

Hudson Pacific Properties, Inc.
Form S-11/A
December 06, 2010
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As filed with the Securities and Exchange Commission on December 6, 2010

Registration No. 333-170751

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-11

FOR REGISTRATION UNDER THE
SECURITIES ACT OF 1933 OF SECURITIES
OF CERTAIN REAL ESTATE COMPANIES

Hudson Pacific Properties, Inc.

(Exact Name of Registrant as Specified in Its Governing Instruments)

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(310) 445-5700

(Address, Including Zip Code and Telephone Number, Including Area Code,

of Registrant's Principal Executive Offices)

Victor J. Coleman

Chief Executive Officer

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion,

Preliminary Prospectus dated December 6, 2010

PROSPECTUS

3,000,000 Shares

% Series B Cumulative Redeemable Preferred Stock
(Liquidation Preference \$25.00 per share)

We are offering 3,000,000 shares of our % Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share, which we refer to in this prospectus as our series B preferred stock. We have granted the underwriters an option to purchase up to 450,000 additional shares of our series B preferred stock to cover overallocments.

Dividends on our series B preferred stock will be cumulative from the date of original issue and payable quarterly on or about the last calendar day of each March, June, September and December, commencing on or about December 31, 2010, at the rate of % per annum of its liquidation preference, which is equivalent to \$ per annum per share. If following a change of control of our company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of % per annum per share of the liquidation preference of our series B preferred stock (equivalent to \$ per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. The first dividend on our series B preferred stock sold in this offering is payable on December 31, 2010 (in the amount of \$ per share).

Except in instances relating to preservation of our qualification as a real estate investment trust, or REIT, or in connection with a change of control of our company, our series B preferred stock is not redeemable prior to December , 2015. On and after December , 2015, we may redeem our series B preferred stock in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Our series B preferred stock has no maturity date and will remain outstanding indefinitely unless redeemed by us, and it is not subject to any sinking fund or mandatory redemption and is not convertible into any of our other securities.

We are organized and conduct our operations in a manner that will allow us to qualify as a REIT. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of the outstanding shares of our series B preferred stock.

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No market currently exists for our series B preferred stock. We have applied to list our series B preferred stock on the NYSE under the symbol HPP Pr B. If the application is approved, trading of the series B preferred stock is expected to commence within 30 days after the initial delivery of the series B preferred stock.

See **Risk Factors** beginning on page 17 of this prospectus for certain risks relevant to an investment in our series B preferred stock.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The series B preferred stock sold in this offering will be ready for delivery in book-entry form through The Depository Trust Company on or about December , 2010.

Wells Fargo Securities

BofA Merrill Lynch

Barclays Capital

Morgan Stanley

The date of this prospectus is December , 2010

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You should rely only on the information contained in this prospectus, or in any free writing prospectus prepared by us, or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates that are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

We use market data and industry forecasts and projections throughout this prospectus, and in particular in the section entitled "Business and Properties." We have obtained substantially all of this information from a market study prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. We have paid RCG a fee of \$40,000 for such services. See "Experts." In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which

are subject to change without notice.

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This prospectus makes reference to the percent leased of the properties in our portfolio. We calculate percent leased as (i) square feet under lease for which rent has commenced, divided by (ii) total square feet, expressed as a percentage.

We are under contract to acquire an office building located at 10950 Washington Boulevard in Culver City, California, which we refer to as the 10950 Washington property. While we believe that we will consummate the acquisition of the 10950 Washington property, we cannot assure you that we will, because consummation of the acquisition remains subject to the satisfaction of customary closing conditions, including the receipt of requisite estoppels and the assumption of indebtedness. Information in this prospectus with respect to the 10950 Washington property, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations, has been provided by the sellers of such property and we are still in the process of conducting our due diligence on the property.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our series B preferred stock. You should read the entire prospectus carefully, including the section entitled Risk Factors, as well as our historical and pro forma financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless the context suggests otherwise, references in this prospectus to we, our, us and our company are to Hudson Pacific Properties, Inc., a Maryland corporation, together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P., a Maryland limited partnership of which we are the sole general partner and which we refer to in this prospectus as our operating partnership. Unless otherwise indicated, the information contained in this prospectus is as of September 30, 2010 and assumes (i) that the underwriters' overallotment option is not exercised and (ii) the completion of our acquisition of the 10950 Washington property, the timing and completion of which is uncertain. Additionally, unless otherwise indicated, portfolio property data as of September 30, 2010 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes such data for 10950 Washington, which we are under contract to acquire.

Hudson Pacific Properties, Inc.

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties in select growth markets primarily in Northern and Southern California. Our investment strategy is focused on high barrier-to-entry, in-fill locations with favorable, long-term supply-demand characteristics. These markets include Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and the East Bay, which we refer to as our target markets. Our portfolio includes ten owned properties and one property under contract, the 10950 Washington property, which collectively total approximately 2.4 million square feet. These properties are strategically located in many of our target markets.

We were formed as a Maryland corporation in 2009 to succeed the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. We completed our initial public offering on June 29, 2010.

We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. We believe Mr. Coleman's and Mr. Stern's successful history of operating a publicly traded real estate company, significant expertise in operating in the California office sector and extensive, long-term relationships with real estate owners, developers and lenders, coupled with our conservative capital structure and access to capital, will allow us to capitalize on the current market opportunity.

We focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties that provide opportunities to implement a value-add strategy to increase occupancy rates and cash flow. This strategy includes active management, aggressive leasing efforts, focused capital improvement programs, the reduction and containment of operating costs and an emphasis on tenant satisfaction. We believe our senior management team's experience in the California office sector positions us to improve cash flow in our portfolio, as well as any newly acquired properties, as the California economy and the real estate markets begin to recover.

Our portfolio consists of nine office properties totaling approximately 1.5 million square feet, which were approximately 83.2% leased as of September 30, 2010 (or 87.0%, giving effect to leases signed but not commenced as of that date), and two state-of-the-art media and entertainment properties comprising 544,763 square feet of office and support space and approximately 312,669 square feet of sound-stage production facilities. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties,

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which, together with redevelopment opportunities at our media and entertainment properties, could support over one million square feet of additional office and support space. Our properties are concentrated in premier submarkets that have high barriers to entry with limited supply of land, high construction costs and rigorous entitlement processes.

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. We conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner, and own approximately 89.5% of the outstanding common units of partnership interest in our operating partnership, or common units. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

Recent Developments

Our Initial Public Offering

We completed our initial public offering on June 29, 2010, pursuant to which we sold an aggregate of 14,720,000 shares of our common stock (including 1,920,000 shares sold pursuant to the exercise of the underwriters' overallotment option in full) at an offering price of \$17.00 per share. We received net proceeds from our initial public offering (including the underwriters' exercise of their overallotment option in full) of approximately \$250.2 million before underwriting discounts and commissions and other offering costs. Concurrently with our initial public offering, we completed a private placement of 1,176,471 shares of our common stock to Victor J. Coleman and funds affiliated with Farallon Capital Management, L.L.C. at the initial public offering price per share of \$17.00, which we refer to in this prospectus as the private placement. The total proceeds of the private placement were \$20.0 million (no underwriting costs were incurred in connection with the private placement).

Investment Activities

On August 13, 2010, we acquired the Del Amo Office property and its related ground sublease for \$27.5 million in cash (before closing costs and prorations), which was paid with a portion of the proceeds of our initial public offering. The Del Amo Office property is subject to a ground sublease expiring June 30, 2049.

On August 24, 2010, we acquired a leasehold interest in 9300 Wilshire Boulevard, a six-story office building located in Beverly Hills, California, for \$15.0 million in cash (before prorations). The 9300 Wilshire Boulevard property is subject to a ground lease expiring August 14, 2032.

On October 6, 2010, we became obligated under a definitive asset purchase agreement with an unrelated third party to acquire the 10950 Washington property, an office building located in Culver City, California, for approximately \$46.0 million, subject to closing costs and prorations. In addition, the purchase of the 10950 Washington property is subject to the completion of various closing conditions, including the receipt of requisite estoppels and the assumption of an existing \$30.0 million loan, which could delay or prevent the acquisition of the property. The closing of the acquisition is expected to take place by December 30, 2010, after all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. If we fail to close the purchase as required after the satisfaction or waiver of all closing conditions, we will be liable to the sellers for liquidated damages in an amount equal to the \$1.0 million deposit made by us pursuant to the asset purchase agreement.

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On October 8, 2010, we acquired 222 Kearny Street, a 144,440 square foot, two-building office property located in San Francisco, California, from an unrelated third party for \$34.9 million in cash (before prorations), which was funded with \$34.5 million of borrowings under our secured revolving credit facility and the remainder from available cash. A portion representing approximately 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) is subject to a long-term ground lease expiring June 14, 2054.

Distributions

On September 22, 2010, we declared a dividend to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of September 30, 2010, totaling \$2,410,288, or \$0.0971 per common share and common unit. This dividend consisted of a quarterly dividend of \$0.095 per common share and common unit for the period from July 1, 2010 through September 30, 2010 and a pro rata dividend of \$0.0021 per common share and common unit covering the period from the consummation of our initial public offering on June 29, 2010 through June 30, 2010. The dividend and distribution were paid on October 15, 2010.

On September 22, 2010, our operating partnership declared a distribution to holders of record of its 6.25% Cumulative Redeemable Convertible Series A Preferred Units, or series A preferred units, as of September 30, 2010, totaling \$199,206, or \$0.3992 per series A preferred unit. This distribution consisted of a quarterly dividend of \$0.3906 per series A preferred unit for the period from July 1, 2010 through September 30, 2010 and a pro rata dividend of \$0.0086 per series A preferred unit covering the period from the consummation of our initial public offering on June 29, 2010 through June 30, 2010. The distribution was paid on October 15, 2010.

Corporate Information

Our principal executive offices are located at 11601 Wilshire Boulevard, Suite 1600, Los Angeles, California 90025. Our telephone number is 310-445-5700. Our Web site address is www.hudsonpacificproperties.com. The information on, or otherwise accessible through, our Web site does not constitute a part of this prospectus.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of office properties and enable us to capitalize on the general dislocation in the real estate market to successfully expand and operate our portfolio.

Experienced Management Team with a Proven Track Record of Acquiring and Operating Assets and Managing a Public Office REIT. Our senior management team, led by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively, has an average of over 20 years of experience in owning, acquiring, developing, operating, financing and selling office properties in California.

Committed and Incentivized Management Team. Our senior management team is dedicated to our successful operation and growth, with no real estate business interests outside of our company. Additionally, our senior management team owns approximately 3.9% of our common stock on a fully diluted basis, thereby aligning management's interests with those of our stockholders.

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California Focus with Local and Regional Expertise. We are primarily focused on acquiring and managing office properties in Northern and Southern California, both regions that we believe are well positioned for strong economic recoveries. Additionally, our senior executives have focused their entire real estate careers in California, providing us with a deep knowledge of the major California real estate markets and the local and regional industry participants.

Long-Standing Relationships that Provide Access to an Extensive Pipeline of Investment and Leasing Opportunities. We believe our experience, in-depth market knowledge and extensive network of long-standing relationships with real estate developers, real estate owners, national and regional lenders, brokers, tenants and other market participants drive our ability to identify and capitalize on attractive acquisition opportunities and enhance our leasing efforts. For example, we acquired the 222 Kearny Street property in an off-market transaction that was the result of our long-standing relationship with the lender who had acquired the property through foreclosure. In addition, we believe our relationships with two leading investment management firms, Farallon Capital Management, L.L.C., or Farallon, and Morgan Stanley (investment funds affiliated with which contributed properties to us in connection with our initial public offering), will continue to provide us with critical market intelligence, an ongoing acquisition pipeline and potential joint venture partners.

Growth-Oriented, Flexible and Conservative Capital Structure. We believe our flexible and conservative capital structure provides us with an advantage over many of our private and public competitors. We are free from legacy balance sheet issues and have limited near-term maturities, which allows our management to focus on our business and growth strategies rather than balance sheet repair. In addition, based upon the closing price of our common stock on December 2, 2010, we had a debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 27.0%, which is substantially lower than many of our office REIT peers.

Irreplaceable Media and Entertainment Assets in a Premier California Submarket. Our Sunset Gower and Sunset Bronson media and entertainment properties are located on Sunset Boulevard, just off of the Hollywood Freeway, in the heart of Hollywood, and serve as important facilities for major film and television companies. We believe these assets will remain critical to the media and entertainment business, one of Los Angeles' most important industries, due to their attractive location, a limited supply of developable land and the extensive knowledge required to develop and operate such facilities.

Business and Growth Strategies

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

Pursue Acquisitions of Distressed and/or Underperforming Office Properties. We intend to capitalize on the attractive investment environment by acquiring properties at meaningful discounts to our estimates of their intrinsic value. Additionally, we intend to acquire properties or portfolios that are distressed due to near-term debt maturities or underperforming properties where we believe better management, focused leasing efforts and/or capital improvements would improve the property's operating performance and value. We believe that our extensive relationships, coupled with our strong balance sheet and access to capital, will allow us to capitalize on value-add opportunities.

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Focus on High Barrier-to-Entry Markets. We target in-fill, suburban markets and central business districts primarily in California. These markets have historically had favorable long-term supply/demand characteristics and significant institutional ownership of real estate, which we believe have helped support real estate fundamentals and valuations over the long term. We believe that these factors will help preserve our capital during periods of economic decline and generate above average returns during periods of economic recovery and growth.

Proactive Asset and Property Management. We intend to actively manage our portfolio, employ aggressive leasing strategies and leverage our existing tenant relationships to increase the occupancy rates at our properties, attract high quality tenants and maximize tenant retention rates. In addition, we have targeted ways to further improve net operating income through controlling or reducing operating costs.

Repositioning and Development of Properties. We intend to leverage our real estate expertise to reposition and redevelop our existing properties, as well as properties that we acquire in the future, with the objective of increasing occupancy, rental rates and risk-adjusted returns on our invested capital. We believe our media and entertainment properties and undeveloped land offer significant growth potential, with over one million square feet of possible incremental development and redevelopment space.

Value Creation Through Capital Recycling Program. We intend to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties for which returns appear to have been maximized and redeploying capital into acquisition, development and redevelopment opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT.

Summary Risk Factors

You should carefully consider the matters discussed in the Risk Factors section beginning on page 17 of this prospectus prior to deciding whether to invest in our series B preferred stock. Some of these risks include:

All of our properties are located in California, and we therefore are dependent on the California economy and are susceptible to adverse local regulations and natural disasters affecting California.

We derive a significant portion of our rental revenue from tenants in the media and entertainment industry, which makes us particularly susceptible to demand for rental space in that industry.

As of September 30, 2010, the Farallon Funds owned an approximate 35.9% beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.

The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.

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

As of September 30, 2010, we had approximately \$94.3 million of indebtedness outstanding, and subsequent to September 30, 2010, we have drawn approximately \$34.5 million on our secured revolving credit facility. Our debt service obligations with respect to our indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series B

preferred stock, and expose us to the risk of default.

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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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

We have a limited operating history and may not be able to operate our business successfully or implement our business strategies as described in this prospectus.

We may be unable to renew leases, lease vacant space or re-let space as leases expire.

Our success depends on key personnel whose continued service is not guaranteed.

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.

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

The series B preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; our series B preferred stock has no stated maturity date.

Our series B preferred stock is subordinate to our debt, and your interests could be diluted by the issuance of additional preferred stock, including additional series B preferred stock, and by other transactions.

The series B preferred stock will be subordinated to the series A preferred units, which were issued in connection with our initial public offering and have an aggregate liquidation preference of approximately \$12.5 million.

We may be unable to make distributions at expected levels and we may be required to borrow funds to make distributions.

Our Properties

Our Portfolio

We currently own, or are under contract to acquire, eleven properties located in eight California submarkets, containing a total of approximately 2.4 million square feet, which properties we refer to as our portfolio. The following table presents an overview of our portfolio, based on information as of September 30, 2010. Rental data presented in the table below for office properties reflects base rent on leases in place as of September 30, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or, in the case of triple net or modified gross leases, tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Rental data presented in the table below for media and entertainment properties reflects actual cash base rents, excluding tenant reimbursements, received during the 12 months ended September 30, 2010. Leases at our media and entertainment properties are typically short-term leases of one year or less, and other than the KTLA lease at our Sunset Bronson property, substantially all of the current in-place leases at our media and entertainment properties will expire in 2010 or 2011.

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Property	City	Year Built/ Renovated	Square Feet ⁽¹⁾	Percent Leased ⁽²⁾	Annualized Base Rent/ Annual Base Rent ⁽³⁾	Annualized Base Rent/ Rent Per Leased Square Foot ⁽⁴⁾	Annualized Net Effective Base Rent Per Leased Square Foot ⁽⁵⁾
OFFICE PROPERTIES							
City Plaza	Orange	1969/99	333,922	92.4%	\$ 7,720,361	\$ 25.02	\$ 23.76
875 Howard Street ⁽⁶⁾⁽⁷⁾	San Francisco	Various	286,270	44.6	1,613,081	12.62	12.06
First Financial	Encino (LA)	1986	222,423	84.8	6,276,734	33.29	35.61
10950 Washington ⁽⁸⁾	Culver City (LA)	Various	158,873	99.5	4,267,320	27.00	29.93
222 Kearny Street ⁽⁹⁾	San Francisco	Various	144,440	79.2	4,154,289	36.31	38.28
Del Amo Office ⁽¹⁰⁾	Torrance	1986	113,000	100.0	3,069,070	27.16	28.38
Technicolor Building	Hollywood (LA)	2008	114,958	100.0	4,103,173	35.69	39.04
Tierrasanta	San Diego	1985	104,234	96.8	1,576,460	15.62	16.44
9300 Wilshire Boulevard ⁽⁷⁾⁽¹¹⁾	Beverly Hills (LA)	1965/2001	58,484	90.5	2,208,098	41.73	42.42
Total/Weighted Average Office Properties:			1,536,604	83.2%⁽¹²⁾	\$ 34,988,586	\$ 27.35	\$ 28.38
MEDIA & ENTERTAINMENT PROPERTIES							
Sunset Gower ⁽¹³⁾	Hollywood (LA)	Various	543,709	67.9%	\$ 11,235,379	\$ 30.45	
Sunset Bronson	Hollywood (LA)	Various	313,723	71.0	9,018,143	40.48	
Total/Weighted Average Media & Entertainment Properties:			857,432	69.0%	\$ 20,253,521	\$ 34.23	
LAND							
Sunset Bronson Lot A	Hollywood (LA)	N/A	273,913				
Sunset Bronson Redevelopment	Hollywood (LA)	N/A	389,740				
Sunset Gower Redevelopment	Hollywood (LA)	N/A	423,396				
City Plaza	Orange	N/A	360,000				
Total Land Assets:			1,447,049				
Portfolio Total:			3,841,085				

- (1) Square footage for office and media and entertainment properties has been determined by management based upon estimated leasable square feet, which may be less or more than the Building Owners and Managers Association, or BOMA, rentable area. Square footage may change over time due to remeasurement or releasing. Square footage for land assets represents management's estimate of developable square feet, the majority of which remains subject to receipt of entitlement approvals that have not yet been obtained.
- (2) Percent leased for office properties is calculated as (i) square footage under commenced leases as of September 30, 2010, divided by (ii) total square feet, expressed as a percentage. Percent leased for media and entertainment properties is the average percent leased for the 12 months ended September 30, 2010. As a result of the short-term nature of the leases into which we enter at our media and entertainment properties, and because entertainment industry tenants generally do not shoot on weekends due to higher costs, we believe stabilized occupancy rates at our media and entertainment properties are lower than those rates achievable at our traditional office assets, where tenants enter into longer-term lease arrangements.
- (3) We present rent data for office properties on an annualized basis, and for media and entertainment properties on an annual basis. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements with respect to the office properties for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$1,441,053 pursuant to leases in effect. Annualized base rent, net of abatements, is \$7,200,041 for City Plaza, \$6,176,152 for First Financial, \$3,926,224 for the Technicolor Building, \$1,113,716 for 875 Howard Street and \$2,064,260 for 9300 Wilshire Boulevard. There are no abatements associated

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with the leases in place as of September 30, 2010 at the Del Amo Office, Tierrasanta, 222 Kearny Street and 10950 Washington properties. Total annualized base rent, net of abatements, for our office properties is \$33,547,533. Annual base rent for media and entertainment properties reflects actual base rent for the 12 months ended September 30, 2010, excluding tenant reimbursements. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized base rent data for these properties does not

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reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta, 875 Howard Street and 10950 Washington properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, such as real estate taxes, insurance, common area and other operating expenses, and annualized base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized base rent for these properties is \$5,388,866 for the Technicolor Building, \$2,093,104 for Tierrasanta, \$2,313,275 for 875 Howard Street, and \$4,580,780 for 10950 Washington. We estimate that the full service gross equivalent annual base rent is \$11,272,172 for Sunset Gower and \$10,395,879 for Sunset Bronson.

- (4) Annualized base rent per leased square foot for the office properties is calculated as (i) annualized base rent divided by (ii) square footage under lease as of September 30, 2010. Annual base rent per leased square foot for the media and entertainment properties is calculated as (i) actual base rent for the 12 months ended September 30, 2010, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended September 30, 2010. We estimate that the full service gross equivalent annualized base rent per leased square foot is \$46.88 for the Technicolor Building, \$20.74 for Tierrasanta, \$18.10 for 875 Howard Street and \$28.98 for 10950 Washington, and the full service gross equivalent annual base rent per leased square foot is \$30.55 for Sunset Gower and \$46.66 for Sunset Bronson.
- (5) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of September 30, 2010, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of September 30, 2010. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized net effective base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta and 875 Howard Street properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, and annualized net effective base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized net effective base rent per leased square foot for these properties is \$49.98 for the Technicolor Building, \$21.56 for Tierrasanta, \$17.39 for 875 Howard Street and \$31.92 for 10950 Washington.
- (6) 875 Howard Street consists of two buildings, a retail building of 94,505 square feet that is 100% leased and an office building of 191,765 square feet that underwent redevelopment, which was completed on April 1, 2010.
- (7) As of September 30, 2010, we had entered into two leases with respect to our 875 Howard Street and 9300 Wilshire Boulevard properties that had not commenced. The following table sets forth certain data with respect to the uncommenced leases.

Property	Uncommenced Leases			
	Leased Square Feet Under Uncommenced Leases ^(a)	Annualized Base Rent Under Uncommenced Leases ^(b)	Annualized Base Rent Per Leased Square Foot Under Uncommenced Leases ^(c)	Annualized Net Effective Base Rent Per Leased Square Foot Under Uncommenced Leases ^(d)
875 Howard Street	55,827	\$ 1,116,538	\$ 20.00	\$ 33.20
9300 Wilshire Boulevard	1,243	\$ 18,645	\$ 15.00	\$ 13.42

- (a) The uncommenced lease for the 875 Howard Street property, which commences on December 14, 2010, is a ten-year lease expiring on December 13, 2020, and contains no rent abatements. The uncommenced lease for the 9300 Wilshire Boulevard property, which commences on January 1, 2011, is a five-year lease expiring on December 31, 2015, and total abatements under the uncommenced lease for the 12 months ending September 30, 2011 are \$7,769. The uncommenced lease at our 9300 Wilshire Boulevard property represents expansion space that is in addition to 6,171 square feet that is currently leased by one of our tenants. See Business and Properties Uncommenced Leases.
- (b) Annualized base rent under uncommenced leases is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the first full month under the respective uncommenced leases, by (ii) 12.
- (c) Annualized base rent per leased square foot under uncommenced leases is calculated as (i) annualized base rent under uncommenced leases, divided by (ii) leased square feet under uncommenced leases.
- (d) Annualized net effective base rent per leased square foot under uncommenced leases represents (i) annualized base rent under uncommenced leases calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) leased square feet under uncommenced leases.
- (8) Our acquisition of this property is subject to closing conditions that may not be in our control. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.
- (9) This property was acquired on October 8, 2010. A portion representing approximately 64% of the building area (excluding the 180 Sutter building) is subject to a ground lease that expires June 14, 2054; the remaining portion is owned in fee.
- (10) This property is subject to a ground sublease that expires June 30, 2049.
- (11) This property is subject to a ground lease that expires August 14, 2032.
- (12) After giving effect to uncommenced leases signed as of September 30, 2010, the total percent leased for office properties would have been 87.0% as of September 30, 2010.
- (13) Approximately 0.59 acres of this property is subject to a ground lease that expires March 31, 2060; the remaining portion is owned in fee.

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The Offering

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our series B preferred stock, see Description of Series B Preferred Stock.

Issuer Hudson Pacific Properties, Inc.

Securities Offered 3,000,000 shares of Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share. We have granted the underwriters an option to purchase up to an additional 450,000 shares of series B preferred stock.

Dividends Dividends on each share of series B preferred stock will be cumulative from the date of original issue and are payable quarterly in arrears on or about the last calendar day of each March, June, September and December, commencing on or about December 31, 2010, at the rate of % per annum of its liquidation preference, or \$ per annum per share. The first dividend on our series B preferred stock sold in this offering is payable on December 31, 2010 and will be in the amount of \$ per share.

If following a change of control, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), holders will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted at the increased rate of % per annum per share of the liquidation preference of our series B preferred stock (equivalent to \$ per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. To see how we define change of control for this purpose, see Description of Series B Preferred Stock Dividends below.

Liquidation Preference If we liquidate, dissolve or wind up our business and affairs, holders of our series B preferred stock will have the right to receive \$25.00 per share, plus an amount per share equal to all accrued and unpaid dividends (whether or not earned or declared) to, but not including, the date of payment, before any payments are made to holders of our common stock or other junior securities.

Maturity Our series B preferred stock has no maturity date and we are not required to redeem our series B preferred stock. Accordingly, our series B preferred stock will remain outstanding indefinitely, unless we decide to redeem it. We are not required to set aside funds to redeem our series B preferred stock.

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Ranking	Our series B preferred stock will rank senior to our common stock and any other junior shares that we may issue in the future, on parity with any parity shares that we may issue in the future, and junior to all of our existing and future indebtedness, in each case with respect to payment of dividends and distribution of assets upon liquidation, dissolution or winding up. In addition, the series B preferred stock will be subordinate to the outstanding series A preferred units, which were issued in connection with our initial public offering and have an aggregate liquidation preference of approximately \$12.5 million, in the case of our liquidation, dissolution or winding up.
Conversion	Our series B preferred stock is not convertible into or exchangeable for any property or any other securities.
Optional Redemption	Except in limited circumstances relating to the restrictions on ownership and transfer of our stock intended to assist us in qualifying as a REIT or pursuant to our special optional redemption right discussed below, our series B preferred stock is not redeemable prior to December 31, 2015. On or after December 31, 2015, we may, at our option, redeem our series B preferred stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the date of redemption.
Special Optional Redemption	If at any time following a change of control, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, for cash at \$25.00 per share, plus accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date. To see how we define change of control for this purpose, see Description of Series B Preferred Stock Dividends below.
Voting Rights	Holders of our series B preferred stock will generally have no voting rights. However, if dividends on our series B preferred stock are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of our series B preferred stock (voting together as a single class with the holders of any other class or series of parity preferred stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two directors until we pay (or declare and set aside for payment) all such dividends and dividends on our series B preferred stock for the then current quarterly dividend period. In addition, certain amendments to

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our charter that would be material and adverse to the rights of our series B preferred stock cannot be made without the affirmative vote of at least two-thirds of the votes entitled to be cast by holders of outstanding shares of series B preferred stock, voting together as a single class with the holders of all other similarly-affected classes and series of parity preferred stock upon which like voting rights have been conferred.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any shares of our series B preferred stock are outstanding, we will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of series B preferred stock, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the Securities and Exchange Commission, or SEC, pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of series B preferred stock. We will mail (or otherwise provide) the information to the holders of series B preferred stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act.

Listing

We have applied to list our series B preferred stock on the NYSE under the symbol HPP Pr B. We expect trading of the shares of series B preferred stock on the NYSE, if listing is approved, to commence within 30 days after the date of the initial delivery of the shares.

Use of Proceeds

We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses, will be approximately \$ million (\$ million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership in exchange for % Series B Cumulative Redeemable Preferred Units of partnership interest in our operating partnership, or series B preferred units, that will have rights as to distributions and upon liquidation, dissolution or winding up that are substantially similar to those of the series B preferred stock. Our operating partnership intends to use the net proceeds to repay indebtedness under our secured revolving credit facility, to fund future acquisitions, and for general working capital purposes, including funding capital expenditures, tenant improvements, leasing commissions, and potentially, paying distributions and post-closing cash prorations.

Restrictions on Ownership

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with the requirements

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for qualification as a REIT. Among other things, upon completion of this offering, our charter will provide that, subject to certain exceptions, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code of 1986, as amended, or the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our series B preferred stock. See Description of Series B Preferred Stock Restrictions on Ownership and Transfer and Description of Stock Restrictions on Ownership and Transfer.

Settlement	Delivery of the shares of series B preferred stock will be made against payment therefor on or about December 1, 2010.
Form	Our series B preferred stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except in limited circumstances.
Risk Factors	Investing in our series B preferred stock involves a high degree of risk and the purchasers of our series B preferred stock may lose their entire investment. See Risk Factors on page 17 for a discussion of risk factors you should carefully consider before deciding to invest in our series B preferred stock.

Our Tax Status

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. 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 taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax on our taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property. In addition, the income of any taxable REIT subsidiary that we own will be subject to taxation at regular corporate rates. See Federal Income Tax Considerations.

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Summary Selected Financial Data

The following table sets forth selected financial and operating data on a pro forma and historical basis for our company. Our historical financial statements include the real estate activity and holdings of the entities that owned the following properties that were contributed to us in connection with our initial public offering on June 29, 2010: Sunset Gower; the Technicolor Building; Sunset Bronson; City Plaza (which, together, we previously designated as our predecessor) and 875 Howard Street. One of the entities comprising our predecessor, SGS Realty II, LLC (the asset owning entity of the Sunset Gower property and the Technicolor Building) was determined to be the acquirer for accounting purposes. In addition, any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC (the asset owning entity of 875 Howard Street) was a transaction of entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost in our historical financial statements. We have changed the presentation in our historical financial statements to include the results of both our predecessor and Howard Street Associates, LLC. The current period financial statements include: (i) the operations of the above entities, (ii) the operations of the following entities that we also acquired in connection with our initial public offering: Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC, for periods subsequent to our initial public offering; and (iii) the operations of the following entities that we acquired subsequent to our initial public offering: Del Amo Fashion Center Operating Company, LLC and 9300 Wilshire, for periods subsequent to the acquisitions of such entities on August 13, 2010 and August 24, 2010, respectively.

You should read the following selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet as of September 30, 2010 and the consolidated statements of operations for the nine months ended September 30, 2010 and 2009 have been derived from the unaudited consolidated financial statements of our company included elsewhere in this prospectus. In the opinion of the management of our company, the historical consolidated statements of operations for the nine months ended September 30, 2010 and 2009 include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheets as of December 31, 2009 and 2008 and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 have been derived from our historical audited combined financial statements included elsewhere in this prospectus. Our results of operations for the interim periods ended September 30, 2010 and 2009 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2010 and for the year ended December 31, 2009 assumes the completion of this offering and our intended use of the proceeds therefrom as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of our initial public offering, which closed on June 29, 2010, and the related formation transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of certain acquisitions completed by us since our initial public offering, including the acquisition of the 222 Kearny Street property and the expected acquisition by us of the 10950 Washington property, along with any related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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	Nine Months Ended September 30,			Year Ended December 31,			2007
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	Historical Combined 2008	
(In thousands, except per share data)							
Statement of Operations Data:							
REVENUES							
Office							
Rental	\$ 23,400	\$ 12,786	\$ 8,349	\$ 27,194	\$ 11,058	\$ 8,235	\$ 3,905
Tenant recoveries	4,045	1,915	1,435	5,396	2,029	1,504	620
Other	613	125	152	785	158	41	
Total Office Revenues	28,058	14,826	9,936	33,375	13,245	9,780	4,525
Media & Entertainment							
Rental	15,453	15,453	15,300	19,909	19,909	22,075	4,215
Tenant recoveries	1,179	1,179	1,225	1,463	1,463	1,544	58
Other property-related revenue	7,996	7,996	7,402	7,193	7,193	9,554	2,750
Other	96	96	57	60	60	92	7
Total Media & Entertainment Revenues	24,724	24,724	23,984	28,625	28,625	33,265	7,030
Total revenues	52,782	39,550	33,920	62,000	41,870	43,045	11,555
OPERATING EXPENSES							
Office operating expenses	10,753	5,650	4,328	13,814	6,322	3,003	1,182
Media & entertainment operating expenses	14,983	15,194	14,451	16,069	16,810	19,926	4,732
General and administrative	4,568	2,379		4,376			
Depreciation and amortization	14,008	9,985	8,334	18,805	10,930	9,693	3,592
Total operating expenses	44,312	33,208	27,113	53,064	34,062	32,622	9,506
Income from operations	8,470	6,342	6,807	8,936	7,808	10,423	2,049
OTHER EXPENSE (INCOME)							
Interest expense	7,132	6,196	6,702	12,668	8,774	12,029	6,096
Interest income	(37)	(37)	(9)	(18)	(18)	(48)	(57)
Unrealized loss (gain) on interest rate contracts	(347)	(347)	(208)	(399)	(399)	835	24
Acquisition-related expenses	2,689	2,689				208	
Other expense	(8)	(8)	97	95	95	21	
Total other expense (income)	9,429	8,493	6,582	12,346	8,452	13,045	6,063
Net income (loss)	\$ (959)	\$ (2,151)	\$ 225	\$ (3,410)	\$ (644)	\$ (2,622)	\$ (4,014)
Less: Net income attributable to series B cumulative redeemable preferred stock	\$ (4,500)	\$	\$	(6,000)	\$	\$	\$
Less: Net income attributable to preferred non-controlling partnership interest	(585)	(199)		(780)			
Less: Net income attributable to restricted shares	(75)	(25)		(100)			
Add: Net loss (income) attributable to common non-controlling partnership interest		32	(4)		29	81	141
Add: Net loss attributable to Unitholders in the Operating Partnership	651	277		1,094			
(Loss) income attributable to Hudson Pacific Properties, Inc. shareholders /controlling member s equity	\$ (5,468)	\$ (2,066)	\$ 221	\$ (9,196)	\$ (615)	\$ (2,541)	\$ (3,873)
	(0.25)			(0.42)			

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Net (loss) attributable to shareholders per share - basic and diluted					
Weighted average shares of common stock outstanding - basic and diluted	21,946,508				21,946,508
Dividends declared per common share	\$	\$	0.0971	\$	\$

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	Nine Months Ended September 30,			Year Ended December 31,			
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical 2009	Historical 2008	Combined 2007
Balance Sheet Data (at period end):							
Investment in real estate, net	\$ 594,011	\$ 515,812	\$	\$ 412,478	\$ 409,192	\$	\$ 237,071
Total assets	732,199	623,915		448,234	446,037		264,930
Notes payable	124,349	94,069		189,518	185,594		167,531
Total liabilities	166,339	130,055		221,646	224,306		188,483
Preferred non-controlling partnership interest	12,670	12,670					
Series B preferred stock	75,000						
Non-controlling partnership/members interest	66,322	66,322		3,348	3,282		1,793
Member s/stockholders equity	486,868	414,868		223,240	218,449		74,654
Total equity	553,190	481,190		226,588	221,731		76,447
Other Data:							
Pro forma funds from operations ⁽¹⁾	\$ 7,964			\$ 8,615			
Pro forma funds from operations per share, diluted	\$ 0.32			\$ 0.35			
Cash flows from:							
Operating activities		\$ 3,421	\$ 2,250	\$ 4,538	\$ 20,049		\$ (5,433)
Investing activities		(56,667)	(10,112)	(15,457)	(178,526)		(238,903)
Financing activities		90,293	5,754	8,800	163,794		244,832

- (1) We calculate funds from operations before non-controlling interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate depreciation and amortization (excluding amortization of above (below) market rents for acquisition properties and amortization of deferred financing costs and debt discounts) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it 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. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, therefore, 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. FFO 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 pro forma net income to pro forma FFO before non-controlling interest for the periods presented:

	Pro Forma	
	Nine Months Ended September 30, 2010 (In thousands)	Year Ended December 31, 2009 (In thousands)
Net loss	\$ (959)	\$ (3,410)
Adjustments:		
Net income attributable to series B cumulative redeemable preferred stock	(4,500)	(6,000)
Net income attributable to preferred non-controlling partnership interest	(585)	(780)
Real estate depreciation and amortization	14,008	18,805
Funds from operations before common non-controlling interests	\$ 7,964	\$ 8,615

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Our ratios of earnings to fixed charges and earnings to fixed charges and preferred dividends for the periods indicated are as follows:

	Pro Forma Consolidated Nine Months Ended September 30, 2010	Historical Consolidated Nine Months Ended September 30, 2010	Pro Forma Consolidated Year Ended December 31, 2009	Historical Combined Year Ended December 31,		
				2009	2008	2007
Ratio of Earnings to Fixed Charges	0.85x	0.64x	0.71x	0.88x	0.72x	0.29x
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.51x	0.62x	0.47x	0.88x	0.72x	0.29x

Our ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Our ratios of earnings to fixed charges and preferred dividends are computed by dividing earnings by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) plus fixed charges. Net income (loss) is computed in accordance with GAAP and includes such non-cash items as real estate depreciation and amortization, amortization of above (below) market rents, and amortization of deferred financing costs and loan premium. Net income (loss) in 2010 also includes one-time transactional costs relating to our initial public offering and related formation transactions and acquisitions subsequent to our initial public offering. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees and loan premium, whether expensed or capitalized, interest within rental expense and preference security dividend requirements of consolidated subsidiaries. Interest income is not included in this computation. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series B preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our pro forma financial statements by approximately \$1.1 million for the nine months ended September 30, 2010 and by \$3.9 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our pro forma financial statements by approximately \$6.2 million for the nine months ended September 30, 2010 and by \$10.7 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our historical financial statements by approximately \$2.3 million for the nine months ended September 30, 2010 and by \$1.1 million, \$3.6 million, and \$5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our historical financial statements by approximately \$2.5 million for the nine months ended September 30, 2010 and by \$1.1 million, \$3.6 million, and \$5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

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RISK FACTORS

*Investing in our series B preferred stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our series B preferred stock offered by this prospectus. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our series B preferred stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled *Forward-Looking Statements*.*

Risks Related to Our Properties and Our Business

All of our properties are located in California, and we therefore are dependent on the California economy and are susceptible to adverse local regulations and natural disasters affecting California.

All of our properties are located in California, which exposes us to greater economic risks than if we owned a more geographically dispersed portfolio. Further, our properties are concentrated in certain submarkets, exposing us to risks associated with those specific areas. We are susceptible to adverse developments in the California economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in our markets (such as earthquakes and other events). For example, prior to the acquisition of our City Plaza property located in Orange County, California, the area was impacted significantly by the collapse of the subprime mortgage market, which had a material adverse effect on property values, vacancy rates and rents in the area. Had we owned City Plaza at that time, we would have been exposed to those adverse effects, which were more pronounced in Orange County than in other parts of the state and country. We anticipate that we will be exposed to similar risks related to the geographic concentration of our properties in the future. In addition, the State of California continues to suffer from severe budgetary constraints and is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for office space in California. Any adverse developments in the economy or real estate market in California, or any decrease in demand for office space resulting from the California regulatory or business environment, could adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, the per share trading price of our common stock and series B preferred stock and our ability to satisfy our debt obligations. We cannot assure you of the growth of the California economy or of our future growth rate.

We derive a significant portion of our rental revenue from tenants in the media and entertainment industry, which makes us particularly susceptible to demand for rental space in that industry.

The Sunset Gower, Sunset Bronson, Technicolor Building and 10950 Washington properties in our portfolio are leased to media and entertainment tenants and a significant portion of our rental revenue is derived from tenants in the media and entertainment industry. Consequently, we are susceptible to adverse developments affecting the demand by media and entertainment tenants for office, production, and support space in Southern California and, more specifically, in Hollywood, such as writer, director and actor strikes, industry slowdowns and the relocation of media and entertainment businesses to other locations. Although our Technicolor Building property and the 10950 Washington property are principally occupied and suitable for general office purposes, portions of such properties may require modifications prior to or at the commencement of a lease term if it were to be released to more traditional office users. Although our Sunset Gower and Sunset Bronson properties contain both sound stages and space suitable for office use, they have historically served the entertainment and media industry and will continue to depend on that sector for future tenancy. In addition, our media and entertainment properties tend to be subject to short-term leases of less than one year. As a result, were there to be adverse developments affecting the demand by media and entertainment tenants for office, production, and support space,

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it could affect the occupancy of our media and entertainment properties more quickly than if we had longer term leases. Any adverse development in the media and entertainment industry could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock and series B preferred stock.

The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.

We have entered into a definitive agreement to acquire the 10950 Washington property. The purchase of the 10950 Washington property is subject to closing conditions, including our receipt of requisite estoppels and our assumption of the existing \$30.0 million loan, which could delay or prevent the acquisition of the property. Although we believe that the information in the prospectus with respect to the 10950 Washington property that has been provided to us by the seller of such property, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations is accurate, we cannot assure you that this information is accurate or complete. The closing of the acquisition is expected to take place by December 30, 2010 once all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. In addition, if we fail to close the purchase as required after the satisfaction or waiver of all closing conditions, we will be liable to the seller for liquidated damages in an amount equal to the \$1.0 million deposit made by us under the asset purchase agreement.

Some of our properties are subject to ground leases, the termination or expiration of which could cause us to lose our interest in, and the right to receive rental income from, such properties.

The 9300 Wilshire Boulevard property, 0.59 acres of the the Sunset Gower property and a portion representing 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) are subject to ground leases. If any of these ground leases are terminated following a default or expire without being extended, we may lose our interest in the related property and may no longer have the right to receive any of the rental income from such property, which would adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

The ground sublease for the Del Amo Office property is subject and subordinate to a ground lease, the termination of which could result in a termination of the ground sublease.

The property on which the Del Amo Office building is located is subleased by Del Amo Fashion Center Operating Company, L.L.C., a Delaware limited liability company, or Del Amo, through a long-term ground sublease. The ground sublease is subject and subordinate to the terms of a ground lease between the fee owner of the Del Amo Office property and the sub-landlord under the ground sublease. The fee owner has not granted to the subtenant under the ground sublease any rights of non-disturbance. Accordingly, a termination of the ground lease for any reason, including a rejection thereof by the ground tenant under the ground lease in a bankruptcy proceeding, could result in a termination of the ground sublease. In the event of a termination of the ground sublease, we may lose our interest in the Del Amo Office building and may no longer have the right to receive any of the rental income from the Del Amo Office building. In addition, our lack of any non-disturbance rights from the fee owner may impair our ability to obtain financing for the Del Amo Office building.

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 underperforming office 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 any of

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the properties identified as potential acquisition opportunities under Business and Properties Acquisition Pipeline and elsewhere in this prospectus, or that we may identify in the future. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

potential inability to acquire a desired property because of competition from other real estate investors with significant capital, including publicly traded REITs, private equity investors and institutional investment funds, which may be able 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;

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 typically subject to customary conditions to closing, including the satisfactory completion of our due diligence investigations; 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, cash available for distribution, including cash available for the payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

Our future acquisitions may not yield the returns we expect.

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

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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.

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If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected.

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 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. 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 the acquired properties and/or the allocation of partnership 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.

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.

In order to maintain our qualification as a REIT, we are required to meet various requirements under the Code, including that we distribute annually at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net 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 the financing on favorable terms or at all. 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.

Recently, the credit markets have been subject to significant disruptions. 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 our stockholders, including our series B preferred stockholders, necessary to maintain our qualification as a REIT.

As of September 30, 2010, we had approximately \$94.3 million of indebtedness outstanding, which may expose us to interest rate fluctuations, and our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series B preferred stock, and expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness, as of September 30, 2010, was approximately \$94.3 million, of which \$37.0 million (or approximately 39.3%) was variable rate debt, which has been fully hedged pursuant to

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an interest rate contract, and we may incur significant additional debt to finance future acquisition and development activities. In addition, as of December 2, 2010, we had drawn approximately \$34.5 million under our secured revolving credit facility.

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 on our common stock or our series B preferred stock 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;

because a portion of our debt bears interest at variable rates, increases in interest rates could increase our interest expense;

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, ability to make distributions on our common stock and our series B preferred stock and per share trading price of our common stock and series B preferred 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 Code. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness.

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. For tax purposes, a foreclosure of 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.

Our secured revolving credit facility restricts our ability to engage in some business activities.

Our secured revolving credit facility contains customary negative covenants and other financial and operating covenants that, among other things:

restrict our ability to incur additional indebtedness;

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restrict our ability to make certain investments;

restrict our ability to merge with another company;

restrict our ability to make distributions to stockholders; and

require us to maintain financial coverage ratios.

These limitations restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock. In addition, failure to meet any of these covenants, including the financial coverage ratios, could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us. Furthermore, our secured revolving credit facility contains specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred 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 the current dislocations in the credit markets and general global economic downturn. These current conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock as a result of the following potential consequences, among others:

significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

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;

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; and

one or more lenders under our secured revolving 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.

In addition, the economic downturn has adversely affected, and may continue to adversely affect, the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

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Failure to hedge effectively against interest rate changes may adversely affect financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

If interest rates increase, then so will the interest costs on our unhedged or partially hedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our stockholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures. We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Failure to hedge effectively against interest rate changes may materially adversely affect financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock. In addition, while such agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivative and Hedging.

We have a limited operating history and may not be able to operate our business successfully or implement our business strategies as described in this prospectus.

We commenced operations only upon completion of our initial public offering on June 29, 2010. Our portfolio, including the 10950 Washington property (which we are currently under contract to purchase), consists of eleven properties located throughout California, containing a total of approximately 2.4 million net rentable square feet. Our Del Amo Office, 9300 Wilshire Boulevard and 222 Kearny Street properties have only been under our management since they were acquired on August 13, 2010, August 24, 2010 and October 8, 2010, respectively, and three of our other properties have only been under our management since they were acquired in connection with our initial public offering on June 29, 2010. We do not yet own or operate the 10950 Washington property. These properties may have characteristics or deficiencies unknown to us that could affect such properties' valuation or revenue potential. In addition, there can be no assurance that the operating performance of the properties will not decline under our management. We cannot assure you that we will be able to operate our business successfully or implement our business strategies as described in this prospectus. Furthermore, we can provide no assurance that our senior management team will replicate its success in its previous endeavors, and our investment returns could be substantially lower than the returns achieved by their previous endeavors.

We have a limited operating history as a REIT and as a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.

We have a limited operating history as a REIT and as a publicly traded company. We cannot assure you that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC and comply with the Sarbanes-Oxley Act of 2002. Since our initial public offering, we have been subject to various requirements related to REITs and publicly traded companies, including requirements to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT and satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with New York Stock Exchange, or NYSE, listing standards, and compliance with these requirements could place a significant strain on our management systems, infrastructure and other resources. Failure to operate successfully as a public company or qualify and maintain our qualification as a REIT would have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our

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series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations. See Risks Related to Our Status as a REIT Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock.

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

We compete with numerous developers, owners and operators of office properties, 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, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected.

We depend on significant tenants, and many of our properties are single-tenant properties or are currently occupied by single tenants.

As of September 30, 2010, the 20 largest tenants in our office portfolio represented approximately 65.5% of the total annualized base rent generated by our office properties. 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 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. For the 12 months ended September 30, 2010, our largest tenant was Technicolor, which accounted for 11.7% of our annualized base rent, and therefore represented a significant credit concentration. If Technicolor 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 described above could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and the per share trading price of our common stock and series B preferred stock.

Furthermore, Saatchi & Saatchi leases 100% of the Del Amo Office property under the terms of an office lease that permits Saatchi & Saatchi to terminate the lease as to all of the leased premises prior to the stated lease expiration on December 31, 2011, December 31, 2014 and December 31, 2016, in each case upon nine months prior notice and in exchange for payment of an early termination fee estimated to be approximately \$5.0 million for 2011, approximately \$3.1 million for 2014 and approximately \$1.9 million for 2016. As of September 30, 2010, the Saatchi & Saatchi lease comprised approximately 8.8% of our annualized office base rent. To the extent that Saatchi & Saatchi exercises its early termination right, our financial condition, results of operations and cash flow will be adversely affected, and we can provide no assurance that we will be able to generate an equivalent amount of net rental revenue by leasing the vacated space to new third party tenants.

Our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected if any of our significant tenants were to become unable to pay their rent or become bankrupt or insolvent.

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We may be unable to renew leases, lease vacant space or re-let space as leases expire.

As of September 30, 2010, leases representing 0.6% of the square footage of the office properties in our portfolio, including 10950 Washington, will expire in the remainder of 2010, and an additional 13.0% of the square footage of the office properties in our portfolio was available (taking into account uncommenced leases signed as of September 30, 2010). Furthermore, substantially all of the square footage of the media and entertainment properties in our portfolio (other than the KTLA lease of the KTLA facility at Sunset Bronson) will expire in the remainder of 2010 and in 2011. We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective 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. 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, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock to be adversely affected.

To the extent adverse economic conditions continue in the real estate market and demand for office space remains low, we expect that, upon expiration of leases at our properties, we will be required 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred 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.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Northern or Southern California real estate markets, a general economic downturn, such as the current global economic downturn, 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.

Our success depends on key personnel whose continued service is not guaranteed.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Victor J. Coleman and Howard S. Stern, who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and

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disposition activity. Among the reasons that they 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.

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 personnel, which could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

We carry commercial property (including earthquake), liability and terrorism coverage on all 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 have selected policy specifications and insured limits that we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. However, we do not carry insurance for losses such as loss from riots or war because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, like those covering losses due to terrorism or earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, which could affect certain of our properties that are located in areas particularly susceptible to natural disasters. All of the properties we currently own are located in California, an area especially subject to earthquakes. While we carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake, terrorism or other 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, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters.

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.

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.

We may become subject to litigation, which could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

In the future we may become subject to litigation, including claims relating to our operations, offerings, 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

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generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of any claims 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations. 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.

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 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. In such event, 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, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. 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.

If we fail to maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. As part of our ongoing monitoring of internal controls we may discover material weaknesses or significant deficiencies in our internal controls. As a result of weaknesses that may be identified in our internal controls, we may also identify certain deficiencies in some of our disclosure controls and procedures that we believe require remediation. If we discover weaknesses, we will make efforts to improve our internal and disclosure controls. However, there is no assurance that we will be successful. Any failure to maintain effective controls or timely effect any necessary improvement of our internal and disclosure controls could harm operating results or cause us to fail to meet our reporting obligations, which could affect our ability to remain listed with the NYSE. Ineffective internal and disclosure controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the per share trading price of our common stock.

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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.

Our ability to pay expected dividends to our stockholders 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 Properties and Our Business, as well as the following:

local oversupply or reduction in demand for office or media and entertainment-related 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;

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; and

changing submarket demographics.

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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred 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 certain limitations imposed by our tax protection agreements, as well as 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 current 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

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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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

We could incur significant costs related to government regulation and litigation over 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. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and the per share trading price of our common stock and series B preferred stock.

Environmental laws also govern the presence, maintenance and removal of asbestos- and lead-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos and lead, adequately notify or train those who may come into contact with asbestos or lead, and undertake special precautions, including removal or other abatement, if asbestos or lead would be disturbed during renovation or demolition of a building. Some of our properties contain ACBM and we could be liable for such damages, fines or penalties, as described below in [Business and Properties Regulation Environmental Matters](#).

In addition, the properties in our portfolio also are subject to various federal, state and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, 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. In addition, 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common

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stock and series B preferred 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 and series B preferred stock.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, impose further restrictions on our properties and operations. Under the ADA, 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. If one or more of the properties in our portfolio is not in compliance with the ADA 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

We are exposed to risks associated with property development.

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 certain risks, including the availability and pricing of financing on favorable terms or at all; construction and/or lease-up delays; cost overruns, including construction costs that exceed our original estimates; contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;

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failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; and 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. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Risks Related to Our Organizational Structure

As of September 30, 2010 the Farallon Funds owned an approximate 35.9% beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.

Investment funds affiliated with Farallon Capital Management, L.L.C., or Farallon, which we refer to as the Farallon Funds, own an approximate 35.9% beneficial interest in our company on a fully diluted basis. Consequently, the Farallon Funds may be able to significantly influence the outcome of matters submitted for stockholder action, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, one member of our board of directors is a managing member of Farallon. As a result, the Farallon Funds have substantial influence on us and could exercise their influence in a manner that conflicts with the interests of other stockholders.

The series A preferred units that were issued to some contributors in connection with our initial public offering in exchange for the contribution of their properties have certain preferences, which could limit our ability to pay dividends or other distributions to the holders of our series B preferred stock or engage in certain business combinations, recapitalizations or other fundamental changes.

In exchange for the contribution of properties to our portfolio in connection with our initial public offering, some contributors received series A preferred units in our operating partnership, which units have an aggregate liquidation preference of approximately \$12.5 million and have a preference as to distributions and upon liquidation that could limit our ability to pay a dividend or make another distribution to the holders of our series B preferred stock. The series A preferred units are senior to any other class of securities our operating partnership may issue in the future without the consent of the holders of the series A preferred units. As a result, we will be unable to issue partnership units in our operating partnership senior to the series A preferred units without the consent of the holders of series A preferred units. Any preferred stock in our company that we issue, including the series B preferred stock offered hereby, will be subordinate to the series A preferred units.

In addition, we may only engage in a fundamental change, including a recapitalization, a merger and a sale of all or substantially all of our assets, as a result of which our common stock ceases to be publicly traded or common units cease to be exchangeable (at our option) for publicly traded shares of our stock, without the consent of holders of series A preferred units if following such transaction we will maintain certain leverage ratios and equity requirements, and pay certain minimum tax distributions to holders of our outstanding series A preferred units. Alternatively, we may redeem all or any portion of the then outstanding series A preferred units for cash (at a price per unit equal to the redemption price). If we choose to redeem the outstanding series A preferred units in connection with a fundamental change, this could reduce the amount of cash available for distribution to holders of our series B preferred stock. In addition, these provisions could increase the cost of any such fundamental change transaction, which may discourage a merger, combination or change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

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Conflicts of interest 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 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 applicable 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 general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company.

Additionally, the partnership agreement provides that we and our directors and officers will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we, or such director or officer acted in good faith. The partnership agreement also 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. Moreover, the partnership agreement provides that our operating partnership is required to indemnify us and our directors, officers and employees, officers and employees of the operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the 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) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise, in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. 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.

We may pursue less vigorous enforcement of terms of the contribution and other agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest.

Each of Victor J. Coleman, Howard S. Stern and affiliates of the Farallon Funds are parties to contribution agreements with us pursuant to which we have acquired interests in our properties and assets. In addition, Messrs. Coleman and Stern are parties to employment agreements with us. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with members of our senior management and the Farallon Funds, with possible negative impact on stockholders.

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, even if such a change in control may be in your interest, and as a result may depress the market price of our common stock and series B preferred stock.

Our charter contains certain ownership limits. Our charter contains various provisions that are intended to preserve our qualification as a REIT and, subject to certain exceptions, authorize our directors to take such actions as are necessary or appropriate to preserve our qualification as a REIT. For example, upon completion of this offering, our charter will prohibit the actual, beneficial or constructive ownership by any

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person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or our series B preferred stock, or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. 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. In connection with our initial public offering and the formation transactions, our board of directors granted to the Farallon Funds and certain of their affiliates, which we refer to collectively as the Farallon excepted holders, and to certain other persons, exemptions from the ownership limits, subject to various conditions and limitations. See Description of Stock Restrictions on Ownership and Transfer. 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 series B preferred 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. Subject to the rights of holders of series B preferred stock to approve the classification or issuance of any class or series of stock ranking senior to the series B preferred stock, our board of directors 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. See Description of Stock Common Stock and Preferred 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 series B preferred 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 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 be in the best interest of our series B preferred stockholders, 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

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outstanding control shares) have no voting rights 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, we have elected, by resolution of our board of directors, to exempt from the business combination provisions of the MGCL, any business combination that is first approved by our disinterested directors and, pursuant to a provision in our bylaws, to exempt any acquisition of our stock from the control share provisions of the MGCL. However, our board of directors may by resolution elect to repeal the exemption from the business combination provisions of the MGCL and may by amendment to our bylaws opt in to the control share provisions of the MGCL at any time 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 be in the best interest of our series B preferred stockholders. Our charter contains a provision whereby we have 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. See Material Provisions of Maryland Law and of Our Charter and Bylaws.

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;

transfer restrictions on 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;

the right of the limited partners to consent to transfers of the general partnership interest and mergers or other transactions involving us under specified circumstances; and

restrictions on debt levels and equity requirements pursuant to the terms of our series A preferred units, as well as required distributions to holders of series A preferred units of our operating partnership, following certain changes of control of us.

Our charter, 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 our stockholders otherwise believe to be in their best interest. See Material Provisions of Maryland Law and of Our Charter and Bylaws Removal of Directors, Control Share Acquisitions, Advance Notice of Director Nominations and New Business and Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

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 organizational documents do not limit

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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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

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

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.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law. 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.

Tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with the formation transactions, we entered into tax protection agreements with certain third-party contributors that provide that if we dispose of any interest with respect to the First Financial or Tierrasanta properties in a taxable transaction during the period from the closing of our initial public offering on June 29, 2010 through certain specified dates ranging until 2027, we will indemnify the third-party contributors for their tax liabilities attributable to their share of the greater of the built-in gain that exists with respect to such property interest as of June 29, 2010 and the built-in gain that existed with respect to such property interests when held by an investment vehicle whose general partner is owned by investment funds managed by Morgan Stanley, which we refer to as the Morgan Stanley Investment Partnership (and, in either case, tax liabilities incurred as a result of the reimbursement payment). Certain contributors' rights under the tax protection agreement with respect to these properties will, however, expire at various times (depending on the rights of such partner) during the period beginning in 2017 and prior to the expiration, in 2027, of the maximum period for indemnification. The First Financial and Tierrasanta properties represented 22.4% of our office portfolio's annualized base rent (including the 10950 Washington property) as of September 30, 2010. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these contributors (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Our tax protection agreements provide that during the period from the closing of our initial public offering on June 29, 2010, through certain specified dates ranging from 2017 to 2027, our operating partnership

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will offer certain holders of units who continue to hold the units received in respect of the formation transactions the opportunity to guarantee debt. If we fail to make such opportunities available, we will be required to indemnify such holders for their tax liabilities resulting from our failure to make such opportunities available to them (and any tax liabilities incurred as a result of the indemnity payment). We agreed to these provisions in order to assist certain contributors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

We are a holding company with no direct operations and, as such, we rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders are 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 series B preferred 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, your claims as holders of series B preferred stock will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries and subordinate to the rights of holders of series A preferred units. 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.

Risks Related to Our Status as a REIT

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

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. 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, and the statements in the prospectus are not binding on the IRS or any court. Therefore, we cannot assure you that we will qualify 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 stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;

we also could be subject to the federal alternative minimum tax and possibly 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 stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify 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 and series B preferred stock.

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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 qualify as a REIT. In order to qualify 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 a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to 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 qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify 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 properly 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 assure you, 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.

Our ownership of taxable REIT subsidiaries is subject to certain restrictions, 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 currently own an interest in one taxable REIT subsidiary 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.

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 our total assets may be represented by securities, including securities of taxable REIT subsidiaries, other than those securities includable in the 75% asset test. We anticipate

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that the aggregate value of the stock and securities of any taxable REIT subsidiaries and other nonqualifying assets that we own 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 any taxable REIT subsidiaries that we own 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 the 25% limitation 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.

To qualify as a REIT, 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 corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. 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 funds to meet the REIT distribution requirements 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, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

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

The maximum tax rate applicable to income from qualified dividends payable to U.S. stockholders that are individuals, trusts and estates has been reduced by legislation to 15% (through the end of 2010). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the reduced rates continue to apply to regular corporate qualified dividends, 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 and series B preferred stock.

The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions that 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.

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

To qualify 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 stockholders 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: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; or (iii) 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 us.

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 or the federal income tax consequences of such qualification.

Risks Related to this Offering

The series B preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; series B preferred stock has no stated maturity date.

The shares of series B preferred stock are a new issue of securities with no established trading market. In addition, since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the series B preferred stock on the NYSE, but there can be no assurance that the NYSE will accept the series B preferred stock for listing. Even if the series B preferred stock is approved for listing by the NYSE, however, an active trading market on the NYSE for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of series B preferred stock will be limited. If an active trading market does develop on the NYSE, our series B preferred stock may trade at prices lower than the initial offering price. The trading price of our series B preferred stock would depend on many factors, including:

prevailing interest rates;

the market for similar securities;

general economic and financial market conditions;

our issuance of debt or preferred equity securities; and

our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in the shares of our series B preferred stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

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Our series B preferred stock is subordinate to our debt, and your interests could be diluted by the issuance of additional shares of preferred stock, including additional shares of series B preferred stock, and by other transactions.

Our series B preferred stock is subordinate to all of our existing and future debt. Our existing debt restricts, and our future debt may include restrictions on, our ability to pay dividends to preferred stockholders. Our charter currently authorizes the issuance of up to 10,000,000 shares of preferred stock in one or more classes or series. The issuance of additional preferred stock on parity with or senior to our series B preferred stock would dilute the interests of the holders of our series B preferred stock, and any issuance of preferred stock senior to our series B preferred stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our series B preferred stock. Other than the increase in the dividend that may occur in a circumstance described under Description of Series B Preferred Stock Dividends below, none of the provisions relating to our series B preferred stock contain any provisions affording the holders of our series B preferred stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of our series B preferred stock, so long as the rights of our series B preferred stock are not materially and adversely affected.

The series B preferred stock will be subordinated to the series A preferred units, which were issued in connection with our initial public offering and which have an aggregate liquidation preference of approximately \$12.5 million.

We conduct substantially all of our business through our operating partnership, and our only significant asset is our interest in our operating partnership. As a result, we depend upon distributions or other payments from our operating partnership in order to meet our financial obligations, including our obligations to pay dividends or liquidation payments to our preferred stockholders. As a result, these obligations are effectively subordinated to existing and future liabilities of the operating partnership, including our obligations to pay preferred distributions on the series A preferred units of our operating partnership. In particular, the series A preferred units rank senior to the series B preferred units and common units of our operating partnership. Accordingly, our operating partnership must satisfy its obligations to make preferred distributions to the series A preferred units before it may make distributions to us. Moreover, in the event of our bankruptcy or the bankruptcy of our operating partnership, holders of series A preferred units will generally be entitled to payment of their liquidation preference from the assets of our operating partnership before those assets are made available for distribution to us. As a result, any right that we have to receive any assets of our operating partnership upon its liquidation or reorganization, and the liquidation preference of the series B preferred stock, will be subordinated to the liquidation preference of the series A preferred units and other liabilities of our operating partnership. In addition, we may not redeem our series B preferred stock unless we have paid distributions on the series A preferred units for all prior distribution periods. As of September 30, 2010, the liquidation preference on the outstanding series A preferred units was approximately \$12.5 million.

Market interest rates may have an effect on the value of our series B preferred stock.

One of the factors that will influence the price of our series B preferred stock will be the dividend yield on the series B preferred stock (as a percentage of the price of our series B preferred stock, as applicable) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our series B preferred stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our series B preferred stock to decrease.

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As a holder of series B preferred stock you have extremely limited voting rights.

Your voting rights as a holder of series B preferred stock will be extremely limited. Our common stock is the only class or series of our stock carrying full voting rights. Voting rights for holders of series B preferred stock exist primarily with respect to the ability to elect additional directors in the event that dividends for six quarterly dividend periods (whether or not consecutive) payable on our series B preferred stock are in arrears, and with respect to voting on amendments to our charter that materially and adversely affect the rights of the series B preferred stock or create additional classes or series of preferred stock that are senior to our series B preferred stock. See **Description of Series B Preferred Stock Voting Rights** below. Other than the limited circumstances described in this prospectus, holders of series B preferred stock will not have voting rights.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our series B preferred stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our series B preferred stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our series B preferred stock.

Our secured revolving credit facility prohibits us from redeeming the series B preferred stock and may limit our ability to pay dividends on the series B preferred stock.

Our secured revolving credit facility, which matures in June 2013, prohibits us from redeeming or otherwise repurchasing any shares of our stock, including the series B preferred stock, during the three-year term of the secured revolving credit facility. Under the secured revolving credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or (ii) the amount required for us to qualify and maintain our status as a REIT or (iii) the amount required for us to avoid the imposition of income and excise taxes. As a result, if we do not generate sufficient funds from operations (as defined in our secured revolving credit facility) during the 12 months preceding any series B preferred stock dividend payment date, we would not be able to pay all or a portion of the accumulated dividends payable to our series B preferred stockholders on such payment date without causing a default under our secured revolving credit facility. In the event of a default under our secured revolving credit facility, we would be unable to borrow under our secured revolving credit facility and any amounts we have borrowed thereunder could become due and payable.

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FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of 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, pro forma, anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

adverse economic or real estate developments in our markets;

general economic conditions;

defaults on, early terminations of or non-renewal of leases by tenants;

fluctuations in interest rates and increased operating costs;

our failure to obtain necessary outside financing;

our failure to generate sufficient cash flows to service our outstanding indebtedness;

lack or insufficient amounts of insurance;

decreased rental rates or increased vacancy rates;

difficulties in identifying properties to acquire and completing acquisitions;

our failure to successfully operate acquired properties and operations;

our failure to maintain our status as a REIT;

environmental uncertainties and risks related to adverse weather conditions and natural disasters;

financial market fluctuations;

changes in real estate and zoning laws and increases in real property tax rates; and

other factors affecting the real estate industry generally.

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, of 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 above entitled Risk Factors.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$ million, after deducting underwriting discounts and commissions and our expenses, or approximately \$ million if the underwriters' overallotment option is exercised in full. We will contribute the net proceeds of this offering to our operating partnership in exchange for series B preferred units, and our operating partnership will use the net proceeds to repay indebtedness under our secured revolving credit facility, fund future acquisitions, and for general working capital purposes, including funding capital expenditures, tenant improvements, leasing commissions, and potentially, paying distributions and post-closing cash proration.

Our secured revolving credit facility matures on June 29, 2013 and bears interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio; however, LIBOR is subject to a floor of 1.50%.

Pending application of cash proceeds, we will invest the net proceeds in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT.

See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements contained elsewhere in this prospectus.

Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated, the underwriters of this offering, are lenders under our \$200 million secured revolving credit facility. To the extent that we use a portion of the net proceeds of this offering to repay borrowings outstanding under our secured revolving credit facility, such affiliates of our underwriters will receive their proportionate shares of any amount of the secured revolving credit facility that is repaid with the net proceeds of this offering.

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Our ratios of earnings to fixed charges and earnings to fixed charges and preferred dividends for the periods indicated are as follows:

	Pro Forma Consolidated Nine Months Ended September 30, 2010	Historical Consolidated Nine Months Ended September 30, 2010	Pro Forma Consolidated Year Ended December 31, 2009	Historical Combined Year Ended December 31, 2009 2008 2007		
Ratio of Earnings to Fixed Charges	0.85x	0.64x	0.71x	0.88x	0.72x	0.29x
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.51x	0.62x	0.47x	0.88x	0.72x	0.29x

Our ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Our ratios of earnings to fixed charges and preferred dividends are computed by dividing earnings by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) plus fixed charges. Net income (loss) is computed in accordance with GAAP and includes such non-cash items as real estate depreciation and amortization, amortization of above (below) market rents, and amortization of deferred financing costs and loan premium. Net income (loss) in 2010 also includes one-time transactional costs relating to our initial public offering and related formation transactions and acquisitions subsequent to our initial public offering. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees, whether expensed or capitalized, interest within rental expense and preference security dividend requirements of consolidated subsidiaries. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series B preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our pro forma financial statements by approximately \$1.1 million for the nine months ended September 30, 2010 and by \$3.9 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our pro forma financial statements by approximately \$6.2 million for the nine months ended September 30, 2010 and by \$10.7 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our historical financial statements by approximately \$2.3 million for the nine months ended September 30, 2010 and by \$1.1 million, \$3.6 million, and \$5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our historical financial statements by approximately \$2.5 million for the nine months ended September 30, 2010 and by \$1.1 million, \$3.6 million, and \$5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock has been listed on the NYSE since June 24, 2010 and is traded under the symbol HPP. The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Last	Distributions
Second quarter ⁽¹⁾	\$ 17.33	\$ 17.25	\$ 17.25	\$ 0.0021
Third quarter	\$ 17.00	\$ 15.86	\$ 16.37	0.095
Fourth quarter (through December 2, 2010)	\$ 16.52	\$ 15.26	\$ 15.41	

(1) Information is provided only for the period from June 29, 2010 to June 30, 2010, as shares of our common stock did not begin trading publicly until June 29, 2010.

On December 2, 2010, the closing sale price for our common stock, as reported on the NYSE, was \$15.41 and there were 17 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

We intend to continue to declare quarterly distributions on our common stock. The actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions.

Subject to the distribution requirements applicable to REITs under the Code, we intend, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of our assets in real estate-related assets and other assets. We may, however, under certain circumstances, make a distribution of capital or of assets. Such distributions, if any, will be made at the discretion of our board of directors. Distributions will be made in cash to the extent that cash is available for distribution.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and historical consolidated capitalization as of September 30, 2010 and our pro forma cash and cash equivalents and consolidated capitalization as of September 30, 2010, adjusted to give effect to this offering and the use of the net proceeds as set forth in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2010	
	Historical Consolidated (In thousands, except share amounts)	Pro Forma Consolidated
Cash and cash equivalents	\$ 40,741	\$
DEBT		
Notes payable and other secured loans ⁽¹⁾	94,069	124,349
6.25% Cumulative Redeemable Convertible Series A Preferred Units of our operating partnership	12,670	12,670
EQUITY		
Hudson Pacific Properties, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized, 3,000,000 shares issued and outstanding on a pro forma basis ⁽²⁾		
Common stock, \$0.01 par value per share, 490,000,000 shares authorized, 22,211,799 shares issued and outstanding	222	222
Additional paid-in capital	416,624	413,624
Accumulated other comprehensive loss	(30)	(30)
Accumulated deficit	(1,948)	(1,948)
Total Hudson Pacific Properties, Inc. stockholders' equity	414,868	
Non-controlling partnership interests	66,322	66,322
Total equity	481,190	
Total capitalization	\$ 587,929	\$

- (1) Does not include any borrowings under our secured revolving credit facility, as no amounts were outstanding as of September 30, 2010. As of December 2, 2010, we had drawn approximately \$34,500 on our secured revolving credit facility. We intend to use approximately \$34,500 of the net proceeds of this offering to repay amounts outstanding under our secured revolving credit facility, provided that this offering is completed prior to our acquisition of the 10950 property. If this offering is completed after our acquisition of the 10950 Washington property, we intend to use approximately \$50,174 of the net proceeds of this offering to repay amounts that we anticipate will be outstanding under our secured revolving credit facility at such time. The pro forma amount includes the anticipated assumption of a \$30,000 loan in connection with our expected acquisition of the 10950 Washington property and a related fair market value of debt adjustment of approximately \$280.
- (2) Pro forma series B preferred stock outstanding includes shares to be issued in this offering, and excludes shares issuable upon exercise of the underwriters' overallotment option.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a pro forma and historical basis for our company. Our historical financial statements include the real estate activity and holdings of the entities that owned the following properties that were contributed to us in connection with our initial public offering on June 29, 2010: Sunset Gower; the Technicolor Building; Sunset Bronson; City Plaza (which, together, we previously designated as our predecessor) and 875 Howard Street. One of the entities comprising our predecessor, SGS Realty II, LLC (the asset owning entity of the Sunset Gower property and the Technicolor Building) was determined to be the acquirer for accounting purposes. In addition, any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC (the asset owning entity of 875 Howard Street) was a transaction of entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost in our historical financial statements. We have changed the presentation in our historical financial statements to include the results of both our predecessor and Howard Street Associates, LLC. The current period financial statements include: (i) the operations of the above entities, (ii) the operations of the following entities that we also acquired in connection with our initial public offering: Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC, for periods subsequent to our initial public offering; and (iii) the operations of the following entities that we acquired subsequent to our initial public offering: Del Amo Fashion Center Operating Company, LLC and 9300 Wilshire, for periods subsequent to the acquisitions of such entities on August 13, 2010 and August 24, 2010, respectively.

You should read the following selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet as of September 30, 2010 and the consolidated statements of operations for the nine months ended September 30, 2010 and 2009 have been derived from the unaudited consolidated financial statements of our company included elsewhere in this prospectus. In the opinion of the management of our company, the historical consolidated statements of operations for the nine months ended September 30, 2010 and 2009 include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheets as of December 31, 2009 and 2008 and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 have been derived from our historical audited combined financial statements included elsewhere in this prospectus. Our results of operations for the interim periods ended September 30, 2010 and 2009 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2010 and for the year ended December 31, 2009 assumes the completion of this offering and our intended use of the proceeds therefrom as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of our initial public offering, which closed on June 29, 2010, and the related formation transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of certain acquisitions completed by us since our initial public offering, including the acquisition of the 222 Kearny Street property and the expected acquisition by us of the 10950 Washington property, along with any related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Table of Contents**Hudson Pacific Properties, Inc.**

	Nine Months Ended September 30,			Year Ended December 31,			
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	Historical Combined 2008	2007
(In thousands, except per share data)							
Statement of Operations Data:							
REVENUES							
Office							
Rental	\$ 23,400	\$ 12,786	\$ 8,349	\$ 27,194	\$ 11,058	\$ 8,235	\$ 3,905
Tenant recoveries	4,045	1,915	1,435	5,396	2,029	1,504	620
Other	613	125	152	785	158	41	
Total Office Revenues	28,058	14,826	9,936	33,375	13,245	9,780	4,525
Media & Entertainment							
Rental	15,453	15,453	15,300	19,909	19,909	22,075	4,215
Tenant recoveries	1,179	1,179	1,225	1,463	1,463	1,544	58
Other property-related revenue	7,996	7,996	7,402	7,193	7,193	9,554	2,750
Other	96	96	57	60	60	92	7
Total Media & Entertainment Revenues	24,724	24,724	23,984	28,625	28,625	33,265	7,030
Total revenues	52,782	39,550	33,920	62,000	41,870	43,045	11,555
OPERATING EXPENSES							
Office operating expenses	10,753	5,650	4,328	13,814	6,322	3,003	1,182
Media & entertainment operating expenses	14,983	15,194	14,451	16,069	16,810	19,926	4,732
General and administrative	4,568	2,379		4,376			
Depreciation and amortization	14,008	9,985	8,334	18,805	10,930	9,693	3,592
Total operating expenses	44,312	33,208	27,113	53,064	34,062	32,622	9,506
Income from operations	8,470	6,342	6,807	8,936	7,808	10,423	2,049
OTHER EXPENSE (INCOME)							
Interest expense	7,132	6,196	6,702	12,668	8,774	12,029	6,096
Interest income	(37)	(37)	(9)	(18)	(18)	(48)	(57)
Unrealized loss (gain) on interest rate contracts	(347)	(347)	(208)	(399)	(399)	835	24
Acquisition-related expenses	2,689	2,689				208	
Other expense	(8)	(8)	97	95	95	21	
Total other expense (income)	9,429	8,493	6,582	12,346	8,452	13,045	6,063
Net income (loss)	\$ (959)	\$ (2,151)	\$ 225	\$ (3,410)	\$ (644)	\$ (2,622)	\$ (4,014)
Less: Net income attributable to Series B cumulative redeemable preferred stock	\$ (4,500)	\$	\$	\$ (6,000)	\$	\$	\$
Less: Net income attributable to preferred non-controlling partnership interest	(585)	(199)		(780)			
Less: Net income attributable to restricted shares	(75)	(25)		(100)			
Add: Net loss (income) attributable to common non-controlling partnership interest		32	(4)		29	81	141
Add: Net loss attributable to Unitholders in the Operating Partnership	651	277		1,094			
(Loss) income attributable to Hudson Pacific Properties, Inc. shareholders / controlling member's equity	\$ (5,468)	\$ (2,066)	\$ 221	\$ (9,196)	\$ (615)	\$ (2,541)	\$ (3,873)

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Net (loss) attributable to shareholders per share - basic and diluted	(0.25)			(0.42)
Weighted average shares of common stock outstanding - basic and diluted	21,946,508			21,946,508
Dividends declared per common share	\$	\$	0.0971	\$

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	Nine Months Ended September 30,			Year Ended December 31,		
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009 2008	2007
Balance Sheet Data (at period end):						
Investment in real estate, net	\$ 594,011	\$ 515,812	\$	\$ 412,478	\$ 409,192	237,071
Total assets	732,199	623,915		448,234	446,037	264,930
Notes payable	124,349	94,069		189,518	185,594	167,531
Total liabilities	166,339	130,055		221,646	224,306	188,483
Preferred non-controlling partnership interest	12,670	12,670				
Series B preferred stock	75,000					
Non-controlling partnership/members interest	66,322	66,322		3,348	3,282	1,793
Member s/stockholders equity	486,868	414,868		223,240	218,449	74,654
Total equity	553,190	481,190		226,588	221,731	76,447
Other Data:						
Pro forma funds from operations ⁽¹⁾	\$ 7,964			\$ 8,615		
Pro forma funds from operations per share diluted	\$ 0.32			\$ 0.35		
Cash flows from:						
Operating activities		\$ 3,421	\$ 2,250	\$ 4,538	\$ 20,049	\$ (5,433)
Investing activities		(56,667)	(10,112)	(15,457)	(178,526)	(238,903)
Financing activities		90,293	5,754	8,800	163,794	244,832

- (1) We calculate funds from operations before non-controlling interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate depreciation and amortization (excluding amortization of above (below) market rents for acquisition properties and amortization of deferred financing costs and debt discounts) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it 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. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, therefore, 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. FFO 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 pro forma net income to pro forma FFO before non-controlling interest for the periods presented:

	Pro Forma	
	Nine Months Ended September 30, 2010 (In thousands)	Year Ended December 31, 2009 (In thousands)
Net loss	\$ (959)	\$ (3,410)
Adjustments:		
Net income attributable to series B cumulative redeemable preferred stock	(4,500)	(6,000)
Net income attributable to preferred non-controlling partnership interest	(585)	(780)
Real estate depreciation and amortization	14,008	18,805
Funds from operations before common non-controlling interests	\$ 7,964	\$ 8,615

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Selected Financial Data and the financial statements and related notes thereto appearing elsewhere in this prospectus. Where appropriate, the following discussion includes analysis of the effects of our initial public offering, the private placement of \$20.0 million of common stock to Victor J. Coleman and funds affiliated with Farallon Capital Management, L.L.C. concurrently with the consummation of our initial public offering, which we refer to as the private placement, the formation transactions, certain other transactions and this offering. These effects are reflected in the pro forma combined financial statements located elsewhere in this prospectus. For periods prior to June 29, 2010, the results of operations described below were comprised solely of the former real estate activity and holdings of SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC and Howard Street Associates LLC, which are a subset of the entities that contributed properties to us in the formation transactions.

Overview

Formation Transactions

In connection with our initial public offering, our operating partnership received contributions of direct and indirect interests in the properties in our initial portfolio in exchange for an aggregate of 6,050,037 shares of our common stock, 2,610,941 common units, approximately \$12.5 million in liquidation preference of series A preferred units, and \$7.2 million in cash.

As a result of our initial public offering, one of the entities comprising our predecessor, SGS Realty II, LLC, was determined to be the acquirer for accounting purposes. In addition, we concluded that any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC was a transaction between entities under common control. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 805 *Business Combinations* (ASC 805), a business combination excludes the transfers of net assets or exchanges of equity interests between entities under common control. Further, the transfers of net assets or exchanges of equity interests between entities under common control should be accounted for similar to the pooling-of-interests method in that the entity that receives the net assets or the equity interests initially recognizes the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. Because the company, SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC, and Howard Street Associates, LLC were under common control at the time of the initial public offering and the formation transactions, the transfer of assets and liabilities of each of these entities were accounted for at historical cost in a manner similar to a pooling of interests. For financial accounting purposes, the acquisition was viewed as a change in reporting entity and, as a result, we have retroactively changed the presentation of the company's financial statements for all periods subsequent to February 14, 2007, the date at which common control of the entities contributed by Farallon Partners, L.L.C. commenced. Accordingly, the company's historical combined balance sheets as of December 31, 2009 and 2008, and the historical combined statements of operations, equity and cash flows for the years ended December 31, 2009 and 2008 and for the period from February 14, 2007 (commencement of operations) through December 31, 2007 include the results of the company, SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC, and Howard Street Associates, LLC.

Subsequent to the contributions of Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC as part of our initial public offering on June 29, 2010, our operations included their operations. These acquisitions were accounted for as business combinations and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair value of these assets and liabilities has been allocated in accordance with ASC 805. The fair values of tangible assets acquired are determined on an as-if-vacant basis. The as-if-vacant fair value of tangible assets will be allocated to land,

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building and improvements, tenant improvements and furniture and fixtures based on our own market knowledge and published market data, including current rental rates, expected downtime to lease up vacant space, tenant improvement construction costs, leasing commissions and recent sales on a per square foot basis for comparable properties in our submarkets. The estimated fair value of intangible assets consisting of acquired in-place at-market leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease this property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, generally six months. Above-market and below-market in-place lease values are recorded as an asset or liability based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease for above-market leases and the remaining non-cancelable term plus the term of any below-market fixed rate renewal options for below-market leases. The fair value of the debt assumed was determined using current market interest rates for comparable debt financings.

Recent Developments

Subsequent to our initial public offering, we used approximately \$27.5 million in cash (before closing costs and prorations) to acquire of the Del Amo Office property on August 13, 2010. The Del Amo Office property is subject to a ground sublease expiring June 30, 2049.

On August 24, 2010, a subsidiary of our operating partnership acquired a leasehold interest in 9300 Wilshire Boulevard, a six-story office building located in Beverly Hills, California for \$15.0 million in cash (before closing costs and prorations). The 9300 Wilshire Boulevard property is subject to a ground lease expiring August 14, 2032.

On October 6, 2010, our operating partnership became obligated under a definitive asset purchase agreement with an unrelated third party to acquire 10950 Washington, an office building located in Culver City, California for approximately \$46.0 million, subject to closing costs and prorations and subject to the assumption of a \$30.0 million loan. The building, which consists of approximately 158,873 square feet, is being purchased from an affiliate of Embarcadero Capital Partners, LLC. We expect to fund the estimated \$16.0 million balance of the purchase price with available cash or borrowings under our secured revolving credit facility. The purchase of the 10950 Washington property is subject to various closing conditions, including our receipt of requisite estoppels and our assumption of an existing \$30.0 million loan. The closing of the acquisition is expected to take place by December 30, 2010, after all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. If we fail to close the purchase as required after the satisfaction or waiver of all closing conditions, we may be liable to the sellers for liquidated damages in an amount equal to the \$1.0 million deposit made by our operating partnership.

On October 8, 2010, a subsidiary of our operating partnership acquired 222 Kearny Street, a 144,440 square foot, two-building office property located in San Francisco, California, from an unrelated third party for \$34.9 million in cash (before prorations), funded with \$34.5 million of borrowings under our secured revolving credit facility and the remainder from available cash. A portion representing approximately 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) is subject to a long-term ground lease expiring June 14, 2054.

Revenue Base

We currently own ten properties and are under contract to acquire the 10950 Washington property. Our portfolio, including 10950 Washington, is comprised of approximately 1.5 million square feet of office and 857,432 square feet of media and entertainment space. As of September 30, 2010, our office properties were

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approximately 83.2% leased (or 87.0%, giving effect to uncommenced leases), and the average trailing 12-month percent leased of the media and entertainment properties was 69.0%. All of these properties are located in California.

Office Leases. We generally lease our office properties to tenants on a full-service gross or net lease basis. A full-service gross lease has a base year expense stop, whereby the tenant pays a stated amount of expenses as part of the rent payment, while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant's proportionate square footage in the property. The property operating expenses are reflected in operating expenses, but only the increased property operating expenses above the base year stop recovered from tenants are reflected as tenant recoveries in the statements of income. In a net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expenses, but rather all such expenses are billed to the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. The tenants in City Plaza have full-service gross leases, and the tenant in the Technicolor Building has a net lease.

Media and Entertainment Leases. We generally lease our media and entertainment properties to tenants on a full-service gross or net lease basis. Under the full-service gross leases in our media and entertainment properties, the tenant pays a full-service gross rent amount and an additional amount for property related items, which are often required to make effective use of the leased space, such as rental of lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet). Lighting revenue is recognized on a net basis. In a net lease in our media and entertainment properties, 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 are billed to the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. Expenses associated with provision of lighting rental, equipment rental, parking, power, HVAC and telecommunications (telephone and internet) are reflected in other property-related expense. All of the tenants in Sunset Gower and Sunset Bronson have full-service gross leases, other than KTLA, which has a net lease.

Interest Rate Contracts. Any change in fair value of interest rate contracts were either recorded as a gain or loss in the statement of operations because such contracts did not qualify as effective hedges or through other comprehensive loss because such contracts did qualify as an effective cash flow hedge under FASB ASC Topic 815 as discussed in more detail below under Interest Rate Risk.

The indebtedness that previously encumbered the Sunset Gower property and Technicolor Building was subject to an interest rate contract, effective as of September 15, 2008, capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan. That interest rate contract expired on September 15, 2009. Another interest rate contract capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan was purchased and went effective September 15, 2009 and covered the period through March 15, 2010. The fair market value of that interest rate cap agreement at September 30, 2010 (having expired on March 15, 2010) and December 31, 2009 was \$0. We repaid the indebtedness that encumbered our Sunset Gower property and Technicolor Building on June 29, 2010 in connection with our initial public offering and related formation transactions.

The indebtedness encumbering the Sunset Bronson property was subject to a collar on the LIBOR portion of the interest rate of not less than 2.55% and no greater than 3.87% until September 1, 2010. From and after June 1, 2010, the applicable interest rate became 5.90% per annum, until a new secured interest rate contract went effective upon the closing of our initial public offering and related formation transaction on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%. The interest rate contract for Sunset Bronson fixes one-month LIBOR on the full \$37.0 million notional loan amount through April 30, 2011 on terms identical to the terms of the mortgage loan. The fair market value of these interest contracts at September 30, 2010 and December 31, 2009 was a liability of approximately \$0.1 million and approximately \$0.4 million, respectively.

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Factors That May Influence Our Operating Results

Business and Strategy. We focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties or portfolios that provide opportunities to implement a value-add strategy to increase occupancy rates and cash flow. Additionally, we intend to acquire properties or portfolios that are distressed due to near-term debt maturities or underperforming properties where we believe better management, focused leasing efforts and/or capital improvements would improve the property's operating performance and value. Our strategy also includes active management, aggressive leasing efforts, focused capital improvement programs, the reduction and containment of operating costs and an emphasis on tenant satisfaction, which we believe will minimize turnover costs and improve occupancy.

From the acquisition of our first property in February 2007 through November 2010, we have acquired or developed 10 real estate properties containing an aggregate 2.2 million net rentable square feet. We intend to pursue acquisitions of additional properties as a key part of our growth strategy, often including properties that may have substantial vacancy, which enables us to increase cash flow through lease-up. We expect to continue to acquire properties subject to existing mortgage financing and other indebtedness or to incur indebtedness in connection with acquiring or refinancing these properties. Debt service on such indebtedness will have a priority over any dividends with respect to our series B preferred stock. In addition, we are under contract to acquire the 10950 Washington property.

Rental Revenue. The amount of net rental revenue generated by the properties in our portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space that becomes available from lease terminations. As of September 30, 2010, the percent leased for our office properties, including 10950 Washington, was approximately 83.2% (or 87.0%, giving effect to leases signed but not commenced as of that date), and the percent leased for the media and entertainment properties (based on 12-month trailing average) was approximately 69.0%. The amount of rental revenue generated by us also depends on our ability to maintain or increase rental rates at our properties. We believe that the average rental rates for our office properties generally are equal to or slightly above the current average quoted market rate, with the exception of our lease of 94,505 square feet to Burlington Coat Factory at our 875 Howard Street property, which we believe to be substantially below market rates. We believe the average rental rates for our media and entertainment properties are generally equal to current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns or regional downturns affecting our submarkets or downturns in our tenants' industries that impair our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental revenue will also partially depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. The properties in our portfolio are all located in California submarkets. Positive or negative changes in economic or other conditions in California, including the state budgetary shortfall, employment rates, natural hazards and other factors, may impact our overall performance.

Operating Expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years are generally passed on to tenants in our full-service gross leased properties and are generally paid in full by tenants in our net lease properties. As a public company, we estimate our annual general and administrative expenses will increase due to increased legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters, compared to the period prior to our initial public offering. In addition, we expect the properties in our portfolio to be reassessed after the consummation of this offering. We believe the amount of property taxes we pay in the future will decrease due to the expected downward reassessment of many of our properties following the completion of the formation transactions. Given the uncertainty of the amounts involved, we have not included the impact of any anticipated property tax decrease in our pro forma financial statements.

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Taxable REIT Subsidiary. As part of the formation transactions, we formed Hudson Pacific Services, Inc., or our services company, a Maryland corporation that is wholly owned by our operating partnership. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes, and we may form additional taxable REIT subsidiaries in the future. Our services company generally may provide both customary and non-customary services to our tenants and engage in other activities that we may not engage in directly without adversely affecting our qualification as a REIT. Our services company and its wholly owned subsidiaries provide a number of services to certain tenants at our media and entertainment properties and, from time to time, one or more taxable REIT subsidiaries may provide services to our tenants at these and other properties. See *Federal Income Tax Considerations Taxation of Our Company Income Tests*. In addition, our operating partnership has contributed some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. We currently lease space to wholly owned subsidiaries of our services company at our media and entertainment properties and may, from time to time, enter into additional leases with one or more taxable REIT subsidiaries. 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. See *Federal Income Tax Considerations Taxation of Our Company Income Tests*. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable), as a regular C 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.

Critical Accounting Policies

Our discussion and analysis of the historical financial condition and results of operations of Hudson Pacific Properties, Inc. are based upon their financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the financial statements of Hudson Pacific Properties, Inc. included elsewhere in this prospectus. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial conditions and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial conditions to those of other companies.

Investment in Real Estate Properties

The properties in our portfolio are carried at cost, less accumulated depreciation and amortization. We allocate the cost of an acquisition, including the assumption of liabilities, to the acquired tangible assets and identifiable intangibles based on their estimated fair values in accordance with GAAP. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it was vacant. Acquisition-related expenses are expensed in the period incurred.

Impairment of Long-Lived Assets

We assess the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance

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with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. We recognize impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. We did not record any impairment charges related to our real estate assets and related intangibles during the three and nine months ended September 30, 2010 and 2009 and the periods ended December 31, 2009, 2008 and 2007.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. We maintain an allowance for doubtful accounts, including an allowance for straight-line rent receivables, for estimated losses resulting from tenant defaults or the inability of tenants to make contractual rent and tenant recovery payments. We monitor the liquidity and creditworthiness of our tenants and operators on an ongoing basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For straight-line rent amounts, our assessment is based on amounts estimated to be recoverable over the term of the lease. At September 30, 2010 and December 31, 2009, management believes that the collectability of straight-line rent balances are reasonably assured; accordingly, no allowance was established against straight-line rent receivables. We evaluate the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and our historical collection experience. We recognize an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and our historical experience. Historical experience has been within management's expectations.

Revenue Recognition

We recognize rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. For assets acquired subject to leases, we recognize revenue upon acquisition of the asset, provided the tenant has taken possession or controls the physical use of the leased asset. If the lease provides for tenant improvements, we determine whether the tenant improvements, for accounting purposes, are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term. Tenant improvement ownership is determined based on various factors including, but not limited to:

whether the lease stipulates how and on what a tenant improvement allowance may be spent;

whether the tenant or landlord retains legal title to the improvements at the end of the lease term;

whether the tenant improvements are unique to the tenant or general-purpose in nature; and

whether the tenant improvements are expected to have any residual value at the end of the lease.

Certain leases provide for additional rents contingent upon a percentage of the tenant's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when actual results reported by the tenant, or estimates of tenant results, exceed the base amount or other thresholds. Such revenue is recognized only after the contingency has been removed (when the related thresholds are achieved), which may result in the recognition of rental revenue in periods subsequent to when such payments are received.

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Other property related revenue is revenue that is derived from the tenants' use of lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet). Other property related revenue is recognized when these items are provided.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and bear the associated credit risk.

We recognize gains on sales of properties upon the closing of the transaction with the purchaser. Gains on properties sold are recognized using the full accrual method when (i) the collectability of the sales price is reasonably assured, (ii) we are not obligated to perform significant activities after the sale, (iii) the initial investment from the buyer is sufficient and (iv) other profit recognition criteria have been satisfied. Gains on sales of properties may be deferred in whole or in part until the requirements for gain recognition have been met.

Stock Based Compensation

ASC Topic 718, Compensation—Stock Compensation (referred to as ASC Topic 718 and formerly known as FASB 123R, requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units and performance units under our equity incentive award plans are accounted for under ASC Topic 718. Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity incentive award plans and programs.

Income Taxes

Our taxable income prior to the completion of our initial public offering is reportable by the members of the limited liability companies that comprise our predecessor. Our property-owning subsidiaries are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements for the activities of these entities. We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. To qualify 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 that we qualify 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 qualify 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 federal income tax at regular corporate rates, including any applicable alternative minimum tax. Unless entitled to relief under specific statutory provisions, we would be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

We have elected to treat one of our subsidiaries as a taxable REIT subsidiary. Certain activities that we may undertake, such as non-customary services for our tenants and holding assets that we cannot hold directly, will be conducted by a taxable REIT subsidiary. A taxable REIT subsidiary is subject to federal and, where applicable, state income taxes on its net income.

We are subject to the statutory requirements of the state in which we conduct business.

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The following table identifies each of the properties in our portfolio acquired through September 30, 2010 and their date of acquisition.

Acquired Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	02/15/2007	286,270
Sunset Gower	08/17/2007	543,709
Sunset Bronson	01/30/2008	313,723
Technicolor Building	06/01/2008	114,958
City Plaza	08/26/2008	333,922
First Financial	06/29/2010	222,423
Tierrasanta	06/29/2010	104,234
Del Amo Office	08/13/2010	113,000
9300 Wilshire Boulevard	08/24/2010	58,484
Total		2,090,713

All amounts and percentages used in this discussion of our results of operations are calculated using the numbers presented in the financial statements contained in this report rather than the rounded numbers appearing in this discussion.

Comparison of the three months ended September 30, 2010 to the three months ended September 30, 2009***Revenue***

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased \$4.2 million, or 121%, to \$7.6 million for the three months ended September 30, 2010 compared to \$3.5 million for the three months ended September 30, 2009. The period over period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties, percentage rent on retail space contained within those properties, and lease termination income. Total office rental revenue increased \$3.6 million, or 125%, to \$6.5 million for the three months ended September 30, 2010 compared to \$2.9 million for the three months ended September 30, 2009. The increase in rental revenues was primarily due to the acquisitions of the Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties, in addition to the increase in occupancy at our City Plaza and 875 Howard Street office properties.

Office Tenant Recoveries. Office tenant recoveries increased \$0.6 million, or 137%, to \$1.0 million for the three months ended September 30, 2010 compared to \$0.4 million for the three months ended September 30, 2009. The increase in tenant recoveries was primarily due to the acquisitions of the Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties together with an increase in average occupancy year-over-year for our City Plaza and 875 Howard Street office properties.

Office Other Revenue. Other revenue remained relatively flat at \$0.1 million for the three months ended September 30, 2010 compared \$0.1 million for to the three months ended September 30, 2009.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue, and other revenue. Total media and entertainment revenues increased \$1.8 million, or 22%, to \$9.9 million for the three months ended September 30, 2010

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compared to \$8.1 million for the three months ended September 30, 2009. The period over period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$0.3 million, or 7%, to \$5.2 million for the three months ended September 30, 2010 compared to \$4.9 million for the three months ended September 30, 2009. The increase in rental revenue was primarily due to improved occupancy at both media and entertainment properties.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat at \$0.4 million for the three months ended September 30, 2010 compared to \$0.3 million for the three months ended September 30, 2009.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$1.4 million, or 49%, to \$4.2 million for the three months ended September 30, 2010 compared to \$2.8 million for the three months ended September 30, 2009. The increase in other property-related revenue was primarily due to an increase in lighting equipment rental revenue, parking revenue, and telecom revenue relating to higher production activity at our Sunset Gower property.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property level general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$6.1 million, or 65%, to \$15.5 million for the three months ended September 30, 2010 compared to \$9.4 million for the three months ended September 30, 2009. This increase in total operating expenses is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$1.3 million, or 83%, to \$2.8 million for the three months ended September 30, 2010 compared to \$1.5 million for the three months ended September 30, 2009. The increase in operating expenses was primarily due to the acquisitions of the Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties together with an increase in average occupancy year-over-year for our City Plaza and 875 Howard Street office properties.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.9 million, or 17%, to \$6.0 million for the three months ended September 30, 2010 compared to \$5.1 million for the three months ended September 30, 2009. The increase in operating expenses was due to an increase in other property-related expenses, primarily lighting and other equipment rental expenses relating to from higher production activity at our Sunset Gower property.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. Since our initial public offering, private placement, and formation transactions did not occur until June 29, 2010, the three months ended September 30, 2009 do not include general and administrative expenses for corporate-level operations. The \$2.4 million of general and administration expenses reflect the expenses of our corporate-level operation for the three months ended September 30, 2010.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.6 million, or 58%, to \$4.3 million for the three months ended September 30, 2010 compared to \$2.7 million for the three months

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ended September 30, 2009. The increase was primarily due to the depreciation associated with the acquisitions of the Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties.

Other Expense (Income)

Interest Expense. Interest expense decreased \$0.4 million, or 20%, to \$1.8 million for the three months ended September 30, 2010 compared to \$2.2 million for the three months ended September 30, 2009. The decrease was primarily due to the repayment of indebtedness in connection with our initial public offering, private placement, and formation transactions on June 29, 2010, partially offset by higher interest expense associated with loans assumed in connection with our acquisitions of the Tierrasanta and First Financial office properties.

Unrealized Gain on Interest Rate Contracts. Unrealized gain on interest rate contracts remained relatively flat at \$0 for the three months ended September 30, 2010 compared to \$0.1 million for the three months ended September 30, 2009.

Acquisition-related expenses. Acquisition-related expenses increased \$0.3 million to \$0.3 million for the three months ended September 30, 2010, with no comparable expenses for the three months ended September 30, 2009. The increase was due to one-time transactional costs relating to our acquisition of the Del Amo Office and 9300 Wilshire Boulevard office properties.

Net Income

Net income for the three months ended September 30, 2010 was \$0.0 million compared to net income of \$0.1 million for the three months ended September 30, 2009. The decrease was primarily due to higher office and media and entertainment operating expenses, higher general and administrative expenses, and one-time transactional costs relating to our acquisitions of the Del Amo Office and 9300 Wilshire Boulevard office properties, partially offset by higher office and media and entertainment revenues and lower interest expense, all as described above.

Comparison of the nine months ended September 30, 2010 to the nine months ended September 30, 2009

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased \$4.9 million, or 49%, to \$14.8 million for the nine months ended September 30, 2010 compared to \$9.9 million for the nine months ended September 30, 2009. The period over period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties, percentage rent on retail space contained within those properties, and lease termination income. Total office rental revenue increased \$4.4 million, or 53%, to \$12.8 million for the nine months ended September 30, 2010 compared to \$8.3 million for the nine months ended September 30, 2009. The increase in rental revenues was primarily due to the acquisitions of the Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties, together with an increase in average occupancy year-over-year for our City Plaza and 875 Howard Street office properties.

Office Tenant Recoveries. Office tenant recoveries increased \$0.5 million, or 33%, to \$1.9 million for the nine months ended September 30, 2010 compared to \$1.4 million for the nine months ended September 30, 2009. The increase in tenant recoveries was primarily due to the acquisitions of Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties, together with an increase in average occupancy year-over-year for our City Plaza and 875 Howard Street office properties.

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Office Other Revenue. Other revenue remained relatively flat at \$0.1 million for the nine months ended September 30, 2010 compared to \$0.2 million for the nine months ended September 30, 2009.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue, and other revenue. Total media and entertainment revenues increased \$0.7 million, or 3%, to \$24.7 million for the nine months ended September 30, 2010 compared to \$24.0 million for the nine months ended September 30, 2009. The period over period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue remained relatively flat at \$15.5 million for the nine months ended September 30, 2010 as compared to \$15.3 million for the nine months ended September 30, 2009.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat at \$1.2 million for the nine months ended September 30, 2010 as compared to \$1.2 million for the nine months ended September 30, 2009.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$0.6 million, or 8%, to \$8.0 million for the nine months ended September 30, 2010 compared to \$7.4 million for the nine months ended September 30, 2009. The increase in other property-related revenue was primarily due to an increase in lighting equipment rental revenue, parking revenue, and telecom revenue relating to higher production activity at our Sunset Gower property.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property level general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased \$6.1 million, or 22%, to \$33.2 million for the nine months ended September 30, 2010 compared to \$27.1 million for the nine months ended September 30, 2009. Changes in total operating expenses are attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$1.3 million, or 31%, to \$5.7 million for the nine months ended September 30, 2010 compared to \$4.3 million for the nine months ended September 30, 2009. The increase was primarily due to the acquisitions of Tierrasanta, First Financial, Del Amo Office, and 9300 Wilshire Boulevard office properties, together with an increase in average occupancy year-over-year for our City Plaza and 875 Howard Street office properties.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.7 million, or 5%, to \$15.2 million for the nine months ended September 30, 2010 compared to \$14.5 million for the nine months ended September 30, 2009. The increase in operating expenses was due to an increase in other property-related expenses, primarily lighting and other equipment rental expenses stemming from higher production activity at our Sunset Gower property.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. Since our initial public offering, private placement, and formation transactions did not occur until June 29, 2010, the nine months ended September 30, 2009 do not include general and administrative expenses for

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corporate-level operations. The \$2.4 million of general and administration expenses reflect the expenses of our corporate-level operation for the nine months ended September 30, 2010.

Depreciation and Amortization. Depreciation expense increased \$1.7 million, or 20%, to \$10.0 million for nine months ended September 30, 2010 compared to \$8.3 million for the nine months ended September 30, 2009. The increase was primarily due to the acquisitions of the Tierrasanta, First Financial, Del Amo, and 9300 Wilshire Boulevard office properties, together with an increase in average occupancy year-over-year for our City Plaza property and the completion of the renovation of our 875 Howard Street office property.

Other Expense (Income)

Interest Expense. Interest expense decreased \$0.5 million, or 8%, to \$6.2 million for the nine months ended September 30, 2010 compared to \$6.7 million for the nine months ended September 30, 2009. The decrease was primarily due to the repayment of indebtedness in connection with our initial public offering, private placement, and formation transactions on June 29, 2010, partially offset by higher interest expense associated with loans assumed in connection with our acquisition of the Tierrasanta and First Financial office properties.

Unrealized Gain on Interest Rate Contracts. Unrealized gain on interest rate contracts remained relatively flat at \$0.3 million for the nine months ended September 30, 2010 as compared to \$0.2 million for the nine months ended September 30, 2009.

Acquisition-related expenses. Acquisition-related expenses increased \$2.7 million to \$2.7 million for the nine months ended September 30, 2010, with no comparable expenses for the nine months ended September 30, 2009. The increase was primarily due to one-time transactional costs relating to our initial public offering and related formation transactions and one-time transactional costs relating to our acquisition of the Tierrasanta, First Financial, Del Amo Office and 9300 Wilshire Boulevard office properties.

Net Income

Net loss for the nine months ended September 30, 2010 was \$2.2 million compared to net income of \$0.2 million of net income for the nine months ended September 30, 2009. The decrease was due to operating expenses at our office and media and entertainment properties, higher general and administrative expenses, higher depreciation and amortization expenses, and one-time transactional costs relating to our acquisitions of properties in connection with our initial public offering and related formation transactions and our acquisitions of the Del Amo Office and 9300 Wilshire Boulevard office properties, partially offset by higher office revenue and higher media and entertainment revenue and lower interest expenses, all as described above.

Comparison of year ended December 31, 2009 to year ended December 31, 2008

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased by \$3.5 million, or 35%, to \$13.2 million for the year ended December 31, 2009 compared to \$9.8 million for the year ended December 31, 2008. The increase in total office revenue is attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties, percentage rent on retail space contained within those properties, and lease termination income. Total office rental revenue increased by \$2.8 million, or 34%, to \$11.1 million for the year ended December 31, 2009 compared to \$8.2 million for the year ended December 31, 2008. Total office rental revenues were primarily impacted by our acquisition activity during 2008 and the completion of the Technicolor Building. First, we

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acquired City Plaza on August 26, 2008, resulting in the inclusion of approximately four months of operations in the year ended December 31, 2008, compared to 12 months of operations in the year ended December 31, 2009. Second, the Technicolor Building was placed into service and the related lease commenced on June 1, 2008, which resulted in the inclusion of seven months of operations in the year ended December 31, 2008, compared to twelve months of operations in the year ended December 31, 2009.

Office Tenant Recoveries. Office tenant recoveries remained relatively flat for the year ended December 31, 2009 at \$2.0 million compared to \$1.5 million for the year ended December 31, 2008, primarily due to the timing of the acquisition and construction activity referred to above.

Office Other Revenue. Office other revenue increased \$0.1 million, or 285%, to \$0.2 million for the year ended December 31, 2009 compared to \$0.0 million for the year ended December 31, 2008, primarily due to the timing of the acquisition and construction activity referred to above.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue, and other revenue. Total media and entertainment revenues decreased \$4.6 million, or 14%, to \$28.6 million for the year ended December 31, 2009 compared to \$33.3 million for the year ended December 31, 2008. The decrease in total media and entertainment revenue is attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue decreased \$2.2 million, or 10%, to \$19.9 million for the year ended December 31, 2009 compared to \$22.1 million for the year ended December 31, 2008. The decrease in rental revenue was primarily due to seismic retrofitting and retrofitting of control room facilities with high-definition technology in the year ended December 31, 2009, which caused portions of the property to be unavailable for lease during the retrofitting at the Sunset Bronson property.

Media & Entertainment Tenant Recoveries. Media and entertainment tenant recoveries remained relatively flat at \$1.5 million for the year ended December 31, 2009 compared to \$1.5 million for the year ended December 31, 2008.

Media & Entertainment Other Property-Related Revenue. Media and entertainment other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue decreased \$2.4 million, or 25%, to \$7.2 million for the year ended December 31, 2009 compared to \$9.6 million for the year ended December 31, 2008. The decrease in other property-related revenue was primarily due to seismic retrofitting and retrofitting of control room facilities with high-definition technology in the year ended December 31, 2009, which caused portions of the property to be unavailable for lease during the retrofitting at the Sunset Bronson property.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of office and media and entertainment operating expenses, as well as general and administrative expenses, and depreciation and amortization. Total operating expenses increased by \$1.4 million, or 4%, to \$34.1 million for the year ended December 31, 2009 compared to \$32.6 million for the year ended December 31, 2008. This increase in total operating expenses is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased by \$3.3 million, or 111%, to \$6.3 million for the year ended December 31, 2009 compared to \$3.0 million for the year ended December 31, 2008. The change in property operating expenses was due to our acquisition activity and the completion of the Technicolor Building referred to above.

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Media & Entertainment Operating Expenses. Media and entertainment operating expenses decreased by \$3.1 million, or 16%, to \$16.8 million for the year ended December 31, 2009 compared to \$19.9 million for the year ended December 31, 2008. The decrease in media and entertainment operating expenses was primarily due to seismic retrofitting and retrofitting of control room facilities with high-definition technology in the year ended December 31, 2009, which caused portions of the property to be unavailable for lease during the retrofitting at the Sunset Bronson property.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.2 million, or 13%, to \$10.9 million for the year ended December 31, 2009 compared to \$9.7 million for the year ended December 31, 2008. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

Other Expense (Income)

Interest Expense. Interest expense decreased \$3.3 million, or 27%, to \$8.8 million for the year ended December 31, 2009 compared to \$12.0 million for the year ended December 31, 2008. The decrease was primarily due to a decrease in the LIBOR rate on our floating rate loans and the repayment of approximately \$23.9 million of the Sunset Gower loan in May 2008 and the capitalization of interest expense as part of the 875 Howard Street redevelopment that began in February 2009. This decrease was partially offset by the increased interest expense on debt obtained on the Sunset Bronson property in May 2008 and the commencement of recognition of interest expense upon completion of the Technicolor Building in June 2008.

Unrealized Gain on Interest Rate Contracts. For the year ended December 31, 2009, there was unrealized gain on interest rate contracts of \$0.4 million. There was an unrealized loss of \$0.8 million for the year ended December 31, 2008.

Loss on Sale of Lot. For the year ended December 31, 2009, there was no gain or loss on sale of lot. For the year ended December 31, 2008 there was a \$0.2 million loss on the sale of a lot.

Net Income (Loss)

Net loss for the year ended December 31, 2009 was \$0.6 million compared to a net loss of \$2.6 million for the year ended December 31, 2008. A net decrease in income from operations of \$2.6 million was offset by a decrease in non-operating expenses of \$4.6 million, or 35%, to \$8.5 million for the year ended December 31, 2009, compared to \$13.0 million for the year ended December 31, 2008. The decrease in non-operating expenses was primarily due to a decrease in interest expense and change in fair value of the interest rate contracts.

Comparison of year ended December 31, 2008 to period ended December 31, 2007

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased by \$5.3 million, or 116%, to \$9.8 million for the year ended December 31, 2008 compared to \$4.5 million for the year ended December 31, 2007. The increase in total office revenue is attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties, percentage rent on retail space contained within those properties, and lease termination income. Total office rental revenue increased by \$4.3 million, or 111%, to \$8.2 million for the year ended December 31, 2008 compared to \$3.9 million for the year ended December 31, 2007. Rental revenue was primarily impacted by our acquisition activity during 2008 and the completion of the Technicolor Building. First, we acquired City Plaza on August 26, 2008, resulting in the inclusion of approximately four months of operations in the year ended

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December 31, 2008, whereas there were no operations in the period ended December 31, 2007. Second, the Technicolor Building was placed into service and the related lease commenced on June 1, 2008, which resulted in the inclusion of seven months of operations in the year ended December 31, 2008, whereas there were no operations in the period ended December 31, 2007.

Office Tenant Recoveries. Office tenant recoveries increased by \$0.9 million, or 143%, to \$1.5 million for the year ended December 31, 2008 compared to \$0.6 million for the year ended December 31, 2007, primarily due to the timing of the acquisition of the City Plaza property and construction activity referred to above.

Office Other Revenue. Office other revenue remained relatively flat for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue, and other revenue. Total media and entertainment revenues increased \$26.2 million, or 373%, to \$33.3 million for the year ended December 31, 2008 compared to \$7.0 million for the year ended December 31, 2007. The increase in total media and entertainment revenue is attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$17.9 million, or 424%, to \$22.1 million for the year ended December 31, 2008 compared to \$4.2 million for the year ended December 31, 2007. The increase in rental revenue was primarily due to our acquisition of the Sunset Bronson property on January 30, 2008, which resulted in the inclusion of 11 months of operations in the year ended December 31, 2008, whereas there were no operations in the period ended December 31, 2007.

Media & Entertainment Tenant Recoveries. Media and entertainment recoveries increased by \$1.5 million to \$1.5 million for the year ended December 31, 2008 compared to \$0.1 million for the year ended December 31, 2007, primarily due to the timing of the acquisition of the Sunset Bronson Property referred to above.

Media & Entertainment Other Property-Related Revenue. Media and entertainment other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$6.8 million, or 247%, to \$9.6 million for the year ended December 31, 2008 compared to \$2.8 million for the year ended December 31, 2007, primarily due to the timing of the acquisition of the Sunset Bronson property referred to above.

Media & Entertainment Other Revenue. Media and entertainment other revenue remained relatively flat for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of office and media and entertainment operating expenses, as well as general and administrative expenses, and depreciation and amortization. Total operating expenses increased by \$23.1 million, or 243%, to \$32.6 million for the year ended December 31, 2008 compared to \$9.5 million for the year ended December 31, 2007. This increase in total operating expense is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased by \$1.8 million, or 154%, to \$3.0 million for the year ended December 31, 2008 compared to \$1.2 million for the year ended December 31, 2007.

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The increase in office operating expenses was due to our acquisition of the City Plaza property and the completion of the Technicolor Building referred to above.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased by \$15.2 million, or 321%, to \$19.9 million for the year ended December 31, 2008 compared to \$4.7 million the year ended December 31, 2007. The increase in media and entertainment operating expenses was due to our acquisition of the Sunset Bronson property referred to above.

Depreciation and Amortization. Depreciation and amortization expense increased \$6.1 million, or 170%, to \$9.7 million for the year ended December 31, 2008 compared to \$3.6 million for the period ended December 31, 2007. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

Other Expense (Income)

Interest Expense. Interest expense increased \$5.9 million, or 97%, to \$12.0 million for the year ended December 31, 2008 compared to \$6.1 million for the period ended December 31, 2007. The increase was primarily due to the acquisition and construction activity referred to above. First, the Technicolor Building was placed into service in June 2008, which resulted in the commencement of recognition of interest expense upon its completion in June 2008. Second, we obtained debt on the Sunset Bronson property as of May 2008 (which resulted in the inclusion of approximately eight months of interest expense in the year ended December 31, 2008, whereas there was no interest expense in the period ended December 31, 2007). These increases are in part offset by the decrease in the LIBOR rate on our floating rate loans and the repayment of approximately \$23.9 million of the Sunset Gower loan in May 2008.

Unrealized Loss on Interest Rate Collar. For the year ended December 31, 2008, there was unrealized loss on interest rate collar of \$0.8 million. There was an unrealized loss of \$0.0 million for the year ended December 31, 2007.

Loss on Sale of Lot. There was a loss on sale of lot of \$0.2 million in the year ended December 31, 2008, with no comparable activity in the period ended December 31, 2007.

Net Loss

Net loss for the year ended December 31, 2008 was \$2.6 million compared to \$4.0 million for the period ended December 31, 2007. A net increase in income from operations of \$8.4 million attributable primarily to our acquisition activity during 2008 and the completion of the Technicolor Building was offset by an increase in non-operating expenses of \$7.0 million, or 115%, to \$13.0 million for the year ended December 31, 2008 compared to \$6.1 million for the period ended December 31, 2007. The increase in non-operating expenses was primarily due to an increase in interest expense on debt obtained on the Sunset Bronson property in May 2008 and the commencement of recognition of interest expense upon completion of the Technicolor Building in June 2008. We experienced a net loss in both periods primarily due to expenses exceeding revenues, as described above, and largely driven by interest expense and depreciation and amortization.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately \$40.7 million of cash and cash equivalents at September 30, 2010. In addition, the lead arrangers for our secured revolving credit facility have secured commitments that will allow borrowings of up to \$200 million, of which approximately \$75.0 million was available to us at September 30, 2010. Based on the closing price of our common stock as of December 2, 2010, our ratio of debt to total market capitalization is approximately 27.0% (counting series A preferred units as debt). Our total market capitalization is defined as the

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sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units, plus the book value of our total consolidated indebtedness. As of December 2, 2010, we had drawn approximately \$34.5 million under our secured revolving credit facility. We intend to use the secured revolving credit facility, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and dividend payments to our stockholders required to maintain our REIT status, 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, the proceeds from our initial public offering and this offering and, if necessary, by drawing upon our secured revolving credit facility.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at maturity, property acquisitions and non-recurring capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using our secured revolving credit facility pending permanent financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we cannot assure you that this is or will continue to be the case. Our ability to incur additional debt is 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 is dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Consolidated Indebtedness

As of September 30, 2010, we had approximately \$94.3 million of outstanding consolidated indebtedness, of which approximately \$37.0 million, or 39.2%, is variable rate debt, subject to an interest rate swap on the LIBOR portion of the interest rate to a fixed rate of 0.75%.

The following table sets forth information as of September 30, 2010 (unaudited) with respect to our outstanding indebtedness.

Debt	Outstanding September 30, 2010	Interest Rate⁽¹⁾	Annual Debt Service	Maturity Date	Balance at Maturity
Mortgage loan secured by Sunset Bronson	\$ 37,000,000	LIBOR + 3.65%	\$ 1,651,000	04/30/11	\$ 37,000,000
Mortgage loan secured by First Financial	\$ 43,000,000	5.34%	\$ 2,328,090	12/01/11	\$ 43,000,000
Mortgage loan secured by Tierrasanta	\$ 14,300,000	5.62%	\$ 814,820	12/01/11	\$ 14,300,000
Secured Revolving Credit Facility		LIBOR + 3.25% 4.00%		06/29/13	
Subtotal	\$ 94,300,000				
Unamortized Loan Premium ⁽²⁾	(231,000)				
Total	\$ 94,069,000				

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- (1) Interest rates with respect to indebtedness are calculated on the basis of a 360 day year for the actual days elapsed. The indebtedness encumbering the Sunset Bronson property is floating rate indebtedness, subject to a secured interest rate contract that went effective upon the consummation of our initial public offering and the formation transactions on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%.
 - (2) Represents non cash mark-to-market adjustment on fixed rate debt associated with office properties.
- As of December 2, 2010, we had drawn approximately \$34.5 million on our secured revolving credit facility.

Description of Certain Debt

The following is a summary of the material provisions of the loan agreements evidencing our material debt. The following is only a summary and it does not include all of the provisions of such agreements, copies of which are filed as exhibits to the registration statement of which this prospectus is a part. See [Where You Can Find More Information](#).

Mortgage Loan Secured by Sunset Bronson

The Sunset Bronson property (other than the Sunset Bronson Lot A land asset) is subject to senior mortgage debt in a principal amount of \$37.0 million, which is currently held by Wachovia Bank, National Association.

Maturity and Interest. The loan has a maturity date of April 30, 2011, which may be extended by up to an initial period of 13 months and a subsequent period of 12 months, in each case upon the satisfaction of certain conditions (including the satisfaction of a debt service ratio of at least 1.35 to 1.00 and a loan-to-value ratio based on appraisal value of not greater than 48%) and the payment of an extension fee for each extension equal to 0.25% of the sum of the outstanding loans and undisbursed commitment amount. The loan bears interest at a rate per annum equal to the 30-day LIBOR, plus 3.65%. The applicable interest rate must be at least 5.90% per annum, unless a hedge arrangement is entered into in connection with the extension of the loan. We entered into a new secured hedge arrangement in connection with the extension of the Sunset Bronson loan, swapping one-month LIBOR to a fixed rate of 0.75%. The interest rate swap is secured by the mortgage on the Sunset Bronson property.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the Sunset Bronson property (other than the Sunset Bronson Lot A land asset), a security interest in all personal property used in connection with that property and an assignment of all leases and rents relating to the property. The loan is guaranteed by our operating partnership.

Prepayment. The loan may be voluntarily prepaid without penalty or premium in minimum aggregate amounts of \$1.0 million.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing and securing the loan, cross defaults to other material debt and bankruptcy or other insolvency events, as well as termination of the parking lot lease with respect to the Sunset Bronson Lot A land asset. We acquired the lessor and lessee interests under this parking lot lease in connection with the closing of our initial public offering and the consummation of the formation transactions.

Mortgage Loan Secured by First Financial

The First Financial Plaza property is subject to senior mortgage debt in a principal amount of \$43.0 million, which is currently held by SunAmerica Life Insurance Company.

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Maturity and Interest. The loan has a maturity date of December 1, 2011, which date may be extended for an additional five years upon modified terms at the option of the lender if the borrower fails to repay all amounts due at maturity. The loan bears interest at a fixed rate per annum of 5.34%.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the First Financial Plaza property, a security interest in all personal property used in connection with the First Financial Plaza property and an assignment of all leases and rents relating to the property. In the event that the debt service coverage of the borrower falls below a defined threshold, the borrower will become subject to a cash management and lockbox arrangement.

Prepayment. The loan may be voluntarily prepaid in full upon 30 days advance notice with a prepayment premium equal to the greater of (i) 1% of the outstanding principal amount or (ii) the present value of all scheduled payments of principal and interest remaining under the promissory note, discounted at a rate, when compounded monthly, equal to the semi-annual yield on U.S. Treasuries with maturities equivalent to the maturity of the loan, less the amount of principal being prepaid, calculated as of the prepayment date. The prepayment premium does not apply to payments made during the 90-day period immediately prior to the maturity date. Partial voluntary prepayments are not permitted.

Events of Default. The promissory note contains customary events of default, including defaults in the payment of principal or interest and defaults in compliance with the covenants contained in the documents evidencing and securing the loan. We, the borrower and the operating partnership are furthermore prohibited from consummating certain transfers and/or transactions without the consent of the lender unless certain conditions are satisfied, including the condition that the individuals comprising a majority of the board of directors are continuing directors, i.e., either those individuals who were (i) members of our board of directors, as of the closing of our initial public offering, or (ii) were nominated for membership on the board of directors or affirmatively endorsed for membership on the board of directors by at least a majority of the then continuing directors (including any director that qualifies as such pursuant to this clause (ii)).

Mortgage Loan Secured by Tierrasanta

The Tierrasanta property is subject to senior mortgage debt in a principal amount of \$14.3 million, which is securitized debt that is currently held by Wells Fargo Bank, N.A., as Trustee for the Registered Holders of CD 2007-CD4 Commercial Mortgage Pass-Through Certificates.

Maturity and Interest. The loan has a maturity date of December 1, 2011, and bears interest at a rate per annum of 5.62%.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the Tierrasanta property, a security interest in all personal property used in connection with the Tierrasanta property and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to June 1, 2011, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.

Mortgage Loan Secured by 10950 Washington

The office building located at 10950 Washington is subject to senior mortgage debt in the original principal amount of \$30,000,000, which is currently held by Wachovia Bank, National Association. We are not

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currently the borrower under this mortgage loan. However, we anticipate that we will assume this loan in connection with our acquisition of the 10950 Washington property, which may or may not occur.

Maturity and Interest. The loan has a maturity date of February 11, 2012, and bears interest at a fixed rate per annum of 5.94%.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust on the 10950 Washington property, a security interest in all personal property used in connection with the property, and an assignment of all leases and rents relating to the property.

Prepayment. The loan may be voluntarily defeased in whole, subject to satisfaction of customary defeasance requirements in effect for prepayment prior to December 11, 2011, at which time the loan may be voluntarily prepaid in whole without penalty or premium.

Events of Default. The promissory note and deed of trust contain customary events of default, including defaults in the payment of principal and interest, defaults in compliance with covenants contained in other loan documents, cross defaults to other liens, bankruptcy or other insolvency events, abandonment of the property, and diminution of the value of the property.

Secured Revolving Credit Facility

In conjunction with our initial public offering and the formation transactions, we entered into a \$200.0 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as syndication agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC) acts as joint lead arranger. The secured revolving credit facility bears interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR is subject to a floor of 1.50%. The secured revolving credit facility contains an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances.

The amount available for us to borrow under the facility is subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the facility and a minimum implied debt service coverage ratio. Our ability to borrow under the facility is subject to our ongoing compliance with a number of customary restrictive covenants, including:

a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60 : 1.00,

a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.75 : 1.00,

a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25 : 1.00,

a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the secured revolving credit facility but including unsecured lines of credit to total asset value) of 0.15 : 1.00, and

a minimum tangible net worth equal to at least 85% of our tangible net worth at the closing of our initial public offering plus 75% of the net proceeds of any additional equity issuances.

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Under the secured revolving credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or (ii) the amount required for us to qualify and maintain our status as a REIT or (iii) amounts required for us to avoid the imposition of income and excise taxes. If a default or event of default occurs and is continuing, we may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

We and certain of our subsidiaries have guaranteed the obligations under the secured revolving credit facility and have pledged specified assets (including real property), stock and other interests as collateral for the secured revolving credit facility obligations.

At September 30, 2010, approximately \$75.0 million was available to us under the secured revolving credit facility. As of December 2, 2010, we have drawn approximately \$34.5 million of this amount.

Contractual Obligations

The following table provides information with respect to our commitments at December 31, 2009 on a pro forma basis to reflect the obligations we acquired in connection with our initial public offering and the formation transactions, including any guaranteed or minimum commitments under contractual obligations. The table does not reflect available debt extensions.

Contractual Obligation	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Principal payments on mortgage loans ⁽¹⁾	\$ 94,300,000	\$ 37,000,000	\$ 57,300,000	\$	\$
Interest payments ⁽¹⁾⁽²⁾	13,970,599	5,468,770	5,206,861	3,294,968	
Operating leases	611,635	383,771	211,632	16,232	
Tenant-related commitments	2,295,919	2,295,919			
Ground leases ⁽³⁾	9,105,340	181,201	362,402	362,402	8,199,335
Total:	\$ 120,283,493	\$ 45,329,661	\$ 63,080,895	\$ 3,673,602	\$ 8,199,335

- (1) Does not include potential payments of principal or interest under our secured revolving credit facility, as no amounts were outstanding as of December 31, 2009. As of December 2, 2010, we had drawn approximately \$34.5 million under our secured revolving credit facility.
- (2) Interest rates with respect to indebtedness are calculated on the basis of a 360 day year for the actual days elapsed. The indebtedness encumbering the Sunset Bronson property is floating rate indebtedness, subject to a secured interest rate contract that went effective upon the consummation of our initial public offering and the formation transactions on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%.
- (3) Reflects current annual base rents of \$181,200 and \$1 under the Sunset Gower and Del Amo Office ground leases, expiring March 31, 2060 and June 30, 2049, respectively. This does not reflect current annual base rents of \$975,000 and \$75,000 under the 222 Kearny Street and 9300 Wilshire Boulevard ground leases, respectively, because we acquired these properties and assumed the related ground leases subsequent to December 31, 2009. Assumes Sunset Gower ground rent is fixed at the current rent, although such ground rent is subject to periodic fair market value adjustments.

Off Balance Sheet Arrangements

At September 30, 2010, we did not have any off-balance sheet arrangements.

Interest Rate Risk

FASB ASC Topic 815, Derivatives and Hedging, requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that do not qualify as hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged

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assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of stockholders equity. The ineffective portion of a derivative's change in fair value is recognized in earnings.

The indebtedness that previously encumbered the Sunset Gower property and Technicolor Building was subject to an interest rate contract, effective as of September 15, 2008, capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan. That interest rate contract expired on September 15, 2009. Another interest rate contract capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan was purchased and went effective September 15, 2009 and covered the period through March 15, 2010. These interest rate contract were not designated as a hedging instrument for accounting purposes; therefore, the changes in its fair value were recognized in earnings. We repaid the indebtedness that encumbered our Sunset Gower property and Technicolor Building on June 29, 2010 in connection with our initial public offering and related formation transactions.

The indebtedness encumbering the Sunset Bronson property was subject to an interest rate collar agreement on the notional amount and on terms identical to the principal amount and terms of the mortgage loan. That collar capped the interest rate at 3.87% and set a floor at 2.55%. The expiration date of that collar was June 1, 2010. That interest rate contract was not designated as a hedging instrument for accounting purposes; therefore, the changes in its fair value were recognized in earnings.

Our predecessor recognized gains relating to the fair market value change of these interest rate contracts of \$0.4 million for the year ended December 31, 2009. The fair market value of these interest contracts at December 31, 2009 was \$(0.4) million.

Effective June 9, 2010, a new secured interest rate contract with respect to the Sunset Bronson loan went effective which swapped one-month LIBOR to a fixed rate of 0.75%. That interest rate contract has been accounted for as a cash flow hedge under FASB ASC Topic 815 and, as such, changes in the fair value of that interest rate contract are recognized in other comprehensive income. The Company held only that interest rate swap at September 30, 2010.

The Company recognized unrealized gains associated with its interest rate contracts of \$347,000 for the nine months ended September 30, 2010. These unrealized gains do not include \$347,000 of unrealized losses for the three months ended September 30, 2010 associated with the swap on the Sunset Bronson loan which was designated as an effective hedge for the three months ended September 30, 2010 and, therefore recognized in other comprehensive income.

As of September 30, 2010, we had \$37.0 million of debt subject to an interest rate contract with a net fair value of \$(0.1) million.

Cash Flows

Comparison of nine months ended September 30, 2010 to nine months ended September 30, 2009

Cash and cash equivalents were \$40.7 million and \$3.7 million at September 30, 2010 and 2009, respectively.

Net cash provided by operating activities increased by \$1.2 million to \$3.4 million for the nine months ended September 30, 2010 compared to \$2.3 million used in operating activities for the nine months ended September 30, 2009. The increase was primarily due to the decrease in restricted cash at our Sunset Gower property, the mortgage encumbering which was repaid on June 2010, resulting in release of restricted cash accounts.

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Net cash used in investing activities increased \$46.6 million to \$56.7 million for the nine months ended September 30, 2010 compared to \$10.1 million for nine months ended September 30, 2009. The increase was primarily due to an increase in investments in real estate, primarily as a result of the purchase of certain ownership interests in properties contributed in connection with our initial public offering and related formation transactions and the purchase of three properties subsequent to our initial public offering.

Net cash provided by financing activities increased \$84.5 million to \$90.3 million for the nine months ended September 30, 2010 compared to \$5.8 million for the nine months ended September 30, 2009. The increase was due to the contribution of proceeds from the issuance of common stock in connection with our initial public offering and private placement, which was partially offset by the repayment of certain indebtedness in connection with the related formation transactions.

Comparison of year ended December 31, 2009 to year ended December 31, 2008

Cash and cash equivalents were \$3.7 million and \$5.8 million at December 31, 2009 and 2008, respectively.

Net cash provided by operating activities decreased by \$15.5 million to \$4.5 million for the year ended December 31, 2009 compared to \$20.0 million provided by operating activities for the year ended December 31, 2008. The decrease was primarily due to (i) the receipt of \$16.3 million of pre-paid rent from KTLA in the year ended December 31, 2008 with no comparable activity in the year ended December 31, 2009, and (ii) an increase in lease commissions, prepaid expenses and other assets primarily associated with the prepaid property taxes and leasing commissions paid at the 875 Howard Street property.

Net cash used in investing activities decreased \$163.1 million to \$15.5 million for the year ended December 31, 2009 compared to \$178.5 million for the year ended December 31, 2008. The decrease was primarily due to \$192.6 million of additions to investments in real estate properties in the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties compared to \$15.5 million of additions to investments in real estate in the year ended December 31, 2009 primarily as a result of capital investments associated with the Technicolor Building partially offset by (i) \$11.4 million of proceeds from sale of lot in the year ended December 31, 2008 with no comparable activity in the year ended December 31, 2009, and (ii) restricted cash inflow of \$2.6 million in the year ended December 31, 2008 as a result of the reduction of the restricted cash required for the Sunset Bronson Note payable, with no comparable activity in the year ended December 31, 2009.

Net cash provided by financing activities decreased \$155.0 million to \$8.8 million for the year ended December 31, 2009 compared to \$163.8 million for the year ended December 31, 2008. The decrease was primarily due to (i) decrease in net contributions by members of \$142.4 million from \$147.9 million for the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties compared to \$5.5 million for the year ended December 31, 2009 primarily as a result of capital investments associated with the Technicolor Building, (ii) proceeds from notes payable of \$41.9 million for the acquisition of Sunset Bronson and \$3.9 million proceeds from notes payable in the year ended December 31, 2009 for 875 Howard Street loan draws, partially offset by net repayments of notes payable of \$23.9 million for Sunset Gower in the year ended December 31, 2008 and (iii) payment of \$0.6 million of loan costs associated with the extension of the note payable on Sunset Gower in the year ended December 31, 2009 compared to \$2.2 million of loan costs associated with the Sunset Bronson note payable in the year ended December 31, 2008.

Comparison of year ended December 31, 2008 to period ended December 31, 2007

Cash and cash equivalents were \$5.8 million and \$0.5 million, at December 31, 2008 and 2007, respectively.

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Net cash provided by operating activities increased \$25.5 million to \$20.0 million for the year ended December 31, 2008 compared to \$5.4 million used in operating activities for the period ended December 31, 2007. The increase was primarily due to (i) the receipt of \$16.3 million of pre-paid rent from KTLA in the year ended December 31, 2008 with no comparable activity in the period ended December 31, 2007, (ii) partially offset with an increase in cash interest payments for the year ended December 31, 2008 largely due to the financing of Sunset Bronson in May 2008, and (iii) fluctuations in operating assets and liabilities and due to the fact that the period ended December 31, 2007 reflect five months of operations compared to a full year for 2008.

Net cash used in investing activities decreased \$60.4 million to \$178.5 million for the year ended December 31, 2008 compared to \$238.9 million for the period ended December 31, 2007. The decrease was primarily due to (i) \$192.6 million of additions to investments in real estate properties in the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties as well as the development costs related to the Technicolor Building compared to \$192.6 million of additions to investments in real estate in the period ended December 31, 2007 as a result of the acquisitions of 875 Howard Street in February 2007 and Sunset Gower in August 2007, (ii) \$11.4 million of proceeds from sale of lot in the year ended December 31, 2008 with no comparable activity in the period ended December 31, 2007, and (iii) an increase in restricted cash inflow of \$2.6 million in the year ended December 31, 2008 as a result of the reduction of the restricted cash required for the Sunset Bronson Note payable, with no comparable activity in the period ended December 31, 2007.

Net cash provided by financing activities decreased \$81.0 million to \$163.8 million for the year ended December 31, 2008 compared to \$244.8 million for the period ended December 31, 2007. The decrease was primarily due to (i) proceeds from notes payable of \$41.9 million for Sunset Bronson and net payments of notes payable of \$23.9 million for Sunset Gower in the year ended December 31, 2008, compared to \$167.5 million of proceeds from notes payable in connection with the February 2007 acquisition of 875 Howard Street and the August 2007 acquisition of Sunset Gower for the period ended December 31, 2007, (ii) partially offset by an increase in net contributions by members of \$67.4 million to \$147.9 million for the year ended December 31, 2008 compared to \$80.5 million for the period ended December 31, 2007.

Funds from Operations

We calculate funds from operations before non-controlling interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate depreciation and amortization (excluding amortization of above (below) market rents for acquisition properties and amortization of deferred financing costs and debt discounts), and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because we believe that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of our 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, therefore, our FFO may not be comparable to such other REITs' FFO. Accordingly,

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FFO should be considered only as a supplement to net income as a measure of our performance. While we believe that FFO is an important supplemental non-GAAP financial measure, we believe it is also important to stress that 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. FFO 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 pro forma net income to pro forma FFO before non-controlling interest for the periods presented.

	Nine Months Ended September 30, 2010	Pro Forma Year Ended December 31, 2009 (In thousands)
Net loss	\$ (959)	\$ (3,410)
Adjustments:		
Net income attributable to Series B cumulative redeemable preferred stock	(4,500)	(6,000)
Net income attributable to preferred non-controlling partnership interests	(585)	(780)
Real estate depreciation and amortization	14,008	18,805
Funds from operations before common non-controlling interests	\$ 7,964	\$ 8,615

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

Recent Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. We consider the applicability and impact of all ASUs. Newly issued ASUs not listed below are expected to not have any material impact on our consolidated financial position and results of operations, because either the ASU is not applicable or the impact is expected to be immaterial.

In January 2010, we adopted FASB guidance contained in ASU No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. This standard requires an enterprise to perform an analysis to determine whether an enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The adoption of ASU 2009-17 did not have a material effect on our consolidated financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This guidance provides for new disclosures requiring us to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately information about

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purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring us to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. This ASU is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. The adoption of this ASU did not have a material effect on our financial position and results of operations as it only addresses disclosures.

In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*. This standard amends the authoritative guidance for subsequent events that was previously issued and, among other things, exempts SEC registrants from the requirement to disclose the date through which it has evaluated subsequent events for either original or restated financial statements. This standard does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provides different guidance on the accounting treatment for subsequent events or transactions. The adoption of this ASU did not have a material effect on our financial position and results of operations as it only addresses disclosures.

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. As more fully described in the interest rate risk section, we use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We only enter into contracts with major financial institutions based on their credit rating and other factors.

As of September 30, 2010, we had an interest rate agreement with respect to our indebtedness on the Sunset Bronson property pursuant to which we swapped one-month LIBOR to a fixed rate of 0.75%, which effectively results in a 4.40% fixed rate on the Sunset Bronson loan.

Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

As of September 30, 2010, our total outstanding debt was approximately \$94.3 million, which was comprised of \$37.0 million of variable rate secured mortgage loans subject to the interest rate agreement described above and \$57.3 million of fixed rate secured mortgage loans. As of September 30, 2010, the fair value of our fixed rate secured mortgage loans was approximately \$57.0 million.

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BUSINESS AND PROPERTIES

Overview

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties in select growth markets primarily in Northern and Southern California. Our investment strategy is focused on high barrier-to-entry, in-fill locations with favorable, long-term supply-demand characteristics. These markets include Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and the East Bay, which we refer to as our target markets. Our portfolio, including 10950 Washington, consists of eleven properties, totaling approximately 2.4 million square feet, strategically located in many of our target markets.

We were formed as a Maryland corporation in 2009 to succeed the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. We believe Mr. Coleman's and Mr. Stern's successful history of operating a publicly traded real estate company, significant expertise in operating in the California office sector and extensive, long-term relationships with real estate owners, developers and lenders, coupled with our conservative capital structure and access to capital. We believe our senior management team's experience in the California office sector positions us to improve occupancy rates and operating performance in our portfolio, as well as any subsequently acquired properties, as the California economy and the real estate markets continue to recover.

We focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties or portfolios that provide opportunities to implement a value-add strategy to increase occupancy rates and cash flow. This strategy includes active management, aggressive leasing efforts, focused capital improvement programs, the reduction and containment of operating costs and an emphasis on tenant satisfaction.

Our portfolio, including the 10950 Washington property, consists of nine office properties totaling approximately 1.5 million square feet, which were approximately 83.2% leased as of September 30, 2010 (or 87.0%, giving effect to leases signed but not commenced as of that date), and two state-of-the-art media and entertainment properties comprising approximately 544,763 square feet of office and support space and approximately 312,669 square feet of sound-stage production facilities. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties, which together with redevelopment opportunities at our media and entertainment properties, could support over one million square feet of additional office and support space. In addition, our City Plaza property is subject to a development agreement that, subject to the payment of certain fees and the satisfaction of other conditions, permits the development of an additional 360,000 square foot building and parking structure. Our properties are concentrated in premier submarkets that have high barriers to entry with limited supply of land, high construction costs and rigorous entitlement processes.

Our portfolio consists, in part, of assets contributed by entities previously owned by Hudson Capital, LLC, the Farallon Funds, the Morgan Stanley Investment Partnership and third parties. We believe our long-standing relationships with these contributors, as well as with other real estate companies, financial institutions and local operators, enhances our access to capital and our ability to source leasing and acquisition opportunities. We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. In addition, we expect our tenant relationships with leading media, entertainment, professional and financial services firms, such as NBC/Universal, CBS Studios, ABC Studios, 20th Century Fox, Technicolor, Saatchi & Saatchi, Bank of America Merrill Lynch and U.S. Bank will allow us to maintain above average occupancy levels as compared to others in our target markets.

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to

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continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. We conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner and, as of September 30, 2010, own approximately 89.5% of the outstanding common units of partnership interest in our operating partnership, or common units. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of office properties and will enable us to capitalize on the general dislocation in the real estate market to successfully expand and operate our portfolio.

Experienced Management Team with a Proven Track Record of Acquiring and Operating Assets and Managing a Public Office REIT. Our senior management team, led by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively, has an average of over 20 years of experience in the commercial real estate industry, with a focus dedicated exclusively to owning, acquiring, developing, operating, financing and selling office properties in California. In particular, Messrs. Coleman and Stern, who have worked together for approximately 10 years through all stages of the real estate market cycle, have overseen the acquisition and operation of more than 20 million square feet, with an aggregate purchase price in excess of \$10 billion.

Committed and Incentivized Management Team. Our senior management team is dedicated to our successful operation and growth, with no real estate business interests outside of our company. Additionally, our senior management team owns approximately 3.9% of our common stock on a fully diluted basis, thereby aligning management's interests with those of our stockholders.

California Focus with Local and Regional Expertise. We are primarily focused on acquiring and managing office properties in Northern and Southern California, where our senior management has significant expertise and relationships. According to RCG, California has historically experienced strong rebounds in its real estate market after prior recessions, as demand for commercial real estate in California is driven by its dynamic, innovative and diversified economy that RCG believes will continue to grow and create demand for office space over the long term. California outpaced the rate of national job creation during several cycles, including the periods following the mid-1970s recession, the late 1980s recession, and during the late 1990s. Additionally, many of California's leading markets are supply-constrained as a result of the scarcity of available land, high construction costs and restrictive entitlement processes, which we believe have helped drive strong rebounds in the California real estate market after prior recessions. We believe our experience, in-depth market knowledge and meaningful industry relationships with brokers, tenants, landlords, lenders and other market participants enhances our ability to identify and capitalize on attractive acquisition opportunities, particularly those that arise in California.

Long-Standing Relationships that Provide Access to an Extensive Pipeline of Investment and Leasing Opportunities. We have an extensive network of long-standing relationships with real estate developers, individual and institutional real estate owners, national and regional lenders, brokers, tenants and other participants in the California real estate market. We believe these relationships provide us access to an ongoing pipeline of attractive acquisition opportunities and additional growth capital, both of which may not be available to our competitors. For example, our relationships with two leading investment management firms, Farallon, affiliates of which contributed assets in conjunction with our initial public offering, and Morgan Stanley, which manages certain funds that own the general partner of an investment vehicle that likewise contributed assets in conjunction with our initial public offering, provide us with critical market intelligence, future acquisition opportunities and potential joint venture partners. Additionally, we

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focus on establishing strong relationships with our tenants in order to understand their long-term business needs, which we believe enhances our ability to retain quality tenants, facilitate our leasing efforts and maximize cash flows from our properties.

Growth-Oriented, Flexible and Conservative Capital Structure. We believe we are well-capitalized following our initial public offering earlier this year. The proceeds of this offering, available cash on hand and our \$200 million secured revolving credit facility should give us a significant amount of capital to pursue acquisitions and execute our growth strategy. As of September 30, 2010, we had approximately \$94.3 million of debt outstanding and as of December 2, 2010 we had drawn approximately an additional \$34.5 million under our secured revolving credit facility, which we believe permits management to focus on our business and growth strategies rather than on balance sheet repair. Based on the closing price of our common stock on December 2, 2010, we had a debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 27.0%, which is substantially lower than that of many of our office REIT peers. We believe our flexible and conservative capital structure provides us with an advantage over many of our private and public competitors, as the combined adverse effects of many of our competitors' highly leveraged capital structures and declines in the operating performance of their existing properties will constrain their ability to make acquisitions.

Irreplaceable Media and Entertainment Assets in a Premier California Submarket. Our Sunset Gower and Sunset Bronson media and entertainment properties are located on Sunset Boulevard, just off of the Hollywood Freeway, in the heart of Hollywood. These facilities, which are situated on approximately 15.6 and 10.6 acres, respectively, were originally built in the 1920s as the headquarters of Columbia Pictures and Warner Brothers and represent a unique and irreplaceable assemblage of land in densely populated Los Angeles. We are the largest owner and operator of independent media and entertainment properties in Los Angeles and possess large, modern sound stages, plentiful office space with state-of-the-art telecommunications and data network infrastructure. Our properties are important facilities for major film and television companies and independent producers, most of which outsource a portion of their productions to independent media and entertainment properties. We believe our media and entertainment properties are attractively located and benefit from high barriers to entry, with a limited supply of readily developable land. In addition, there are substantial costs associated with acquiring and developing suitable land and extensive knowledge required to develop and operate such facilities. As a result of these high barriers to entry, there is effectively no new supply of media and entertainment space in the urban core of Los Angeles. We believe the limited supply of media and entertainment properties, coupled with the continued demand for such properties in Los Angeles, which remains the center of the entertainment industry in the United States, will help ensure that these assets remain critical to the industry.

Business and Growth Strategies

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

Pursue Acquisitions of Distressed and/or Underperforming Office Properties. We intend to capitalize on the attractive investment environment by acquiring properties at meaningful discounts to our estimates of their intrinsic value. Additionally, we intend to acquire properties or portfolios that are distressed due to near-term debt maturities or underperforming properties where we believe better management, focused leasing efforts and/or capital improvements would improve the property's operating performance and value. We believe our success implementing this strategy is exemplified by our acquisition of City Plaza, a 333,922 square foot Class-A office building located in Orange, California. Our predecessor acquired the loan on the City Plaza property in August 2008 at a substantial discount and subsequently obtained title to the property. Our acquisition of City Plaza illustrates how our relationships with other real estate owners, lenders, joint venture partners

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and tenants can create a competitive advantage to capitalize on new acquisition opportunities. In that case, long-standing ties to the existing owner and their project lender and our record of performance facilitated that acquisition through a joint venture with Farallon. We believe that our extensive relationships with real estate owners, developers and lenders, together with our strong balance sheet and access to liquidity, will allow us to capitalize on similar value-add opportunities. Since our initial public offering on June 29, 2010, we have acquired three additional properties and are under contract to acquire a fourth property, together totaling 474,797 square feet.

Focus on High Barrier-to-Entry Markets. We target in-fill, suburban markets and central business districts primarily in California. These markets have historically had favorable long-term supply/demand characteristics and significant institutional ownership of real estate, which we believe have helped support real estate fundamentals and valuations over the long term. We believe that these factors will help preserve our capital during periods of economic decline and generate above average returns during periods of economic recovery and growth.

Proactive Asset and Property Management. We intend to actively manage our portfolio, employ aggressive leasing strategies and leverage our existing tenant relationships to increase the occupancy rates at our properties, attract high quality tenants and maximize tenant retention rates. In addition, we are focused on extending lease durations at our media and entertainment properties to provide greater visibility and less volatility in cash flows. We believe our successful leasing of the City Plaza property illustrates our proactive asset management. At the time of its acquisition in August 2008, the property was only approximately 38% leased. By employing aggressive leasing strategies, leveraging our extensive tenant relationships and focusing on tenant retention, we have increased the leased square footage of the property to approximately 92.4% as of September 30, 2010. We believe that we will be able to apply our management and leasing expertise to newly acquired, underperforming properties in order to similarly maximize the performance of such properties.

We have also targeted ways to improve net operating income through controlling or reducing operating costs. For example, the close proximity of our two Hollywood media and entertainment properties has enabled us to proactively cut various operating costs. Leveraging our economies of scale, we restructured our security staffing at these locations to eliminate certain redundancies in personnel. We also reduced costs by consolidating service contracts, such as elevator maintenance services, fire life safety maintenance, pest control services and lot sweeping services.

Repositioning and Development of Properties. We intend to leverage our real estate expertise to reposition and redevelop our existing properties, as well as properties that we acquire in the future, with the objective of increasing occupancy, rental rates and risk-adjusted returns on our invested capital. Our media and entertainment properties encompass approximately 26 acres in the heart of Hollywood one of the largest land holdings under common control in the market. In addition, we control two land parcels adjacent to our Sunset Bronson property that are available for new ground-up developments in a supply and land-constrained market. We believe our media and entertainment properties and undeveloped land offer significant growth potential, with over one million square feet of potential incremental development and redevelopment space. We believe the limited supply of media and entertainment space in the market, as well as the aging of much of the existing inventory, creates a unique opportunity to reshape this asset class. We also have a fully-entitled development agreement for our City Plaza property that allows for a new 360,000 square foot building and parking structure to be developed on our 11.5 acre site that we believe could be a valuable long-term asset. Our senior management team's development and redevelopment experience includes:

the development of Technicolor's worldwide headquarters, a six-story, build-to-suit, 114,958 square foot office and production building at our Sunset Gower property;

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the development of the Howard Hughes Center, a 70-acre development located adjacent to Interstate 405 near Los Angeles International Airport, which involved the master planning, development and construction of a business park with four Class-A, multi-story office buildings totaling approximately 972,000 square feet and structured parking totaling approximately 2,700 stalls. We also obtained entitlements to build 600 residential units on vacant parcels throughout the center; and

the redevelopment of the Westwood Center, a 328,515 square foot, Class-A office building located in West Los Angeles, which involved the complete redesign and reconstruction of building exterior curtain walls, structural systems, elevators, common areas, tenant areas and mechanical, electrical and plumbing systems, or MEP.

Value Creation Through Capital Recycling Program. We intend 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, development and redevelopment opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT. Our management team has a demonstrated history of selling assets and reinvesting proceeds in acquisition, development and redevelopment opportunities with higher returns in target submarkets.

Acquisition Pipeline

We have an extensive network of long-standing relationships with real estate developers, individual and institutional real estate owners and national and regional lenders in the California and West Coast real estate markets. We believe our network of relationships will provide us access to an ongoing pipeline of attractive acquisition opportunities, which may not be available to our competitors. For example, we acquired the 222 Kearny Street property in an off-market transaction that was the result of our long-standing relationship with the lender who had acquired the property through foreclosure.

We are currently in discussions regarding a number of acquisition opportunities in our target markets that have come to our attention through our network of relationships. As of December 2, 2010, we were tracking and evaluating acquisition opportunities that include eight single-asset transactions located throughout California and the Pacific Northwest with an estimated aggregate purchase price of approximately \$761 million and approximately 3.7 million total square feet. These potential property acquisitions are off-market transactions sourced through our network of relationships. We are continuing to engage in discussions and preliminary negotiations with sellers and, in the some instances, have commenced the process of conducting diligence or have submitted non-binding indications of interest. However, we have not agreed upon terms relating to, or entered into binding commitments with respect to, any of these potential acquisition opportunities. As such, there can be no assurance that we will complete any of the potential acquisitions that we are currently evaluating.

Our Portfolio

We currently own or are under contract to acquire eleven properties located in eight California submarkets, containing a total of approximately 2.4 million square feet, which we refer to as our portfolio. The following table presents an overview of our portfolio, based on information as of September 30, 2010. Rental data presented in the table below for office properties reflects base rent on leases in place as of September 30, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or, in the case of triple net or modified gross leases, tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Rental data presented in the table below for media and entertainment properties reflects actual cash base rents, excluding tenant reimbursements, received during the 12 months ended September 30, 2010. Leases at our media and entertainment properties are typically short-term leases of one year

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or less, and other than the KTLA lease at our Sunset Bronson property, substantially all of the current in-place leases at our media and entertainment properties will expire in 2010 or 2011.

Property	City	Year Built/Renovated	Square Feet ⁽¹⁾	Percent Leased ⁽²⁾	Annualized Base Rent/Annual Base Rent ⁽³⁾	Annualized Base Rent/Annual Base Rent Per Leased Square Foot ⁽⁴⁾	Annualized Net Effective Base Rent Per Leased Square Foot ⁽⁵⁾
OFFICE PROPERTIES							
City Plaza	Orange	1969/1999	333,922	92.4%	\$ 7,720,361	\$ 25.02	\$ 23.76
875 Howard Street ⁽⁶⁾⁽⁷⁾	San Francisco	Various	286,270	44.6	1,613,081	12.62	12.06
First Financial	Encino (LA)	1986	222,423	84.8	6,276,734	33.29	35.61
10950 Washington ⁽⁸⁾	Culver City (LA)	Various	158,873	99.5	4,267,320	27.00	29.93
222 Kearny Street ⁽⁹⁾	San Francisco	Various	144,440	79.2	4,154,289	36.31	38.28
Del Amo Office ⁽¹⁰⁾	Torrance	1986	113,000	100.0	3,069,070	27.16	28.38
Technicolor Building	Hollywood (LA)	2008	114,958	100.0	4,103,173	35.69	39.04
Tierrasanta	San Diego	1985	104,234	96.8	1,576,460	15.62	16.44
9300 Wilshire Boulevard ⁽⁷⁾⁽¹¹⁾	Beverly Hills (LA)	1965/2001	58,484	90.5	2,208,098	41.73	42.42
Total/Weighted Average Office Properties:			1,536,604	83.2%⁽¹²⁾	\$ 34,988,586	\$ 27.35	\$ 28.38
MEDIA & ENTERTAINMENT PROPERTIES							
Sunset Gower ⁽¹³⁾	Hollywood (LA)	Various	543,709	67.9%	\$ 11,235,379	\$ 30.45	
Sunset Bronson	Hollywood (LA)	Various	313,723	71.0	9,018,143	40.48	
Total/Weighted Average Media & Entertainment Properties:			857,432	69.0%	\$ 20,253,521	\$ 34.23	
LAND							
Sunset Bronson Lot A	Hollywood (LA)	N/A	273,913				
Sunset Bronson Redevelopment	Hollywood (LA)	N/A	389,740				
Sunset Gower Redevelopment	Hollywood (LA)	N/A	423,396				
City Plaza	Orange	N/A	360,000				
Total Land Assets:			1,447,049				
Portfolio Total:			3,841,085				

- Square footage for office and media and entertainment properties has been determined by management based upon estimated leasable square feet, which may be less or more than the Building Owners and Managers Association, or BOMA, rentable area. Square footage may change over time due to remeasurement or releasing. Square footage for land assets represents management's estimate of developable square feet, the majority of which remains subject to receipt of entitlement approvals that have not yet been obtained.
- Percent leased for office properties is calculated as (i) square footage under commenced leases as of September 30, 2010, divided by (ii) total square feet, expressed as a percentage. Percent leased for media and entertainment properties is the average percent leased for the 12 months ended September 30, 2010. As a result of the short-term nature of the leases into which we enter at our media and entertainment properties, and because entertainment industry tenants generally do not shoot on weekends due to higher costs, we believe stabilized occupancy rates at our media and entertainment properties are lower than those rates achievable at our traditional office assets, where tenants enter into longer-term lease arrangements.
- We present rent data for office properties on an annualized basis, and for media and entertainment properties on an annual basis. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements with respect to the office properties for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$1,441,053 per leases in effect. Annualized base rent, net of abatements, is \$7,200,041 for City Plaza, \$6,176,152 for First Financial, \$3,926,224 for the Technicolor Building, \$1,113,716 for 875 Howard Street and \$2,064,260 for 9300 Wilshire Boulevard. There are no abatements associated with the leases in place as of September 30, 2010 at the Del Amo Office, Tierrasanta, 222 Kearny Street and 10950 Washington properties. Total annualized base rent, net of abatements, for our office properties is \$33,547,533. Annual base rent for media and entertainment properties reflects actual base rent for the 12

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months ended September 30, 2010, excluding tenant reimbursements. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta, 875 Howard Street and 10950 Washington properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, such as real estate taxes, insurance, common area and other operating expenses, and annualized base rent for these properties does not reflect such amounts. We estimate

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- that the full service gross equivalent annualized base rent for these properties is \$5,388,866 for the Technicolor Building, \$2,093,104 for Tierrasanta, \$2,313,275 for 875 Howard Street, and \$4,580,780 for 10950 Washington. We estimate that the full service gross equivalent annual base rent is \$11,272,172 for Sunset Gower and \$10,395,879 for Sunset Bronson.
- (4) Annualized base rent per leased square foot for the office properties is calculated as (i) annualized base rent divided by (ii) square footage under lease as of September 30, 2010. Annual base rent per leased square foot for the media and entertainment properties is calculated as (i) actual base rent for the 12 months ended September 30, 2010, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended September 30, 2010. We estimate that the full service gross equivalent annualized base rent per leased square foot is \$46.88 for the Technicolor Building, \$20.74 for Tierrasanta, \$18.10 for 875 Howard Street and \$28.98 for 10950 Washington, and the full service gross equivalent annual base rent per leased square foot is \$30.55 for Sunset Gower and \$46.66 for Sunset Bronson.
- (5) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of September 30, 2010, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of September 30, 2010. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized net effective base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta and 875 Howard Street properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, and annualized net effective base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized net effective base rent per leased square foot for these properties is \$49.98 for the Technicolor Building, \$21.56 for Tierrasanta, \$17.39 for 875 Howard Street and \$31.92 for 10950 Washington.
- (6) 875 Howard Street consists of two buildings, a retail building of 94,505 square feet that is 100% leased and an office building of 191,765 square feet that underwent redevelopment, which was completed on April 1, 2010.
- (7) As of September 30, 2010, we had entered into two leases with respect to our 875 Howard Street and 9300 Wilshire Boulevard properties that had not commenced. The following table sets forth certain data with respect to the uncommenced leases.

Property	Uncommenced Leases			
	Leased Square Feet Under Uncommenced Leases ^(a)	Annualized Base Rent Under Uncommenced Leases ^(b)	Annualized Base Rent Per Leased Square Foot Under Uncommenced Leases ^(c)	Annualized Net Effective Base Rent Per Leased Square Foot Under Uncommenced Leases ^(d)
875 Howard Street	55,827	\$ 1,116,538	\$ 20.00	\$ 33.20
9300 Wilshire Boulevard	1,243	\$ 18,645	\$ 15.00	\$ 13.42

- (a) The uncommenced lease for the 875 Howard Street property, which commences on December 14, 2010, is a ten-year lease expiring on December 13, 2020, and contains no rent abatements. The uncommenced lease for the 9300 Wilshire Boulevard property, which commences on January 1, 2011, is a five-year lease expiring on December 31, 2015, and total abatements under the uncommenced lease for the 12 months ending September 30, 2011 are \$7,769. The uncommenced lease at our 9300 Wilshire Boulevard property represents expansion space that is in addition to 6,171 square feet that is currently leased by one of our tenants. See Business and Properties Uncommenced Leases.
- (b) Annualized base rent under uncommenced leases is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the first full month under the respective uncommenced leases, by (ii) 12.
- (c) Annualized base rent per leased square foot under uncommenced leases is calculated as (i) annualized base rent under uncommenced leases, divided by (ii) leased square feet under uncommenced leases.
- (d) Annualized net effective base rent per leased square foot under uncommenced leases represents (i) annualized base rent under uncommenced leases calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) leased square feet under uncommenced leases.
- (8) Our acquisition of this property is subject to closing conditions that may not be in our control. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.
- (9) This property was acquired on October 8, 2010. A portion representing approximately 64% of the building area (excluding the 180 Sutter building) is subject to a ground lease that expires June 14, 2054; the remaining portion is owned in fee.
- (10) This property is subject to a ground sublease that expires June 30, 2049.
- (11) This property is subject to a ground lease that expires August 14, 2032.
- (12) After giving effect to uncommenced leases signed as of September 30, 2010, the total percent leased for office properties would have been 87.0% as of September 30, 2010.
- (13) Approximately 0.59 acres of this property is subject to a ground lease that expires March 31, 2060; the remaining portion is owned in fee.

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Our portfolio, including the 10950 Washington property, consists of nine office properties comprising an aggregate of approximately 1.5 million square feet. As of September 30, 2010, our office properties, including the 10950 Washington property, were approximately 83.2% leased to approximately 125 tenants (or 87.0% leased, giving effect to leases signed but not commenced as of that date). All of our office properties are located in prime California submarkets. As of September 30, 2010, the weighted average remaining lease term for our office portfolio, including the 10950 Washington property, was 45 months.

Tenant Diversification of Office Portfolio

Our office portfolio is currently leased to a variety of companies. The following table sets forth information regarding the 20 largest tenants in our office portfolio, including the 10950 Washington property, based on annualized base rent as of September 30, 2010.

Tenant	Property	Lease Expiration	Earliest Optional Termination Date by Tenant	Total Leased Square Feet	Percentage of Office Portfolio Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Office Portfolio Annualized Base Rent
Technicolor Creative Services USA, Inc.	Technicolor Building	05/31/20		114,958	7.5%	\$ 4,103,173	11.7%
Saatchi & Saatchi North America, Inc. ⁽²⁾	Del Amo Office	12/31/19	12/31/11	113,000	7.4	3,069,070	8.8
Kondaur Capital Corp.	City Plaza	03/31/13		122,425	8.0	2,938,200	8.4
NFL Enterprises	10950 Washington	03/31/15		95,570	6.2	2,802,041	8.0
Pepperdine University	First Financial	01/31/19		35,351	2.3	1,367,659	3.9
Carat USA, Inc.	875 Howard Street	03/31/17	03/31/16	33,291	2.2	998,730	2.9
SDI Media	10950 Washington	04/30/16		30,300	2.0	754,899	2.2
Medical Specialties	City Plaza	01/31/17		29,369	1.9	704,856	2.0
Walsworth, Franklin, Bevins ⁽³⁾	City Plaza	12/31/19	12/31/16	28,141	1.8	675,384	1.9
Master Halco	City Plaza	02/28/19	02/28/17 ⁽⁶⁾	19,876	1.3	663,302	1.9
Burlington Coat Factory ⁽⁴⁾	875 Howard Street	12/31/13	09/30/11	94,505	6.2	614,351	1.8
Kimpton Group Holding, LLC	222 Kearny Street	05/20/11		20,997	1.4	608,998	1.7
Liberty Mutual Insurance	City Plaza	08/31/11		18,550	1.2	513,835	1.5
The Children's Place	222 Kearny Street	01/31/17		8,373	0.5	485,634	1.4
Marcus & Millichap ⁽⁵⁾	First Financial	09/30/16	09/30/11	14,500	0.9	461,768	1.3
Brady, Vorwerck, Ryder & Caspino	City Plaza	08/31/19	08/31/14 ⁽⁶⁾	18,350	1.2	442,602	1.3
Merrill Lynch, Pierce, Fenner & Smith Incorporated	First Financial	04/30/16	04/30/12 ⁽⁶⁾	15,838	1.0	437,129	1.2
RBF Consulting	Tierrasanta	03/31/14	03/31/12 ⁽⁶⁾	31,422	2.0	427,214	1.2
Haber Corporation	First Financial	09/30/12		12,973	0.8	423,741	1.2
California Bank & Trust	Tierrasanta	06/30/18		23,208	1.5	423,631	1.2
Total:				880,997	57.3%	\$ 22,916,218	65.5%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements for the 20 largest tenants in our office portfolio as of September 30, 2010 for the 12 months ending September 30, 2011 are \$1,219,008. Annualized base rent does not reflect tenant reimbursements.

(2)

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This lease is subject to early termination options on December 31, 2011, December 31, 2014 and December 31, 2016, in each case in exchange for payment of an early termination fee estimated to be approximately \$5.0 million for 2011, \$3.1 million for 2014 and \$1.9 million for 2016.

- (3) This lease is subject to early termination by the tenant in exchange for payment of an early termination fee of unamortized leasing costs.
- (4) This lease is scheduled to expire on December 31, 2013; however, the tenant has a continuing early termination right that can be exercised upon one year's prior notice. We believe this lease is currently substantially below market rental rates.

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- (5) This lease is subject to early termination options with respect to 3,036 square feet on September 30, 2011 and with respect to 11,464 square feet on September 30, 2014, in each case in exchange for payment of an early termination fee.
- (6) Each of these leases is subject to early termination by the tenant in exchange for payment of an early termination fee.

Uncommenced Leases

As of September 30, 2010, we have entered into one lease with respect to our 875 Howard Street property and one lease with respect to our 9300 Wilshire Boulevard property that have not yet commenced. The uncommenced lease for Heald College is a modified gross lease, pursuant to which the tenant, in addition to its base rental payment, reimburses the landlord for expenses in excess of a base year expense stop, as well as for janitorial costs and utilities. The following table sets forth data for these two uncommenced leases.

Tenant	Lease Commencement	Lease Expiration	Earliest Optional Termination Date by Tenant	Total Leased Square Feet	Percentage of Office Portfolio Square Feet	Annualized Base Rent ⁽¹⁾
Heald College	12/14/10	12/13/20	12/13/17	55,827	3.6	1,116,538
Provident Title ⁽²⁾	01/01/11	12/31/15		1,243	0.1	18,645
Total Uncommenced Leases:				57,070	3.7%	\$ 1,135,183

- (1) For uncommenced leases, annualized base rent is calculated by multiplying (i) the first full month of contractual rents to be received under the applicable lease (defined as cash base rents (before abatements)), by (ii) 12. Annualized base rent does not reflect tenant reimbursements.
- (2) This uncommenced lease represents expansion space that is in addition to the 6,171 square feet that is currently leased by this tenant. Total abatements as of September 30, 2010 for the 12 months ending September 30, 2011 are \$7,769.

Lease Distribution of Office Portfolio

The following table sets forth information relating to the distribution of leases in our office portfolio, based on net rentable square feet under lease as of September 30, 2010.

Square Feet Under Lease	Number of Leases	Percentage of All Leases	Total Leased Square Feet	Percentage of Office Portfolio Leased Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Office Portfolio Annualized Base Rent
2,500 or less	44	34.6%	60,710	4.5%	\$ 2,014,555	5.6%
2,501-10,000	52	40.9	258,103	19.3	8,515,031	23.6
10,001-20,000	11	8.7	160,967	12.0	4,574,792	12.7
20,001-40,000	9	7.1	252,126	18.9	6,357,372	17.6
40,001-100,000	2	1.6	190,075	14.2	3,416,392	9.5
Greater than 100,000	3	2.4	350,383	26.2	10,110,443	28.0
Building management use	4	3.1	6,799	0.5		
Uncommenced leases	2	1.6	57,070	4.3	1,135,183	3.1
Office Portfolio Total:	127	100.0%	1,336,233	100.0%	\$ 36,123,769	100.0%

(1)

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Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 by (ii) 12. Annualized base rent does not reflect tenant reimbursements. Total abatements for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$1,441,053.

Table of Contents**Lease Expirations of Office Portfolio**

The following table sets forth a summary schedule of the lease expirations for leases in place as of September 30, 2010 plus available space, for each of the ten full calendar years beginning January 1, 2010 at the properties in our office portfolio. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Office Portfolio Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Office Portfolio Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
Vacant		257,441	16.8%			
2010	6	9,945	0.6	\$ 272,502	0.8	27.40
2011 ⁽²⁾	31	354,226	23.1	7,707,767	22.0	21.76
2012	20	114,867	7.5	3,015,839	8.6	26.26
2013	25	216,323	14.1	6,054,846	17.3	27.99
2014	14	94,891	6.2	2,905,168	8.3	30.62
2015	11	128,644	8.4	3,988,263	11.4	31.00
2016	7	121,567	7.9	3,277,561	9.4	26.96
2017	4	58,384	3.8	1,872,176	5.3	32.07
2018	1	23,208	1.5	423,631	1.2	18.25
2019	1	35,351	2.3	1,367,659	3.9	38.69
Thereafter	5	121,757	7.9	4,103,173	11.7	33.70
Office Portfolio Total/Weighted Average:	125	1,536,604	100.0%	\$ 34,988,586	100.0%	\$ 27.35

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Annualized base rent does not reflect tenant reimbursements. Total abatements for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$1,441,053.
- (2) Includes the Burlington Coat Factory lease representing 94,505 square feet of space at our 875 Howard Street property, which has an expiration date of December 13, 2013 but is subject to a continuing early termination right that can be exercised upon one year's prior notice. Also includes the Saatchi & Saatchi lease representing 113,000 square feet of space at our Del Amo Office property, which is scheduled to expire on December 31, 2019. However, the lease is subject to early termination options on December 31, 2011, December 31, 2014 and December 31, 2016, in each case in exchange for payment of an early termination fee estimated to be approximately \$5.0 million for 2011, \$3.1 million for 2014 and \$1.9 million for 2016. If neither Saatchi & Saatchi nor Burlington Coat Factory exercise their early termination rights in 2011, leases representing only 9.5% of our office portfolio will expire in 2011. This 9.5% represents \$4,024,346 in annualized base rent and 11.5% of office portfolio annualized base rent.

Description of Our Office Properties*City Plaza, Orange, California*

City Plaza is a nineteen-story, steel-framed, Class-A office building located in Orange, California. The property, built in 1969 and renovated in 1999, contains 333,922 net rentable square feet situated on a 11.5 acre lot with 1,189 parking spaces. The property is located near the intersection of two major freeways, Interstate 5 and Highway 22, at the geographic center of Orange County, a location that has attracted many diverse, high-quality tenants from across Orange County, including United States Fire Insurance Company, Calco Insurance Brokers, Walsworth, Franklin, Bevins & McCall, Kondaur Capital Corp. and Brady, Vorwerck Rider & Caspino. Additionally, the property is located adjacent to The Block, a 715,000 square-foot regional mall providing an array of amenities, including restaurants, retail establishments and movie theaters that are attractive to potential and existing tenants, as well as local residents. Our predecessor acquired the loan on City Plaza in

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August 2008 at a substantial discount and subsequently obtained title to the property from the borrower. At the time of acquisition, the property was only approximately 38% leased. We have since signed 20 leases, including both

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new and renewed leases, representing approximately 245,000 square feet. We believe our success in leasing City Plaza was a result of our aggressive leasing strategies, extensive relationships with real estate brokers and tenants in Orange County and our financial strength relative to many other landlords in Orange County that may be over-leveraged. As of September 30, 2010, City Plaza was approximately 92.4% leased to 29 tenants (including the property management tenant) operating in various industries.

City Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of City Plaza as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Kondaur Capital Corp. ⁽²⁾	Financial	03/31/13		1 x 5 years	122,425	36.7%	\$ 2,938,200	\$ 24.00	38.1%
Medical Specialties ⁽³⁾	Business Services	01/31/17		1 x 5 years	29,369	8.8	704,856	24.00	9.1
Walsworth, Franklin, Bevins ⁽⁴⁾	Legal	12/31/19	12/31/16	1 x 5 years	28,141	8.4	675,384	24.00	8.7
Master Halco	Industrial / Fencing	02/28/19	02/28/17 ⁽⁵⁾	1 x 5 years	19,876	6.0	663,302	33.37	8.6
Liberty Mutual Insurance	Insurance	08/31/11		1 x 5 years	18,550	5.6	513,835	27.70	6.7
Total / Weighted Average:					218,361	65.4%	\$ 5,495,577	\$ 25.17	71.2%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.

(2) Total abatements under the Kondaur Capital Corp. lease for the 12 months ending September 30, 2011 are \$244,850.

(3) Total abatements under the Medical Specialties lease for the 12 months ending September 30, 2011 are \$24,474. In connection with the entry into a lease with this tenant, we assumed the tenant's remaining obligation under its prior lease, which we estimate at \$36,377 per year through August 2011. This obligation may be reduced if we are able to sublease the tenant's previous space or if the tenant's previous landlord offers to acquire our leasehold interest.

(4) Total abatements under the Walsworth, Franklin, Bevins lease for the 12 months ending September 30, 2011 are \$173,067.

(5) The early termination right is subject to an early termination fee.

Table of Contents*City Plaza Lease Expirations*

The following table sets forth the lease expirations for leases in place at City Plaza as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 43 months without giving effect to uncommenced leases.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Vacant		25,371	7.6%	\$	%	\$
2010						
2011	10	47,823	14.3	1,275,271	16.5	26.67
2012	5	14,333	4.3	442,400	5.7	30.87
2013	4	125,210	37.5	3,019,209	39.1	24.11
2014 ⁽²⁾	3	22,079	6.6	533,644	6.9	24.17
2015						
2016 ⁽³⁾	3	45,564	13.6	1,063,295	13.8	23.34
2017 ⁽⁴⁾	3	50,011	15.0	1,386,542	18.0	27.72
2018						
2019					8.7	24.00
Thereafter ⁽⁵⁾	1	3,531	1.1			
Total/Weighted Average:	29	333,922	100.0%	\$ 7,720,361	100.0%	\$ 25.02

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$520,319.
- (2) Includes the Brady, Vorwerck, Ryder & Caspino lease representing 18,350 square feet of space, which is scheduled to expire on August 31, 2019. However, this lease is subject to a one-time early termination right on August 31, 2014 in exchange for an early termination fee.
- (3) Includes the Walsworth, Franklin, Bevins lease representing 28,141 square feet, which is scheduled to expire on December 31, 2019, and is subject to a one-time early termination right on December 31, 2016 in exchange for an early termination fee.
- (4) Includes the Master Halco lease representing 19,876 square feet of space, which is scheduled to expire on February 28, 2019. However, this lease is subject to a one-time early termination right on February 28, 2017 in exchange for an early termination fee.
- (5) Includes 3,531 square feet that will be leased to our subsidiary for property management offices.

City Plaza Percent Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for City Plaza as of the dates indicated below:

Date ⁽¹⁾	Percent Leased	Annualized Base Rent Per Leased Square Foot	Annualized Net Effective Base Rent Per Leased Square Foot ⁽²⁾
September 30, 2010	92.4%	\$ 25.02	\$ 23.76
December 31, 2009	72.8	25.39	25.56
December 31, 2008	43.0	27.75	28.08

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- (1) Because we did not own this property prior to 2008, we are unable to show data for years prior to this time.
- (2) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date.

Other than recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of City Plaza.

City Plaza is included in the portfolio of properties that secure our secured revolving credit facility. For more information regarding our secured revolving credit facility, see Management's Discussion and Analysis of

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Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Secured Revolving Credit Facility.

Also in connection with our acquisition of the City Plaza property, we agreed to assume certain costs of design and construction, in the amount of approximately \$1.0 million, related to the reconfiguration of certain surface parking areas and the construction of a new road way that will be located on both the City Plaza property and adjacent property, which improvements will improve access to both the City Plaza property and the adjacent retail center from the highway. The construction of these improvements has not yet commenced, and the agreement pursuant to which such payment is due has lapsed. However, we have agreed in principal with the adjacent property owner that is responsible for the construction to extend the agreement.

With respect to our City Plaza property, we are obligated under a parking easement agreement to provide 1,250 parking spaces for use by the adjacent property owner. However, due to a condemnation event that occurred subsequent to the granting of such parking easement, we are currently only able to provide 1,139 parking spaces for such use. We are in discussions with the holder of the easement to address the current deficiency.

The current real estate tax rate for City Plaza is \$10.35 per \$1,000 of assessed value. The total annual tax for City Plaza for the tax year ending June 30, 2011 is \$727,984 (at a taxable assessed value of \$70.3 million). In addition, there was \$28,989 in various direct assessments and supplemental taxes imposed on City Plaza by the County of Orange for the 2010/2011 tax year.

First Financial, Encino, California

First Financial is a six-story, steel-framed office building located in Encino, California at the intersection of Ventura and Balboa Boulevards. The property, built in 1986, contains 222,423 net rentable square feet and a 49,560 square foot four-story parking garage with 690 parking spaces. The property has access to two major freeways, the Ventura (Highway 101) and San Diego (Interstate 405) Freeways, and is located near many of Los Angeles' s residential communities in the central part of the San Fernando Valley. As of September 30, 2010, First Financial was approximately 84.8% leased to 35 tenants (including the property management tenant).

First Financial Primary Tenants

The following table summarizes information regarding the primary tenants of First Financial as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Pepperdine University	Educational	01/31/19		1 x 5 years	35,351	15.9%	\$ 1,367,659	\$ 38.69	21.8%
Marcus & Millichap ⁽²⁾	Real Estate	09/30/16	09/30/11	1 x 5 years	14,500	6.5	461,768	31.85	7.4
Merrill Lynch, Pierce, Fenner & Smith Incorporated	Financial	04/30/16	04/30/12 ⁽³⁾	2 x 5 years	15,838	7.1	437,129	27.60	7.0
Haber Corporation	Financial	09/30/12		1 x 5 years	12,973	5.8	423,741	32.66	6.8
Vitas Healthcare Corp.	Healthcare	02/28/14		1 x 5 years	13,390	6.0	385,204	28.77	6.1
Total/Weighted Average:					92,052	41.4%	\$ 3,075,500	\$ 33.41	49.0%

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- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.
- (2) This lease is subject to early termination options with respect to 3,036 square feet on September 30, 2011 and with respect to 11,464 square feet on September 30, 2014, in each case in exchange for payment of an early termination fee based on a formula set forth in the lease. Total abatements under this lease for the 12 months ending September 30, 2011 are \$79,270.
- (3) The early termination right is subject to an early termination fee of \$234,212.

First Financial Lease Expirations

The following table sets forth the lease expirations for leases in place at First Financial as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 47 months.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Vacant		33,873	15.2%			
2010	2	2,971	1.3	97,292	1.6%	\$ 32.75
2011	5	14,921	6.7	475,091	7.6%	\$ 31.84
2012 ⁽²⁾	7	41,577	18.7	1,264,020	20.1%	\$ 30.40
2013	10	28,683	12.9	1,028,254	16.4%	\$ 35.85
2014 ⁽³⁾	7	53,203	23.9	1,681,572	26.8%	\$ 31.61
2015	1	2,806	1.3	84,449	1.3%	\$ 30.10
2016	1	8,048	3.6	278,396	4.4%	\$ 34.59
2017						
2018						
2019	1	35,351	15.9	1,367,659	21.8%	\$ 38.69
Thereafter ⁽⁴⁾	1	990	0.4			\$
Total/Weighted Average:	35	222,423	100.0%	\$ 6,276,733	100.0%	\$ 33.29

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$100,581.
- (2) Includes the Merrill Lynch, Pierce, Fenner & Smith Incorporated lease representing 15,838 square feet, which is scheduled to expire on April 30, 2016. However, this lease is subject to a one-time early termination right on April 30, 2012 in exchange for an early termination fee of \$234,212.
- (3) Includes the Marcus & Millichap lease representing 14,500 square feet, which is scheduled to expire on September 30, 2016. However, the tenant has a right to terminate the lease with respect to 3,036 square feet on September 30, 2011. The tenant also has a right to terminate the remaining 11,464 square feet on September 30, 2014 in exchange for an early termination fee based on a formula set forth in the lease.
- (4) Includes 990 square feet that will be leased to our subsidiary for property management offices.

Table of Contents*First Financial Percent Leased and Base Rent*

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for First Financial as of the dates indicated below:

Date	Percent Leased	Annualized Base Rent Per Leased Square Foot	Annualized Net Effective Base Rent Per Leased Square Foot⁽¹⁾
September 30, 2010	84.8%	\$ 33.29	\$ 35.61
December 31, 2009	92.1	32.81	30.56
December 31, 2008	93.2	30.40	30.06
December 31, 2007	95.1	28.34	23.42
December 31, 2006	98.7	27.34	26.27
December 31, 2005	92.5	26.71	25.89

- (1) Annualized net effective base rent per leased square foot represents (i) the contractual rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date.

Other than recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of First Financial.

First Financial is subject to a \$43.0 million mortgage loan, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Description of Certain Debt Mortgage Loan Secured by First Financial.

The current real estate tax rate for First Financial is \$12.70 per \$1,000 of assessed value. The total annual tax for First Financial for the tax year ending June 30, 2011 is \$737,915 (at a taxable assessed value of \$58.1 million). In addition, there was \$20,036 in various direct assessments and voted indebtedness imposed on First Financial by the City of Los Angeles and County of Los Angeles for the 2010/2011 tax year.

Del Amo Office, Torrance, California

On August 13, 2010, we acquired the Del Amo Office property and its related ground sublease for \$27.5 million in cash (before closing costs and prorations).

The Del Amo Office property is a five-story, steel-framed office building located on Sepulveda Boulevard in Torrance, California. The property, built in 1986, contains 113,000 net rentable square feet and is situated on 2.3 acres with 150 parking spaces. The property is 100% leased to Saatchi & Saatchi North America, Inc., a leading advertising agency, pursuant to a written lease. Saatchi & Saatchi has been a tenant at this property for over 20 years, over which period significant capital improvements have been made to the property. The current term of the office lease expires December 31, 2019, provided that Saatchi & Saatchi has the option to terminate the office lease on any of the following dates: December 31, 2011, December 31, 2014, and December 31, 2016, in each case in exchange for the payment of an early termination fee, based on an amount equal to the unamortized tenant improvement allowances, brokerage commissions and abated rent granted to Saatchi & Saatchi for the initial 15-year term. We estimate the early termination fee to be approximately \$5.0 million, \$3.1 million and \$1.9 million for the termination rights exercisable on December 31, 2011, December 31, 2014 and December 31, 2016, respectively. Saatchi & Saatchi also has one 10-year extension option, at a rental rate equal to 95% of the projected prevailing rental rate as of the first day of the option term (based on a formula set forth in the office lease). The office lease provides for the payment of monthly base rent, plus tenant's share (100%) of all increases in direct costs of operation, repair and maintenance

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of the building and common areas, including real property taxes and assessments levied or assessed against the building (including in connection with a change of ownership), over such costs for the 2005 base year.

The following table summarizes information regarding the Del Amo Office property lease as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Percentage Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Saatchi & Saatchi	Advertising	12/31/19	12/31/11 ⁽²⁾	1 x 10 years	113,000	100.0%	\$ 3,069,070	\$ 27.16	100.0%
Total/Weighted Average:					113,000	100.0%	\$ 3,069,070	\$ 27.16	100.0%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.

(2) The Saatchi & Saatchi lease provides the tenant with the option to terminate the office lease on any of the following dates in each case upon nine months prior notice: December 31, 2011, December 31, 2014 and December 31, 2016, in each case in exchange for the payment of an early termination fee, as described above.

The property on which the Del Amo Office building is located is subleased by Del Amo Fashion Center Operating Company, L.L.C., a Delaware limited liability company, or Del Amo, through a long-term ground sublease entered into on February 12, 1985 between Sears, Roebuck & Co., as sublessor, and Del Amo (as successor-in-interest to Del Amo Mills Limited Partnership, successor-in-interest to The Torrance Company), as sublessee. The current term of the ground sublease expires June 30, 2049. The ground sublease is subject and subordinate to the terms of a ground lease dated June 29, 1959 between certain persons and entities therein referred to as The Sears Investors, as lessor, and Sears, Roebuck and Co., as lessee, and an improvement agreement and agreement to ground sublease dated September 15, 1983 between Sears, Roebuck and Co. and The Torrance Company, predecessor to Del Amo. The fee owner of the property has not granted to the subtenant under the ground sublease any rights of non-disturbance. Accordingly, a termination of the ground lease for any reason, including a rejection thereof by the ground tenant under the ground lease in a bankruptcy proceeding, could result in a termination of the ground sublease. In the event of a termination of the ground sublease, the Company may lose its interest in the Del Amo Office building and may no longer have the right to receive any of the rental income from the Del Amo Office building. In addition, the failure of the Company to have any non-disturbance rights from the fee owner may impair the Company's ability to obtain financing for the Del Amo Office building. See Risk Factors Risks Related to Our Properties and Our Business The ground sublease for the Del Amo Office property is subject and subordinate to a ground lease, the termination of which could result in a termination of the ground sublease.

Fixed Net Rent under the ground sublease is \$1.00 per year, with sublessee being responsible for all impositions, insurance premiums, operating charges, maintenance charges, construction costs and other charges, costs and expenses that arise or may be contemplated under any provisions of the ground sublease, including its pro rata share of all exterior common area maintenance costs charged to sublessor with respect to the larger tract of land of which the property is a part, and all real property taxes applicable to the property (and if not separately assessed, then sublessee's liability shall be for such equitable portion of the real property taxes as the property bears to all of the land and improvements included within the tax parcel assessed, as determined mutually by sublessor and sublessee).

The sublessee is also responsible for sublessor's obligations under the ground lease applicable to the property, other than those obligations involving the payment of rent or other charges. The ground sublease is not

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expressly terminable for any reason by either party other than in connection with a casualty or condemnation. The sublessee has the right to mortgage its leasehold interest in the property, but is not otherwise permitted to assign, mortgage, pledge, encumber or in any manner transfer the ground sublease, or any part thereof, further sublease the property, or any part thereof (other than subleasing of space within the improvements to tenants in occupancy from time to time), or sell, transfer, mortgage, pledge, lease, license or encumber the improvements or the interest of sublessee in any lease of the improvements or the rentals thereunder, without the prior written consent of sublessor, which shall not be unreasonably withheld.

Other than normally recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of the Del Amo Office property.

The Del Amo Office property is included in the portfolio of properties that secure our secured revolving credit facility. For more information regarding our secured revolving credit facility, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Secured Revolving Credit Facility.

There was \$6,169 in various direct assessments imposed on the Del Amo Office property by the City of Torrance and County of Los Angeles for the 2009 tax year. However, as described above, Saatchi & Saatchi is obligated to reimburse us for 100% of real property taxes and assessments over such costs for a 2005 base year.

Technicolor Building, Hollywood, California

The Technicolor Building is a six-story, steel-framed Class-A office and motion picture technical production building located in Hollywood, California. The property comprises 114,958 square feet and is located on the Sunset Gower property (described below), with frontage on Sunset Boulevard, one of the main surface arteries in Los Angeles. The property was completed in 2008 and serves as the worldwide headquarters for Technicolor, one of the leading post-production companies in the entertainment industry. The property includes both traditional office space and space dedicated to post-production uses, such as video and sound content screening, editing and data storage and, as Technicolor's primary office and post-production facility, it is essential to its worldwide operations. The property is 100% leased to Technicolor through May 31, 2020. Pursuant to the terms of its lease, Technicolor is obligated to reimburse us for 100% of the expenses related to the operation of the property, including, but not limited to, real property taxes, utilities and insurance premiums (excluding structural, roof and core MEP system capital replacements).

The following table summarizes information regarding the Technicolor Building lease as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Technicolor	Media & Entertainment	05/31/20	2 x 5 years	114,958	100.0%	\$ 4,103,173	\$ 35.69	100.0%
Total/Weighted Average:				114,958	100.0%	\$ 4,103,173	\$ 35.69	100.0%

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements as of September 30, 2010 for the 12 months ending September 30, 2011 are \$176,949. Annualized base rent does not reflect tenant reimbursements. We estimate that the full service gross equivalent annualized base rent for the Technicolor Building lease is \$5,388,866, or \$46.88 per leased square foot.

Table of Contents*Technicolor Building Percent Leased and Base Rent*

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for the Technicolor Building as of the dates indicated below:

Date⁽¹⁾	Percent Leased	Annualized Base Rent Per Leased Square Foot⁽²⁾	Annualized Net Effective Base Rent Per Leased Square Foot⁽³⁾
September 30, 2010	100%	\$ 35.69	\$ 39.04
December 31, 2009	100	34.32	39.04
December 31, 2008	100	33.00	39.04

- (1) Because the property was placed into service on June 1, 2008, we are unable to show data for full years prior to 2008.
- (2) We estimate that the full service gross equivalent annualized base rent per leased square foot as of September 30, 2010 is \$46.88.
- (3) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date. Annualized net effective base rent per leased square foot does not reflect tenant reimbursements. We estimate that the full service gross equivalent annualized net effective base rent per leased square foot as of September 30, 2010 is \$49.98 for the Technicolor Building.

The Technicolor Building, together with the Sunset Gower property, is included in the portfolio of properties that secures our secured revolving credit facility. For more information regarding our secured revolving credit facility, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Secured Revolving Credit Facility.

The current real estate tax for the Technicolor Building is included in the real estate tax for Sunset Gower. We expect that the Technicolor Building will be taxed separately for the 2010 tax year. However, as described above, Technicolor is obligated to reimburse us for 100% of its allocated share of real property taxes and related fees.

Tierrasanta, San Diego, California

Tierrasanta is a wood-framed office complex located in the Kearny Mesa submarket of San Diego, California. Built in 1985, Tierrasanta consists of four buildings that contain an aggregate of 104,234 net rentable square feet situated on a 6.5 acre lot with 382 parking spaces. The property is located directly adjacent to Interstate 15 and has access to two major highways, Highway 163 and Highway 52. As of September 30, 2010, Tierrasanta was approximately 96.8% leased to nine tenants. As of September 30, 2010, the weighted average remaining lease term for this property was 35 months.

Table of Contents*Tierrasanta Primary Tenants*

The following table summarizes information regarding the tenants of Tierrasanta as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
RBF Consulting ⁽²⁾	Construction Services	03/31/14	03/31/12	1 x 5 years	31,422	30.1%	\$ 427,214	\$ 13.60	27.1%
California Bank & Trust	Financial	06/30/18		1 x 5 years	23,208	22.3	423,631	18.25	26.9
NxGen	Technology	08/31/12			9,629	9.2	231,470	24.04	14.7
Diversified Copier	Technology	06/30/11		1 x 3 years	8,305	8.0	126,876	15.28	8.0
Quake Global, Inc.	Technology	03/31/11			8,690	8.3	111,684	12.85	7.1
Total/Weighted Average:					81,254	78.0%	\$ 1,320,874	\$ 16.26	83.8%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

(2) The tenant has an option to terminate, subject to the payment of an early termination fee based on a formula set forth in the lease. Other than normally recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of Tierrasanta.

Tierrasanta is subject to a \$14.3 million mortgage loan, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Description of Certain Debt Mortgage Loan Secured by Tierrasanta.

The current real estate tax rate for Tierrasanta is \$11.02 per \$1,000 of assessed value. The total annual tax for Tierrasanta for the tax year ending June 30, 2011 is \$137,148 (at a taxable assessed value of \$12.5 million). In addition, there was \$260 in various direct assessments imposed on Tierrasanta by the City and County of San Diego for the 2010/2011 tax year.

875 Howard Street, San Francisco, California

Our 875 Howard Street property is located in San Francisco, California and consists of two buildings totaling 286,270 square feet. One of the buildings is a 191,765 square foot, six-story building that underwent redevelopment from its prior use as a museum to use as an office property. The redevelopment included a new lobby, demolition of all floors to core and shell and the completion of exterior upgrades, all of which were completed on April 1, 2010. The other building is a 94,505 square foot, three-story retail building leased to Burlington Coat Factory. The property is located in the South of Market area in San Francisco, a submarket that has historically had a high concentration of high technology and internet-related tenants. We believe that as venture capital investments in technology related companies increase, our property will attract many of the high technology and internet tenants that tend to be located in the South of Market submarket. Additionally, the property is located across the street from the Moscone Convention Center near Market Street, which provides an array of amenities, including access to San Francisco's primary mass transit corridor, restaurants, retail establishments and movie theaters, all of which are attractive to potential and existing tenants.

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One of our contributors, Farallon, acquired the property in 2007 with its operating partner, TMG Partners, or TMG, when the office component of the property was occupied by the California Academy of Sciences, which was scheduled to vacate the property in 2008. Farallon and TMG acquired the property with the intent to redevelop the office space that had been underutilized when the California Academy of Sciences occupied the space. Concurrently with the completion of our initial public offering and the consummation of the formation transactions, we entered into an agreement with TMG relating to this property, pursuant to which we will pay a 3% commission on hard costs of first generation tenant improvements and a leasing commission equal to \$2 per square foot of new space leased during the term of the agreement. This agreement terminates upon the earlier of two years or the date on which the property is 95% leased. As of September 30, 2010, the 875 Howard Street retail building was approximately 100% leased to Burlington Coat Factory, while two leases representing approximately 40% of the office building have been executed as of such date, one of which commenced on April 1, 2010 upon the completion of the tenant improvements and the other of which commences on December 1, 2010. Overall, as of September 30, 2010, the property was 64.1% leased, including the uncommenced lease described above.

The Burlington Coat Factory lease is subject to a continuous termination right by the tenant on one year's prior notice. However, we believe Burlington Coat Factory's lease is at substantially below market rates as of September 30, 2010, which we believe may encourage the tenant to exercise one or more of its two five-year renewal options at the current rental rate.

875 Howard Street Primary Tenants

The following table summarizes information regarding the primary tenants of 875 Howard Street as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Burlington Coat Factory ⁽²⁾	Retail	12/31/13	09/30/11	2 x 5 years	94,505	33.0%	\$ 614,351	\$ 6.50	38.1%
Carat USA ⁽³⁾	Media & Entertainment	03/31/17	03/31/16	1 x 5 years	33,291	11.6	998,730	30.00	61.9
Total/Weighted Average:					127,796	44.6%	\$ 1,613,081	\$ 12.62	100.0%
Uncommenced Leases									
Heald College ⁽⁴⁾	Educational	12/13/20	12/13/17	1 x 5 years	55,827	19.5%	\$ 1,116,538	\$ 20.00	40.9%
Total/Weighted Average:					183,623	64.1%	\$ 2,729,619	\$ 14.87	100.0%

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. For uncommenced leases, annualized base rent is calculated by multiplying (i) the first full month of contractual base rents to be received under the applicable lease (defined as cash base rents (before abatements)), by (ii) 12. The Burlington Coat Factory lease is a modified gross lease pursuant to which the tenant, in addition to its base rental payment, reimburses the landlord for certain operating expenses. We estimate that the full service gross equivalent annualized base rent for the Burlington Coat Factory lease is \$1,181,699, or \$12.50 per leased square foot. The Heald College and Carat USA leases are modified gross leases pursuant to which the tenant, in addition to its base rental payment, reimburses the landlord for expenses in excess of a

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base year expense stop, as well as janitorial costs and utilities. We estimate that the full service gross equivalent annualized base rent for the Heald College lease is \$1,339,846, or \$24.00 per leased square foot. We estimate that the full service gross equivalent annualized base rent for the Carat USA lease is \$1,131,894, or \$34.00 per leased square foot.

- (2) The tenant has a continuing early termination right that can be exercised upon one year's prior notice.
- (3) Total abatements under this lease for the 12 months ending September 30, 2011 are \$499,365. The early termination right is subject to an early termination fee of \$412,106. The Carat USA lease provides the tenant a complete abatement of base rent for the first year of the lease term.
- (4) The Heald College lease commences on December 14, 2010. The early termination right is subject to an early termination payment of \$1,751,358.

875 Howard Street Lease Expirations

The following table sets forth the lease expirations for leases in place at 875 Howard Street as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 49 months due to the continuous termination right of Burlington Coat Factory on one year's prior notice; to date, such notice has not been provided.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Property Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
Vacant ⁽²⁾		158,474	55.4%	\$	%	\$
2010						
2011 ⁽³⁾	1	94,505	33.0	614,351	38.1	6.50
2012						
2013						
2014						
2015						
2016	1	33,291	11.6	998,730	61.9	30.00
2017						
2018						
2019						
Thereafter						
Total/Weighted Average:	2	286,270	100.0%	\$ 1,613,081	100.0%	\$ 12.62

- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Annualized net effective base rent per leased square foot does not reflect tenant reimbursements.
- (2) Includes redevelopment space and does not reflect the impact of the uncommenced Heald College lease.
- (3) Includes the Burlington Coat Factory lease representing 94,505 square feet of space that has an expiration date of December 31, 2013 and is subject to a continuing early termination right that can be exercised upon one year's prior notice. To date, such notice has not been provided. Excluding Burlington Coat Factory, none of our 875 Howard Street property leases would expire in 2011.

Table of Contents*875 Howard Street Percent Leased and Base Rent*

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for 875 Howard Street as of the dates indicated below:

Date⁽¹⁾	Percent Leased⁽²⁾	Annualized Base Rent Per Leased Square Foot⁽³⁾	Annualized Net Effective Base Rent Per Leased Square Foot⁽⁴⁾
September 30, 2010	44.6%	\$ 12.62	\$ 12.06
December 31, 2009	33.0	6.50	6.50
December 31, 2008	100.0	7.81	7.81
December 31, 2007	100.0	6.66	6.66

(1) Because we did not own this property prior to 2007, we are unable to show data for years prior to 2007.

(2) After giving effect to the uncommenced leases, percent leased would have been 64.1% as of September 30, 2010.

(3) We estimate that the full service gross equivalent annualized base rent per leased square foot is \$18.10 as of September 30, 2010.

(4) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date. Annualized net effective base rent per leased square foot does not reflect tenant reimbursements. We estimate that the full service gross equivalent net effective base rent per leased square foot as of September 30, 2010 is \$17.39 for 875 Howard Street.

875 Howard Street is included in the portfolio of properties that secure our secured revolving credit facility. For more information regarding our secured revolving credit facility, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Secured Revolving Credit Facility.

The current real estate tax rate for 875 Howard Street is \$11.64 per \$1,000 of assessed value. The total annual tax for 875 Howard Street for the tax year ending June 30, 2011 is \$555,752 (at a taxable assessed value of \$47.7 million). In addition, there was \$20,519 in various direct assessments imposed on 875 Howard Street by the City and County of San Francisco.

9300 Wilshire Boulevard, Beverly Hills, California

9300 Wilshire Boulevard is a six-story office building located in Beverly Hills, California. The property, built in 1965 and renovated in 2001, contains 58,484 net rentable square feet situated on a 0.3767 acre lot with 160 parking spaces. The property is located on the southwest corner of Wilshire Boulevard and Rexford Drive, strategically located near the Golden Triangle district of Beverly Hills, which features world class restaurants, shops and other amenities. As of September 30, 2010, 9300 Wilshire Boulevard was approximately 90.5% leased to eighteen tenants operating in various industries.

The 9300 Wilshire Boulevard property is subject to a ground lease held by Hudson 9300 Wilshire, LLC pursuant to a lease dated August 15, 1962, as amended and assigned, between Cassabell Stone, as lessor, and Hudson 9300 Wilshire, LLC, as lessee (expiring August 14, 2032).

Table of Contents*9300 Wilshire Boulevard Primary Tenants*

The following table summarizes information regarding the primary tenants of 9300 Wilshire Boulevard as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Hanmi Bank	Financial	09/30/17	09/30/14	2 x 5 years	5,253	9.0%	\$ 270,103	\$ 51.42	12.2%
Provident Title Company	Real Estate	12/31/15			6,171	10.6	247,334	40.08	11.2
Knock Out Creative	Media & Entertainment	05/31/14			5,321	9.1	242,382	45.55	11.0
Paul Kohner	Media & Entertainment	09/30/15			5,461	9.3	193,319	35.40	8.8
KR Capital Partners	Financial	03/31/16			4,364	7.5	182,241	41.76	8.3
Total / Weighted Average:					26,570	45.4%	\$ 1,135,379	\$ 42.73	51.4%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements under this lease for the 12 months ending September 30, 2011 are \$143,838.

9300 Wilshire Boulevard Lease Expirations

The following table sets forth the lease expirations for leases in place at 9300 Wilshire Boulevard as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 43 months without giving effect to uncommenced leases.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Vacant		5,564	9.5%			
2010	1	150	0.3	5,568	0.3%	\$ 37.12
2011	3	9,453	16.2	355,680	16.1%	\$ 37.63
2012	1	1,772	3.0	71,872	3.3%	\$ 40.56
2013	4	7,131	12.2	334,588	15.2%	\$ 46.92
2014	2	10,574	18.1	512,485	23.2%	\$ 48.47
2015	6	19,476	33.3	745,663	33.8%	\$ 38.29
2016	1	4,364	7.5	182,241	8.3%	\$ 41.76
2017						
2018						
2019						
Thereafter						

Total/Weighted Average:	18	58,484	100.0%	\$ 2,208,098	100.0%	\$ 41.73
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- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are \$143,838.

9300 Wilshire Boulevard Percent Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for 9300 Wilshire Boulevard as of the dates indicated below:

Date ⁽¹⁾	Percent Leased	Annualized Base Rent Per Leased Square Foot	Annualized Net Effective Base Rent Per Leased Square Foot ⁽²⁾
September 30, 2010	90.5%	\$ 41.73	\$ 42.42

- (1) Because we did not own this property prior to August 2010, we are unable to show data for years prior to 2010.

- (2) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date.

Other than recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of 9300 Wilshire Boulevard.

The current real estate tax rate for 9300 Wilshire Boulevard is \$10.87 per \$1,000 of assessed value. The total annual tax for 9300 Wilshire Boulevard for the tax year ending June 30, 2010 is \$78,041 (at a taxable assessed value of \$7,176,660). In addition, there was \$3,050 in various direct assessments imposed on 9300 Wilshire Boulevard by the City of Beverly Hills and County of Los Angeles for the 2009 tax year.

222 Kearny Street, San Francisco, California

On October 8, 2010 we acquired a 144,440 square foot, two-building office property located in San Francisco, California, which we refer to as 222 Kearny Street. The property consists of the 180 Sutter building, a 5-story building built in 1901 and renovated in 1986, and the 222 Kearny building, a 10-story building built in 1986. The property contains 60 parking stalls. Located on the border of the Union Square and Financial District submarkets of San Francisco, the property is attractive to tenants across many industries including financial services, legal, hospitality and technology. As of September 30, 2010 the property was 79.2% leased to 22 tenants (including the property management office).

A portion representing 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) resides on a ground lease held by Hudson 222 Kearny, LLC pursuant to a lease dated June 15, 1984 as amended and assigned, between 154 Sutter LLC as lessor and Hudson 222 Kearny, LLC, as lessee (expiring on June 14, 2054). The ground lease provides for annual rent equal to the greater of (i) \$975,000 or (ii) 20% of the annual net operating income of the portion of the property subject to the ground lease until annual net operating income reaches \$8 million; once annual net operating income reaches \$8 million, percentage rent equal to 25% of the excess annual net operating income above \$8 million is also payable. Annual rent under the ground lease is currently \$975,000.

Table of Contents*222 Kearny Street Primary Tenants*

The following table summarizes information regarding the primary tenants of 222 Kearny Street as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
Kimpton Group Holding, LLC	Hospitality	05/20/11		1 x 5 years	20,997	14.5%	\$ 608,998	\$ 29.00	14.7%
The Children's Place	Retail	01/31/17			8,373	5.8	485,634	58.00	11.7
Stockwell, Harris	Legal	09/30/13		1 x 5 years	8,050	5.6	370,300	46.00	8.9
Van Der Hout	Legal	02/29/12		1 x 5 years	7,647	5.3	313,527	41.00	7.5
Adams Nye	Legal	12/11/13		1 x 5 years	11,026	7.6	265,882	24.11	6.4
Total / Weighted Average:					56,093	38.8%	\$ 2,044,341	\$ 36.45	49.2%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.

222 Kearny Street Lease Expirations

The following table sets forth the lease expirations for leases in place at 222 Kearny Street as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 29 months without giving effect to uncommenced leases.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Vacant		30,027	20.8%			
2010	1	3,509	2.4	121,762	2.9%	\$ 34.70
2011	6	43,182	29.9	1,367,935	32.9%	\$ 31.68
2012	4	10,831	7.5	487,227	11.7%	\$ 44.98
2013	5	33,078	22.9	1,220,705	29.4%	\$ 36.90
2014	1	3,708	2.6	114,917	2.8%	\$ 30.99
2015	3	10,792	7.5	356,109	8.6%	\$ 33.00
2016						\$
2017	1	8,373	5.8	485,634	11.7%	\$ 58.00
2018						\$
2019						\$
Thereafter ⁽²⁾	1	940	0.7			\$

Total/Weighted Average:	22	144,440	100.0%	\$ 4,154,289	100.0%	\$ 36.31
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- (1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.
- (2) Includes 940 square feet of property management office space.

Table of Contents*222 Kearny Street Percent Leased and Base Rent*

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for 222 Kearny Street as of the dates indicated below:

Date ⁽¹⁾	Percent Leased	Annualized Base Rent Per Leased Square Foot	Annualized Net Effective Base Rent Per Leased Square Foot ⁽²⁾
September 30, 2010	79.2%	\$ 36.31	\$ 38.28

(1) Because we did not own this property prior to October 2010, we are unable to show data for years prior to 2010.

(2) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date.

Other than recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of 222 Kearny Street.

The current real estate tax rate for 222 Kearny Street is \$11.64 per \$1,000 of assessed value. The total annual tax for 222 Kearny Street for the tax year ending June 30, 2011 is \$634,523 (at a taxable assessed value of \$54.5 million). In addition, there was \$714 in various direct assessments imposed on 222 Kearny Street by the City of San Francisco and County of San Francisco for the 2010/2011 tax year. We anticipate a downward assessment to occur as part of our acquisition.

10950 Washington, Culver City, California

On October 6, 2010, our operating partnership became obligated under a definitive asset purchase agreement with an unrelated third party to acquire an office building located at 10950 Washington Boulevard in Culver City, California, which we refer to as the 10950 Washington property. The purchase price, which was determined through negotiations between our operating partnership and the seller, will be approximately \$46.0 million, subject to closing costs and prorations and subject to the assumption of a \$30.0 million loan. We expect to fund the estimated \$16.0 million balance of the purchase price with available cash or borrowings under our revolving credit facility. Our operating partnership has deposited \$1.0 million into an escrow account. The purchase of the 10950 Washington property is subject to closing conditions, including the receipt of requisite estoppels and our assumption of the existing \$30.0 million loan. The closing of the acquisition is expected to take place by December 30, 2010 once all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all.

The 10950 Washington property consists of a three-story office building totaling 86,987 square feet and a 71,886 square foot building containing two sound stages, creative office space and a café, for an aggregate of 158,873 square feet. The property sits on 5.5 acres, and contains structured and surface parking with a total of 441 parking spaces. As of September 30, 2010 the property was 99.5% leased to eight tenants. NFL Enterprises is the largest tenant occupying a total of 95,570 square feet, and they broadcast the company's NFL Network from the two sound stages on site. Located in Culver City, California, the 10950 Washington property benefits from close proximity to the 405 Freeway and the amenities that downtown Culver City provides, making it an attractive location for many media and entertainment companies seeking creative office space on the westside of Los Angeles.

Table of Contents**10950 Washington Primary Tenants**

The following table summarizes information regarding the primary tenants of the 10950 Washington property as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Earliest Optional Termination Date by Tenant	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Base Rent ⁽¹⁾	Annualized Base Rent Per Leased Square Foot	Percentage of Property Annualized Base Rent
NFL Enterprises	Media & Entertainment	03/31/15			95,570	60.2%	\$ 2,802,041	\$ 29.32	65.7%
SDI Media	Media & Entertainment	04/30/16		1 x 5 years	30,300	19.1	754,899	24.91	17.7
All3Media/Studio Lambert	Media & Entertainment	06/30/13			20,047	12.6	396,000	19.75	9.3
David Larkins	Architecture	09/30/11		1 x 5 years	4,767	3.0	128,767	27.01	3.0
The Point Media Consultants	Media & Entertainment	10/31/11			3,447	2.2	116,322	33.75	2.7
Total / Weighted Average:					154,131	97.0%	\$ 4,198,030	\$ 27.24	98.4%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.

10950 Washington Lease Expirations

The following table sets forth the lease expirations for leases in place at the 10950 Washington property as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights. As of September 30, 2010, the weighted average remaining lease term for this property was 52 months without giving effect to uncommenced leases.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Vacant		805	0.5%			
2010	1	425	0.3	13,200	0.3%	\$ 31.06
2011	2	8,214	5.2	245,089	5.7%	\$ 29.84
2012						
2013	2	22,221	14.0	452,089	10.6%	\$ 20.35
2014						
2015	1	95,570	60.2	2,802,041	65.7%	\$ 29.32
2016	1	30,300	19.1	754,899	17.7%	\$ 24.91
2017						
2018						
2019						
Thereafter	1	1,338	0.8			

Total/Weighted Average:	8	158,873	100.0%	\$4,267,318	100.0%	\$ 27.00
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(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12.

Table of Contents*10950 Washington Percent Leased and Base Rent*

The following table sets forth the percentage leased, annualized base rent per leased square foot and annualized net effective base rent per leased square foot for the 10950 Washington property as of the dates indicated below:

Date⁽¹⁾	Percent Leased	Annualized Base Rent Per Leased Square Foot	Annualized Net Effective Base Rent Per Leased Square Foot⁽²⁾
September 30, 2010	99.5%	\$ 27.00	\$ 29.93

(1) Because we did not own this property prior to October 2010, we are unable to show data for years prior to 2010.

(2) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of the same date.

Other than recurring capital expenditures, we have no plans with respect to major renovation, improvement or redevelopment of 10950 Washington.

The 10950 Washington property is subject to a \$30.0 million mortgage loan, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Description of Certain Debt Mortgage Loan Secured by 10950 Washington.

The current real estate tax rate for the 10950 Washington property is \$10.82 per \$1,000 of assessed value. The total annual tax for the 10950 Washington property for the tax year ending June 30, 2011 is \$270,374 (at a taxable assessed value of \$25.0 million). In addition, there was \$22,397 in various direct assessments imposed on the 10950 Washington property by the City of Culver City and County of Los Angeles for the 2010/2011 tax year.

Media and Entertainment Portfolio

Our portfolio of operating properties includes two properties that we consider to be media and entertainment properties, encompassing an aggregate of 857,432 square feet. We define our media and entertainment properties as those properties in our portfolio that are primarily used for the physical production of media content, such as television, feature films, commercials, music videos and photographs. These properties generally also feature a traditional office component that is leased to production companies and content providers. For the 12 months ended September 30, 2010, our media and entertainment properties were approximately 69.0% leased. Our media and entertainment properties are located in prime Southern California submarkets.

Leasing Characteristics of Media and Entertainment Properties

The duration of typical lease terms for tenants of media and entertainment properties tends to be shorter as compared to those of traditional office properties. Generally, terms of the media and entertainment leases are one year or less, as tenants are never certain as to whether their productions will continue to be carried by networks or cable channels. However, historically, many entertainment tenants have exercised renewal options such that their actual tenancy is extended for multiple years. As an example, productions such as *Judge Judy*, *Judge Joe Brown*, *Family Feud* and *Hannah Montana* have been tenants at Sunset Bronson Studios for between three and 12 years. At Sunset Gower Studios, NBC's *Heroes* was a tenant for four years prior to its cancellation and Showtime's *Dexter* has been a tenant for three years. Additionally, occupancy levels for sound stage space and office and support space tend to run in parallel, as a majority of stage users also require office and support

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space. In addition, we require tenants at our media and entertainment properties to use our facilities for items such as lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet). As a result, our other property-related revenues tend to track overall occupancy of our media and entertainment properties. As a result of the short-term nature of the leases into which we enter at our media and entertainment properties, and because entertainment industry tenants generally do not shoot on weekends due to higher costs, we believe stabilized occupancy rates at our media and entertainment properties are lower than those rates achievable at our traditional office assets, where tenants enter into longer-term lease arrangements.

Entertainment Industry Overview

The entertainment industry is one of Los Angeles' core economic strengths and one of the region's most high-profile economic sectors. Although feature film and television production have historically dominated the entertainment industry in southern California, the industry has grown to also include the information services sector, largely driven by media-related industries such as publishing, broadcasting and telecommunications activities. According to RCG, the sector is 2.4 times more concentrated in Los Angeles than it is nationally, reflecting the large cluster of media and entertainment firms in the area. The media and entertainment industry employed roughly 228,500 people in California as of 2008 in motion pictures, sound and broadcasting, as well as independent artists, writers and performers. In addition, the actual number of employees in the industry may be much higher than reported, since many of them are independent contractors whose employment may not be reflected on regular payrolls. At least one out of 12 workers in Los Angeles County is employed in the entertainment industry.

We believe that the television broadcasting environment is expanding and will lead to continued demand for media and entertainment-related real estate in the Los Angeles area. According to the Los Angeles Times, it is estimated that television broadcast revenue will increase by 20% in 2010 over 2009 due to strong advertising revenue, which we believe will further support demand fundamentals for media and entertainment properties.

Additionally, the video game and digital media development industries are experiencing growing demand as film studios increasingly utilize digital effects and computer-generated graphics to complete their films as well as create video game content based on their films. Advances in technology and a growing supply of skilled labor in this field have also contributed to industry expansion. Video game development will likely be a source for growth in the local economy as consumer spending improves nationally. Likewise, digital media is forging a new path for the entertainment industry, generating growth in alternative types of production and fueling job gains in the region. Digital media is expected to be a key driver of economic recovery during the coming years as consumer demand for digital content increases in spite of the recent recession. Given the financial pressure created by the weak economy, many advertisers and producers are turning to digital content as a means to reduce costs while also appealing to increased consumer demand for media featuring more user control over content. RCG expects spending on digital entertainment in the United States to rise to 25% of entertainment expenditures by 2013, compared with 15% in 2008. Consequently, we believe the increasing demand for digital content will likely generate increased demand for media-related office space in Los Angeles during the years to come.

Even as alternative media grows in popularity, traditional production still dominates economic activity in Los Angeles. According to RCG, nearly 37,976 on-location production days, which include production of feature films, commercials and television programs, took place in Los Angeles County during 2009. This number does not include productions that took place at media and entertainment property locations, however, so the actual number of production days is likely to be much higher. In addition to feature films and television programs already in production, pilot production is also an important driver of the entertainment industry. During the 2009-2010 cycle, 76 pilots were produced in the Los Angeles area, which was a 28.8% increase from the previous year when 59 pilots were produced and spending on the productions exceeded \$200 million. The rebounding economic conditions should support further increases in production activity, including commercials, which

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already increased 61% during the first quarter of 2010 following three years of annual declines. We believe that Los Angeles will continue to be the premiere location for production activities, attracting and retaining some of the most creative talent in the world.

Although production on location occurs throughout Los Angeles County, film and television media and entertainment properties are primarily concentrated north and west of the downtown region within the Hollywood, San Fernando Valley/Tri-Cities and West Los Angeles submarkets. There is a total inventory of approximately 287 sound stages in the Los Angeles area, with roughly 55% or over 3,000,000 square feet located at the facilities of major media and entertainment companies such as Warner Brothers, Paramount, Universal, Sony, Fox and Disney. Of the approximately 130 sound stages located at independent media and entertainment properties in Los Angeles, roughly 53% are clustered in the Hollywood area where the Sunset Gower and Sunset Bronson media and entertainment properties are located. The 23 stages that are situated at Sunset Gower and Sunset Bronson represent approximately 33% of the total sound stage inventory at independent studios in the Hollywood area and roughly 23% of total stage inventory in the Hollywood area, at both major and independent media and entertainment properties. Other competing independent media and entertainment properties not in the Hollywood area are located in such submarkets as Downtown Los Angeles and Manhattan Beach.

Description of Our Media and Entertainment Properties

Sunset Gower, Hollywood, California

Sunset Gower is a 15.6 acre media and entertainment property located in the heart of Hollywood, four blocks west of the Hollywood (101) Freeway. The property encompasses almost an entire city block, bordered by Sunset Boulevard to the north, Gower Street to the west, Gordon Street to the east and Fountain Avenue to the south. The property, a fixture in the Los Angeles-based entertainment industry since it was built in the 1920s, served as Columbia Pictures headquarters through 1972 and is now one of the largest independent media and entertainment properties in the United States. Sunset Gower provides a fully-integrated environment for its media and entertainment-focused tenants within which they can access creative and technical talent for film and television production and post-production. Sunset Gower typically serves as home to single camera television and motion picture production tenants. The property is comprised of 368,149 square feet of office and support space, along with 12 sound stage facilities totaling 175,560 square feet. In addition, there are 1,450 parking spaces (situated in both surface and structured parking lots). Included in the total office square feet is a building, known as 6060 Sunset, which is comprised of approximately 17,000 square feet and was purchased separately from the Sunset Gower property and completely renovated, including core and shell upgrades. The renovation was completed in October 2009 and we believe that this space will be well suited for longer term media and entertainment tenants. For the 12 months ended September 30, 2010, Sunset Gower was approximately 67.9% leased as of September 30, 2010.

Approximately 0.59 acres of the site is subject to a ground lease held by SGS Holdings, LLC pursuant to a lease dated August 26, 1949 between Elizabeth K. Chadwick, as lessor, and SGS Holdings (as successor-in-interest to Columbia Pictures Corporation), as lessee (expiring March 31, 2060); the remaining portion of the Sunset Gower property is owned by SGS Holdings in fee, with the exception of 6060 Sunset, which is owned by SGS Realty II, LLC.

In addition to Sunset Gower's existing facilities, the current zoning designation for Sunset Gower, M1-1 Limited Industrial, City of Los Angeles, permits a floor area ratio, or FAR, of 1.5x, which implies a maximum allowable density of 1,022,933 square feet, or an incremental 423,436 square feet above the existing 599,497 floor area ratio, including the Technicolor Building. However, as of September 30, 2010, we had no immediate plans to develop additional facilities on the property.

Leases at Sunset Gower are typically for one year or less. However, historically, many media and entertainment property tenants have exercised renewal options such that the actual tenancy of many of these

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tenants may be for multiple years. As an example, at our Sunset Gower media and entertainment property, productions such as NBC's *Heroes* was a tenant for four years prior to its cancellation and Showtime's *Dexter* has been a tenant for three years. Additionally, occupancy for sound stage space and office and support space tend to parallel one another, as a majority of stage users also require office and support space.

Sunset Gower Primary Tenants

The following table summarizes information regarding the primary tenants of Sunset Gower for the 12 months ended September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet ⁽¹⁾	Percentage of Property Square Feet	Annual Base Rent ⁽²⁾	Annual Base Rent Per Leased Square Foot ⁽³⁾	Percentage of Property Annual Base Rent
Blind Decker Productions (<i>Dexter</i>)	Television/Entertainment	12/31/10 ⁽⁴⁾		59,171	10.8	1,819,191	31.01	16.2
Total/Weighted Average:				59,171	10.8%	\$ 1,819,191	\$ 31.01	16.2%