On the bright side, we expect this headwind to abate in the upcoming years and thus we expect 2.0% average annual growth of FFO per share over the next five years off this year's low base.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
P/FFO	22.0	21.2	*17.6*	20.8	15.9	17.8	13.4	8.8	9.3	10.2	***8.8***	***14.2***
Avg. Yld.	2.5%	2.6%	*3.0%*	2.5%	3.3%	3.3%	4.1%	6.3%	5.6%	6.7%	***7.6%***	***4.5%***

AAT is trading at a price-to-FFO ratio of 8.8, which is much lower than the 8-year average price-to-FFO ratio of 14.2. The somewhat rich historical valuation of AAT has resulted from its consistent growth year after year, until the onset of the pandemic. The depressed current valuation has resulted from the impact of high interest rates on interest expense. We

[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

expect AAT to revert to its average valuation level over the next five years. If AAT trades at that level in five years, it will enjoy a 10.1% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	55%	55%	52%	52%	53%	58%	55%	55%	52%	68%	***66%***	***64%***

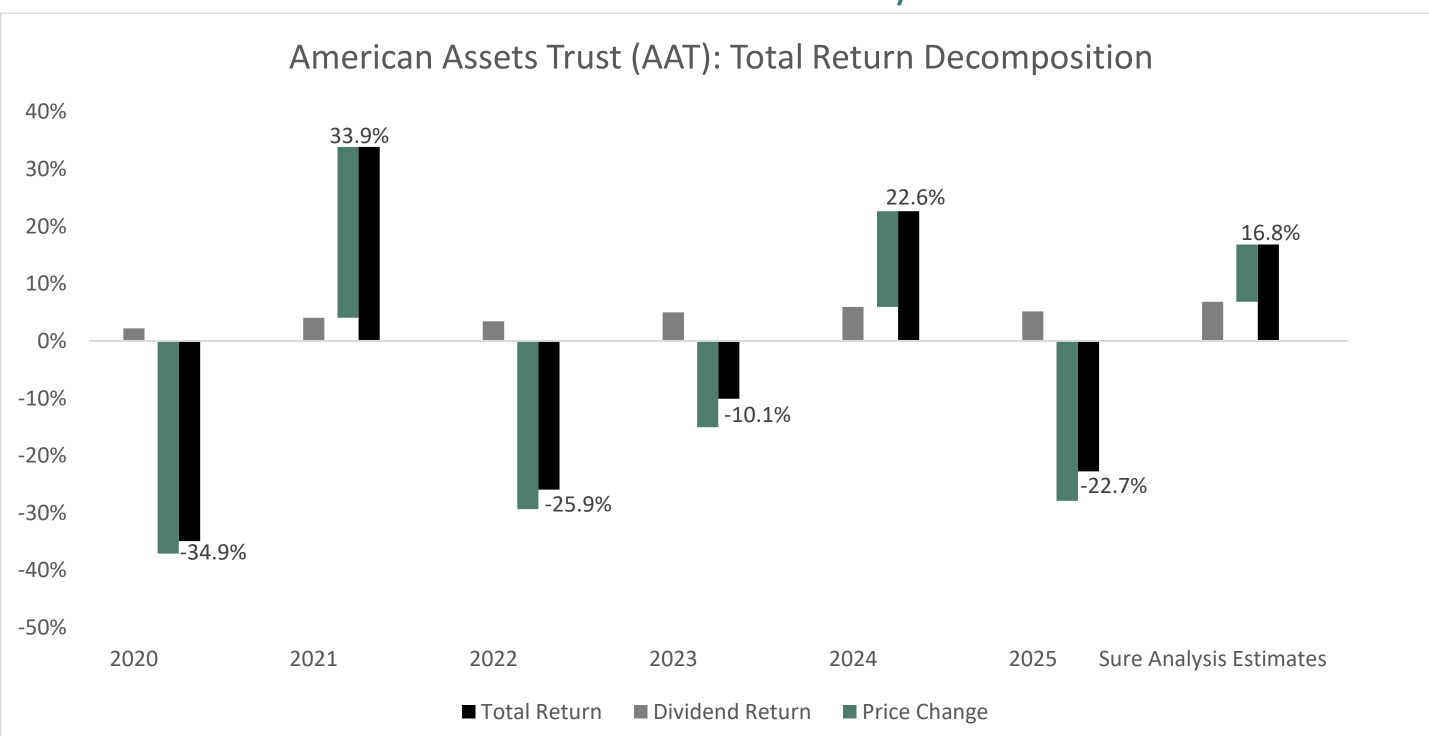
Many of the properties of AAT are located in in-fill locations, where developable land is scarce and zoning regulations significantly restrict new development. Moreover, its submarkets in Southern California, Northern California, Oregon, Washington and Hawaii are characterized by high barriers to entry, which offer the REIT a strong negotiating position with its tenants and enable it to implement material rent hikes every year.

AAT is offering a markedly high dividend yield of 7.6%. The payout ratio is decent (for a REIT) at 66% while the REIT also has a reliable growth trajectory. The only caveat is the material debt load of AAT, which has an interest coverage ratio of only 1.5, much less than our comfort minimum of 3.0. On the bright side, AAT has received investment grade ratings from the major rating agencies. Given the decent growth potential of AAT, we do not expect it to face any problems servicing its debt in the absence of a downturn but investors should be aware of this risk factor, which renders the REIT somewhat vulnerable to recessions. AAT was not public in the Great Recession, and hence it has not been tested in a severe recession. AAT cut its dividend by -12% in 2020 due to the pandemic.

Final Thoughts & Recommendation

AAT is hurt by the environment of high inflation and interest rates but we view this headwind as temporary and consider the stock attractive from a long-term perspective. The stock could offer a 16.8% average annual return over the next five years thanks to its 2.0% growth of FFO per share, its 7.6% dividend yield and a 10.1% annualized valuation tailwind. The security receives a hold rating but we reiterate that patience may be required until interest rates revert to normal levels.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	295	315	331	367	345	376	423	441	458	436
Gross Profit	187	198	209	235	223	246	270	277	290	139
Gross Margin	63.4%	63.0%	63.3%	64.0%	64.8%	65.5%	63.8%	62.8%	63.4%	31.9%
SG&A Exp.	18	21	23	25	27	30	32	36	35	---
D&A Exp.	71	83	107	96	108	116	123	120	125	---
Operating Profit	98	94	80	114	89	100	115	122	129	101
Operating Margin	33.2%	29.7%	24.0%	31.0%	25.7%	26.6%	27.2%	27.7%	28.2%	23.3%
Net Profit	46	40	27	60	36	37	56	65	73	71
Net Margin	15.5%	12.7%	8.2%	16.4%	10.3%	9.7%	13.2%	14.7%	15.9%	16.4%
Free Cash Flow	61	98	82	65	63	64	65	106	137	---

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,987	2,260	2,198	2,790	2,817	3,018	2,988	2,985	3,273	2,921
Cash & Equivalents	45	83	48	99	137	140	50	83	426	129
Accounts Receivable	9	10	9	12	7	7	8	8	7	---
Goodwill & Int. Ass.	12	10	10	34	29	32	64	20	16	---
Total Liabilities	1,148	1,416	1,396	1,497	1,564	1,808	1,802	1,831	2,149	1,830
Accounts Payable	32	38	47	63	59	65	66	61	64	---
Long-Term Debt	1,062	1,325	1,291	1,358	1,407	1,649	1,648	1,690	2,011	1,688
Shareholder's Equity	810	834	803	1,314	1,271	1,239	1,221	1,198	1,176	1,151
D/E Ratio	1.31	1.59	1.61	1.03	1.11	1.33	1.35	1.41	1.71	1.47

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.3%	1.9%	1.2%	2.4%	1.3%	1.3%	1.9%	2.2%	2.3%	2.3%
Return on Equity	5.7%	4.9%	3.3%	5.7%	2.8%	2.9%	4.5%	5.5%	6.4%	6.4%
ROIC	2.4%	2.0%	1.3%	2.5%	1.3%	1.3%	2.0%	2.3%	2.4%	2.4%
Shares Out.	63.2	64.1	64.1	70.8	76.1	76.2	76.23	76.34	76.51	76.74
Revenue/Share	4.67	4.91	5.16	5.18	4.53	4.93	5.54	5.78	5.98	5.68
FCF/Share	0.97	1.53	1.28	0.93	0.83	0.84	0.86	1.39	1.79	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.