Hudson Pacific Properties, Inc.
Form 10-K
February 26, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission File Number 001-34789

Hudson Pacific Properties, Inc.
Hudson Pacific Properties, L.P.
(Exact name of Registrant as specified in its charter)

Hudson Pacific Properties, Inc.	Maryland (State or other jurisdiction of incorporation or organization)	27-1430478 (I.R.S. Employer Identification Number)
Hudson Pacific Properties, L.P.	Maryland (State or other jurisdiction of incorporation or organization)	80-0579682 (I.R.S. Employer Identification Number)

11601 Wilshire Blvd., Ninth Floor, Los Angeles, California 90025
(Address of principal executive offices) (Zip Code)
Registrant’s telephone number, including area code: (310) 445-5700

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

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Hudson Pacific Properties, Inc.	Common Stock, $.01 par value	New York Stock Exchange

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

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Hudson Pacific Properties, L.P.	Common Units Representing Limited Partnership Interests	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Hudson Pacific Properties, Inc. Yes x No o Hudson Pacific Properties, L.P. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Hudson Pacific Properties, Inc. Yes o No x Hudson Pacific Properties, L.P. Yes x No o

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Hudson Pacific Properties, Inc. Yes x No o Hudson Pacific Properties, L.P. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Hudson Pacific Properties, Inc. Yes x No o Hudson Pacific Properties, L.P. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Hudson Pacific Properties, Inc.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Hudson Pacific Properties, L.P.
Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)
Hudson Pacific Properties, Inc. Yes o No x Hudson Pacific Properties, L.P. Yes o No x

As of June 30, 2015, the aggregate market value of common stock held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers, directors and funds affiliated with Farallon Capital Management, LLC and The Blackstone Group L.P. are "affiliates" of the registrant) was $2.00 billion based upon the last sales price on June 30, 2015 for the registrant's Common Stock.

There is no public trading market for the common units of limited partnership interest of Hudson Pacific Properties, L.P. As a result, the aggregate market value of the common units of limited partnership interest held by non-affiliates of Hudson Pacific Properties, L.P. cannot be determined.

As of February 24, 2016, the number of shares of common stock outstanding was 89,920,148.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the registrant's 2016 Annual Meeting of Stockholders to be held May 18, 2016 are incorporated by reference in Part III of this Annual Report on Form 10-K. The proxy statement will be filed by the registrant with the U.S. Securities and Exchange Commission, or the SEC, not later than 120 days after the end of the registrant's fiscal year.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2015 of Hudson Pacific Properties, Inc., a Maryland corporation, and Hudson Pacific Properties, L.P., a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” or “our company” refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

Our company is a real estate investment trust, or REIT, and the sole general partner of our operating partnership. As of December 31, 2015, we owned approximately 61.5% of the outstanding common units of partnership interest in our operating partnership, or common units. The remaining approximately 38.5% of outstanding common units are owned by certain of our executive officers and directors, certain of their affiliates, and other outside investors, including funds affiliated with The Blackstone Group L.P. and Farallon Capital Management, LLC. As the sole general partner of our operating partnership, our company has the full, exclusive and complete responsibility for our operating partnership’s day-to-day management and control.

We believe combining the annual reports on Form 10-K of our company and our operating partnership into this single report results in the following benefits:

- enhancing investors’ understanding of our company and our operating partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation because a substantial portion of the disclosure applies to both our company and our operating partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between our company and our operating partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how we operate as an interrelated, consolidated company. Our company is a REIT, the only material assets of which are the partnership units of our operating partnership. As a result, our company does not conduct business itself, other than acting as the sole general partner of our operating partnership, issuing equity from time to time and guaranteeing certain debt of our operating partnership. Our company itself does not issue any indebtedness but guarantees some of the debt of our operating partnership. Our operating partnership holds substantially all the assets of our company. Our operating partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by our company, which are generally contributed to our operating partnership in exchange for units of partnership interest in our operating partnership, our operating partnership generates the capital required by our company’s business through our operating partnership’s operations, our operating partnership’s incurrence of indebtedness or through the issuance of units of partnership interest in our operating partnership.

The presentation of non-controlling interest, stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of our company and those of our operating partnership. The common units in our operating partnership are accounted for as partners’ capital in our operating partnership’s consolidated financial statements and, to the extent not held by our company, as non-controlling interest in our company’s consolidated financial statements. The differences between stockholders’ equity, partners’ capital and non-controlling interest result from the differences in the equity issued by our company and our operating partnership.

To help investors understand the significant differences between our company and our operating partnership, this report presents the consolidated financial statements separately for our company and our operating partnership. All other sections of this report, including “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk,” are presented together for our company and our operating partnership.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that our company and our operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, or the Exchange Act, and 18 U.S.C. §1350, this report also includes separate “Item 9A. Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of our company and our operating partnership.

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HUDSON PACIFIC PROPERTIES, INC.
HUDSON PACIFIC PROPERTIES, L.P.

ANNUAL REPORT ON FORM 10-K

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PART I
Item 1. Business

Company Overview

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties and state-of-the-art media and entertainment properties in select growth markets primarily in Northern and Southern California and the Pacific Northwest. Our investment strategy focuses on high barrier-to-entry, in-fill locations with favorable, long-term supply demand characteristics in select markets, including Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and Seattle, which we refer to as our target markets. As of December 31, 2015, our portfolio included office properties, comprising an aggregate of approximately 14.0 million square feet, and media and entertainment properties, comprising approximately 0.9 million square feet of sound-stage, office and supporting production facilities. We also own undeveloped density rights for approximately 2.6 million square feet of future office space.

We were formed as a Maryland corporation in 2009 to succeed to the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman, our Chief Executive Officer. On June 29, 2010, we completed our initial public offering. We own our interests in all of our properties and conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner.

Business and Growth Strategies

We focus our investment strategy on office properties located in high barrier-to-entry 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 flows. 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 California and Pacific Northwest markets positions us to improve cash flow from our portfolio, as well as any newly acquired properties.

Our Competitive Position

We believe the following competitive strengths distinguish us from other real estate owners and operators and will enable us to capitalize on opportunities in the 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 has an average of over 25 years of experience in the commercial real estate industry, with a focus on owning, acquiring, developing, operating, financing and selling office properties in California and the Pacific Northwest.

- Committed and Incentivized Management Team. Our senior management team is dedicated to our successful operation and growth, with no competing real estate business interests outside of our company. Additionally, as of December 31, 2015, our senior management team owned approximately 1.7% of our common stock on a fully diluted basis, thereby aligning management’s interests with those of our stockholders.

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California and Pacific Northwest Focus with Local and Regional Expertise. We are primarily focused on acquiring and managing office properties in Northern and Southern California and the Pacific Northwest, where our senior management has significant expertise and relationships. Our markets are supply-constrained as a result of the scarcity of available land, high construction costs and restrictive entitlement processes. We believe our experience, in-depth market knowledge and meaningful industry relationships with brokers, tenants, landlords, lenders and other market participants enhance our ability to identify and capitalize on attractive acquisition opportunities, particularly those that arise in California and the Pacific Northwest.

- 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 and Pacific Northwest real estate markets. These relationships have historically provided us with access to attractive acquisition opportunities, including opportunities with limited or no prior marketing by sellers. We believe they will continue to 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. Additionally, we focus on establishing strong

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relationships with our tenants in order to understand their long-term business needs, which we believe enhances our ability to retain quality tenants, facilitates our leasing efforts and maximizes cash flows from our properties.

- Growth-Oriented, Flexible and Conservative Capital Structure. We have remained well-capitalized since our initial public offering, including through eight offerings (including two public offerings of 8.375% Series B Cumulative Preferred Stock, five public offerings of our common stock and one private placement of our common stock) and continuous offering under our at-the-market, or ATM, program for an aggregate total proceeds of approximately \$1.32 billion (before underwriters' discounts and transaction costs) as of December 31, 2015. Available cash on hand and our unsecured credit facility provide us with a significant amount of capital to pursue acquisitions and execute our growth strategy, while maintaining a flexible and conservative capital structure. As of December 31, 2015, we had total borrowing capacity of approximately \$400.0 million under our unsecured revolving credit facility, \$230.0 million of which had been drawn. Based on the closing price of our common stock of \$28.14 on December 31, 2015, we had a debt-to-market capitalization ratio (counting series A preferred units in our operating partnership, or series A preferred units, as debt) of approximately 35.7%. We believe our access to capital and flexible and conservative capital structure provide us with an advantage over many of our private and public competitors as we look to take advantage of growth opportunities.

We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. We believe our significant expertise in operating in the California and Pacific Northwest 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 current market opportunities.

On April 1, 2015, we completed the acquisition of the EOP Northern California Portfolio (the "EOP Acquisition") from certain affiliates of The Blackstone Group L.P. (collectively, "Blackstone"). The EOP Acquisition consisted of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels located throughout the San Francisco Peninsula, Redwood Shores, Palo Alto, Silicon Valley and North San Jose submarkets. The total consideration paid in connection with the EOP Acquisition, before certain credits, proration and closing costs, included a cash payment of \$1.75 billion and an aggregate of 63,474,791 shares of common stock and common units.

Competition

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

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

For further discussion of the potential impact of competitive conditions on our business, see "Item 1A: Risk Factors."

Segment and Geographic Financial Information

We report our results of operations through two segments: (i) office properties and (ii) media and entertainment properties. As of December 31, 2015, the office properties reporting segment included 54 properties totaling approximately 14.0 million square feet strategically located in many of our target markets, while the media and entertainment reporting segment includes 2 properties, the Sunset Gower property and the Sunset Bronson property, totaling approximately 0.9 million square feet located in the heart of Hollywood, California.

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All of our business is conducted in California and the Pacific Northwest. For information about our revenues and long-lived assets and other financial information, see our consolidated financial statements included in this report and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

Employees

At December 31, 2015, we had 234 employees. At December 31, 2015, two of our employees were subject to collective bargaining agreements. Both of these employees are on-site at the Sunset Bronson property. We believe that relations with our employees are good.

Principal Executive Offices

Our principal executive offices are located at 11601 Wilshire Blvd., Ninth Floor, Los Angeles, California 90025 and our telephone number is (310) 445-5700. We believe that our current facilities are adequate for our present operations.

Regulation

General

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of the properties in our portfolio has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We have developed and undertaken continuous capital improvement programs at certain properties in the past. These capital improvement programs will continue to progress and certain ADA upgrades will continue to be integrated into the planned improvements, specifically at the media and entertainment properties where we are able to utilize in-house construction crews to minimize costs for required ADA-related improvements. However, some of our properties may currently be in noncompliance with the ADA. Such noncompliance could result in the incurrence of additional costs to attain compliance, the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

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 and clean up such contamination and liability for 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 contain, have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, some of our properties have been or may be impacted by contamination arising from the release of such hazardous substances or petroleum products. Where we have deemed appropriate, we have taken steps to address identified contamination or mitigate risks associated with such

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contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur material liabilities.

Independent environmental consultants have conducted Phase I Environmental Site Assessments at all of the properties in our portfolio using the American Society for Testing and Materials (ASTM) Practice E 1527-05. A Phase I Environmental Site Assessment is a report prepared for real estate holdings that identifies potential or existing environmental contamination liabilities. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or asbestos or lead surveys. None of the recent site assessments identified any known past or present contamination that we believe would have a material adverse effect on our business, assets or operations. However, the assessments are limited in scope and may have failed to identify all environmental conditions or concerns. A prior owner or operator of a property or historic operations at our properties may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, or lead-based paint, or LBP, 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 LBP (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/or LBP and we could be liable for such damages, fines or penalties.

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 waste 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. We sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities. But in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims regardless of whether we knew of, or were responsible for, the presence or disposal of hazardous or toxic substances or waste and irrespective of tenant lease provisions. The costs associated with such liability could be substantial and could have a material adverse effect on us.

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 occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

Available Information

Our internet address is www.hudsonpacificproperties.com. On the Investor Relations page on our Web site, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available to be viewed on our Investor Relations Web page free of charge. Also available on our Investor Relations Web page, free of charge, are our corporate governance guidelines, the charters of the nominating and corporate governance, audit and compensation committees of our board of directors and our code of business conduct and ethics (which applies to all directors and employees, including our principal executive officer, principal financial officer and principal accounting officer). Information contained on or hyperlinked from our Web site is not incorporated by reference into, and should not be considered part of, this Annual Report on Form 10-K or our other filings with the SEC. A copy of this Annual Report on Form 10-K is available without charge upon

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written request to: Investor Relations, Hudson Pacific Properties, Inc., 11601 Wilshire Blvd., Ninth Floor, Los Angeles, California 90025.

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Item 1A. Risk Factors

Forward-looking Statements

Certain written and oral statements made or incorporated by reference from time to time by us or our representatives in this Annual Report on Form 10-K, other filings or reports filed with the SEC, press releases, conferences, or otherwise, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, as amended, and Section 21E of the Exchange Act). In particular, statements relating to our liquidity and capital resources, portfolio performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including anticipated funds from operations, or FFO, market conditions and demographics) are forward-looking statements. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any such forward-looking statements. We caution investors that any forward-looking statements presented in this Annual Report on Form 10-K, or that management may make orally or in writing from time to time, are based on management’s beliefs and assumptions made by, and information currently available to, management. When used, the words “anticipate,” “believe,” “expect,” “intend,” “may,” “might,” “plan,” “estimate,” “project,” “should,” “will,” “result” and expressions that do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which were based on results and trends at the time they were made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance, liquidity or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- adverse economic or real estate developments in our target 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 or maintain an investment grade rating;
- our failure to generate sufficient cash flows to service our outstanding indebtedness and maintain dividend payments;
- 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;
- risks related to acquisitions generally, including the diversion of management’s attention from ongoing business operations and the impact on customers, tenants, lenders, operating results and business;
- the inability to successfully integrate acquired properties, realize the anticipated benefits of acquisitions or capitalize on value creation opportunities;

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

- other factors affecting the real estate industry generally.

Set forth below are some (but not all) of the factors that could adversely affect our business and financial performance. Moreover, we operate in a highly competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Risks Related to Our Properties and Our Business

Our properties are located in California and the Pacific Northwest, and we are susceptible to adverse economic conditions, local regulations and natural disasters affecting those markets.

Our properties are located in California and the Pacific Northwest, which exposes us to greater economic risks than if we owned a more geographically dispersed portfolio. Further, our properties are concentrated in certain submarkets, including Los Angeles, San Francisco, Silicon Valley, the East Bay, and Seattle, exposing us to risks associated with those specific areas. We are susceptible to adverse developments in the economic and regulatory environments of California and the Pacific Northwest (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, wind, landslides, droughts, fires and other events). 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 the Pacific Northwest, 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 and the per share trading price of our securities.

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

A significant portion of our rental revenue is derived from tenants in the media, entertainment and technology industries. Consequently, we are susceptible to adverse developments affecting the demand by media, entertainment and technology tenants for office, production and support space in Southern and Northern California, the Pacific Northwest and, more particularly, in Hollywood and the South of Market submarket of San Francisco. As we continue our development and potential acquisition activities in markets populated by knowledge-and creative-based tenants in the technology and media and entertainment industries, our tenant mix could become more concentrated, further exposing us to risks in those industries. Any adverse development in the media, entertainment and technology industries could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our securities.

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

Our business strategy includes 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 the properties that we may identify as potential acquisition opportunities 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 and the per share trading price of our securities 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

- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and the per share trading price of our securities 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 Internal Revenue Code of 1986, as amended, or the Code, including that we distribute annually at least 90% of our net taxable income, 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,

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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.

The credit markets can experience 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 necessary to maintain our qualification as a REIT.

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

If interest rates increase, then so will the interest costs on our unhedged 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 our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on and the per share trading price of our securities. 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 ("FASB"), Accounting Standards Codification ("ASC") Topic 815, Derivative and Hedging.

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 unsecured revolving credit facility, term loan facility and note purchase agreement restrict our ability to engage in some business activities.

Our unsecured revolving credit facility, term loan facility and note purchase agreement contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;

- restrict our ability to make certain investments;

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- 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 distributions to our stockholders, and per share trading price of our securities. 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 unsecured revolving credit facility and term loan facility contain 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 and per share trading price of our securities.

Volatility in the U.S. and international capital markets and concern over a return to recessionary conditions in global economies, and the California economy in particular, may adversely affect our financial condition, results of operations, cash flow and the per share trading price of our securities 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 unsecured 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.

We have a limited operating history with respect to some of our properties and may not be able to operate them successfully.

Twenty-four of our office properties have only been under our management since they were acquired on April 1, 2015 from Blackstone in connection with the EOP Acquisition. In addition, our 4th and Traction and 405 Mateo properties have only been under our management since they were acquired on May 22, 2015 and August 17, 2015, respectively. 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 such properties will not decline under our management. We cannot assure you that we will be able to operate these properties successfully.

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 and the per share trading price of our securities could be adversely affected.

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

As of December 31, 2015, the 15 largest tenants in our office portfolio represented approximately 36.0% 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. As of December 31, 2015, our two largest tenants were Google, Inc. and Weil, Gotshal & Manges LLP, which together accounted for 8.0% of our annualized base rent. If Google, Inc. and Weil, Gotshal & Manges LLP were to experience a downturn or a weakening of financial condition resulting in a failure to make timely rental payments or causing a lease default, 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 and the per share trading price of our securities.

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

As of December 31, 2015, approximately 15.3% of the square footage of the office properties in our portfolio was available (taking into account uncommenced leases signed as of December 31, 2015), and an additional approximately 8.7% of the square footage of the office properties in our portfolio is scheduled to expire in 2016 (including leases scheduled to expire as of, but including, December 31, 2015). 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) are typically short-term leases of one year or less. 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 and per share trading price of our securities could be adversely affected.

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

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 or the Pacific Northwest real estate markets, a general 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.

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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 Sunset Gower property, a portion representing 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building), and ten of the properties included in the EOP Acquisition are subject to ground leases. See Part IV, Item 15(a) "Financial Statement and Schedules—Note 8 to the Consolidated Financial Statements—Future Minimum Rent and Lease Payments" for more information regarding our ground lease agreements. 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 and the per share trading price of our securities.

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., 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.

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 who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Many of our other senior executives 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 and the per share trading price of our securities.

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 (most are covered under a blanket insurance policy while a few are under individual policies), 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 and the Pacific Northwest, areas especially susceptible to 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

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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.

Future terrorist activity or engagement in war by the U.S. may have an adverse effect on our financial condition and operating results.

Terrorist attacks in the U.S. and other acts of terrorism or war may result in declining economic activity, which could harm the demand for and the value of our properties. A decrease in demand could make it difficult for us to renew or re-lease our properties at these sites at lease rates equal to or above historical rates. Terrorist activities also could directly impact the value of our properties through damage, destruction, or loss, and the availability of insurance for these acts may be less, and cost more, which could adversely affect our financial condition. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

Terrorist attacks and engagement in war by the U.S. also may adversely affect the markets in which our securities trade and may cause further erosion of business and consumer confidence and spending and may result in increased volatility in national and international financial markets and economies. Any one of these events may cause decline in the demand for our office and media and entertainment leased space, delay the time in which our new or renovated properties reach stabilized occupancy, increase our operating expenses, such as those attributable to increased physical security for our properties, and limit our access to capital or increase our cost of raising capital.

We may become subject to litigation, which could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our securities.

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 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 and per share trading price of our securities. 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.

On November 8, 2012, we entered into a joint venture with M. David Paul & Associates/Worthe Real Estate Group, or MDP/Worthe, to acquire The Pinnacle, a two-building (Pinnacle I and Pinnacle II), 625,640 square-foot office property located in Burbank, California. On January 7, 2015, we entered into a joint venture with Canada Pension Plan Investment Board ("CPPIB"), through which CPPIB purchased a 45% interest in our 1455 Market Street office property. In addition to our joint ventures with MDP/Worthe and CPPIB, we may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. These investments 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 securities.

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 and per share trading price of our securities.

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

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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 business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest.

Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities.

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 and the per share trading price of our securities.

Environmental laws also govern the presence, maintenance and removal of ACBM and LBP 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 or lead). Such laws require that owners or operators of buildings containing ACBM and LBP (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/or LBP and we could be liable for such damages, fines or penalties.

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 our stockholders or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our securities. 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

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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 securities.

In addition, federal and state laws and regulations, including laws such as the 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 and per share trading price of our securities.

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; 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 and per share trading price of our securities.

Risks Related to Our Organizational Structure

Certain affiliates of The Blackstone Group L.P. may exercise significant influence over us.

As of December 31, 2015, certain affiliates of Blackstone beneficially owned 9.6% of our outstanding common stock and an approximate 43.4% interest in our company on a fully diluted basis (including common units). Consequently, Blackstone may be able to significantly influence the outcome of matters submitted for stockholder action, including approval of significant corporate transactions, such as amendments to our governing documents, business combinations, consolidations and mergers. In addition, the partnership agreement of our operating partnership provides that holders of common units are entitled to vote to approve the consummation of certain change of control and other transactions that are required to be approved by our stockholders. The right of the holders of common units to vote to approve any such transactions will remain in effect for so long as Blackstone owns at least 9.8% of the aggregate number of shares of common stock and common units that it received as equity consideration from us for the EOP Acquisition.

Further, two of the ten members of our board of directors are Blackstone designees, and entities controlled by Blackstone will continue to have the right to designate (i) two of our director nominees for so long as those entities beneficially own greater than or equal to 30% but less than or equal to 50% of the total number of shares of common stock and common units that were acquired as the equity consideration for the EOP Acquisition, and (ii) only one director nominee for so long as those entities beneficially own greater than or equal to 15% but less than 30% of the total number of shares of common stock and common units acquired as the equity consideration in the transaction. Such right will cease altogether on the date on which those entities beneficially own less than 15% of the total number of shares of common stock and common units acquired as the equity consideration for the EOP Acquisition. For so long as those entities have the right to designate at least two director nominees, Blackstone will also be entitled to appoint one such nominee then serving on the board of directors to serve on each committee of the board of directors (other than certain specified committees). As a result, Blackstone may exercise substantial influence over us and could exercise its influence in a manner that conflicts with the interests of other stockholders. The presence of a significant stockholder and the presence on the board of directors of the Blackstone nominees may also have the effect of making it more difficult for a third party to acquire us or for our board of directors to discourage a third party from seeking to acquire us.

Blackstone has pledged substantially all of the common stock and common units received as equity consideration in the EOP Acquisition to certain lenders under a margin loan agreement. If the lenders foreclose on such common stock and common units, the market price of our common stock could be materially adversely affected.

On December 31, 2015, Blackstone informed us that certain of its affiliates had pledged 8,276,945 shares of common stock and 23,460,446 common units as security under a margin loan agreement pursuant to which they borrowed an aggregate of $350.0 million and that, subject to the satisfaction of certain conditions, such affiliates may borrow up to an additional $150.0 million on or after March 1, 2016 under such margin loan agreement, for which they agreed to pledge an additional 29,166,672 common units as security. An event of default under the margin loan agreement could result in the foreclosure on the pledged securities and a subsequent sale of a significant number of shares of our common stock, including shares of common stock issuable upon redemption of common units, which could cause the market price of our common stock to decline.

We did not independently verify the foregoing disclosure. Additionally, we are not a party to the margin loan agreement and have no obligations thereunder, but we have delivered an issuer Agreement to each of the lenders under the margin loan agreement in which we have, among other things, agreed to certain obligations relating to the pledged common stock and pledged common units and, subject to applicable law and stock exchange rules, agreed not to take any actions that are intended to materially hinder or delay the exercise of any remedies with respect to the pledged common stock and pledged common units.

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 securities 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 $10.2 million and have a preference as to distributions and upon liquidation that could limit our ability to pay dividends on common 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 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). 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.

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 securities.

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, our charter prohibits the actual, beneficial or constructive ownership by any person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, and 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 the EOP Acquisition, our board of directors has granted to Blackstone exemptions from the ownership limits, subject to various conditions and limitations. The restrictions on ownership and transfer of our stock may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or

- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval. Our board of directors 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. 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 securities 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 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 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 into 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 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.

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.

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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 the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities.

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 our formation transactions for our IPO, we entered into tax protection agreements with certain third-party contributors that provide that if we dispose of any interest with respect to certain 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 certain tax liabilities payable as a result of the sale (as well as tax liabilities payable as a result of the reimbursement payment). Certain contributors' rights under the tax protection agreements 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. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages, if any, in the amount of certain taxes payable 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 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 certain tax liabilities, if any, resulting from our failure to make such opportunities available to them (and any tax liabilities payable 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.

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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 our common stock. We also rely on distributions from our operating partnership to meet our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, claims of our equity holders 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 have elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2010. We believe that we have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such manner. 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 this Annual Report are not binding on the IRS or any court. Therefore, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to 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 would 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 securities.

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 and requirements regarding the composition of our assets and our gross income. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains.

We own and may acquire direct or indirect interests in one or more entities that have elected or will elect to be taxed as REITs under the Code (each, a "Subsidiary REIT"). A Subsidiary REIT is subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to federal income tax, (ii) shares in such Subsidiary REIT would cease to be qualifying assets for purposes of the asset tests applicable to REITs, and (iii) it is possible that we would fail certain of the asset tests applicable to REITs, in which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions.

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 would cause it to become subject to federal and state corporate income tax, which could reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

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, such characterization is a factual determination and we cannot assure you 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, which, if met, would prevent any such sales from being treated as prohibited transactions.

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. Further, for taxable years beginning after December 31, 2017, not more than 20% of our total assets may be represented by securities of taxable REIT subsidiaries. We anticipate 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 these limitations or to avoid application of the 100% excise tax discussed above.

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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 distributions to our stockholders, and per share trading price of our securities.

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.

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

Income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts and estates are generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for the preferential tax rates applicable to qualified dividend income. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential 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 materially and adversely affect the value of the shares of REITs, including the per share trading price of our securities.

The power of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders and unitholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders and accordingly, distributions Hudson Pacific Properties, L.P. makes to its unitholders could be similarly reduced.

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

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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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2015, our portfolio consisted of 56 properties (53 wholly-owned properties and two properties owned by a joint venture), located in 14 California submarkets and Seattle, Washington, totaling approximately 14.9 million square feet, which we refer to as our portfolio. The following table presents an overview of our portfolio, based on information
as of December 31, 2015. Rental data presented in the table below for office properties reflects annualized base rent on leases in place as of December 31, 2015 and does not reflect actual cash rents historically received because such data does not reflect abatements or 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 December 31, 2015. Leases at our media and entertainment properties are typically short-term leases of one year or less, other than the KTLA lease at our Sunset Bronson property.

The following table sets forth certain information relating to each of the office and media and entertainment properties owned as of December 31, 2015.

Property	Submarket	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)
OFFICE PROPERTIES							
SAME-STORE							
Greater Seattle, Washington							
Met Park North	Lake Union	2000	190,748	95.7	%	$4,987,899	$27.32
Northview	Lynnwood	1991	182,009	87.7		3,161,940	21.24
505 First Avenue	Pioneer Square	2010	288,140	96.9		5,929,129	21.33
83 King Street	Pioneer Square	Various	184,083	97.0		4,803,891	26.90
Subtotal			844,980	94.7	%	$18,882,859	$23.96
San Francisco Bay Area, California							
1455 Market Street	San Francisco	1977	1,025,833	97.2	%	$29,142,482	$30.18
222 Kearny Street	San Francisco	Various	148,797	84.8		5,439,868	43.10
275 Brannan Street	San Francisco	1906	54,673	100.0		3,074,137	56.23
625 Second Street	San Francisco	1905	138,080	73.8		5,129,702	50.31
875 Howard Street	San Francisco	Various	230,443	99.4		5,663,393	24.72
Rincon Center	San Francisco	1985	580,850	87.4		21,700,736	42.93

Subtotal			2,178,676	92.6	%	70,150,318	$35.37
Los Angeles, California							
Pinnacle I	Burbank	2002	393,777	92.9	%	$14,289,943	$40.75
Pinnacle II	Burbank	2005	230,000	100.0		8,942,900	38.88
6922 Hollywood	Hollywood	1965	205,523	85.7		7,701,674	43.71
Technicolor Building	Hollywood	2008	114,958	100.0		4,873,345	42.39
Del Amo Office Building	Torrance	1986	113,000	100.0		3,327,208	29.44
10900 Washington	West Los Angeles	1973	9,919	100.0		391,602	39.48
10950 Washington	West Los Angeles	Various	159,024	100.0		5,904,374	37.13
604 Arizona	West Los Angeles	1950	44,260	100.0		1,922,857	43.44
9300 Wilshire	West Los Angeles	1965/2001	61,224	88.7		2,342,076	43.14
Subtotal			1,331,685	95.2	%	$49,695,979	$39.68
Total Same-Store			4,355,341	93.8	%	$138,729,156	$34.48
NON-SAME-STORE							
Greater Seattle, Washington							
Merrill Place	Pioneer Square	Various	163,768	89.4	%	$3,406,278	$25.03
Subtotal			163,768	89.4	%	$3,406,278	$25.03
San Francisco Bay Area, California							
3400 Hillview	Palo Alto	Various	207,857	100.0	%	$12,946,581	$62.29
Clocktower Square	Palo Alto	1983	100,344	96.9		6,450,500	66.36
Foothill Research	Palo Alto	Various	195,376	100.0		12,179,059	62.34
Lockheed	Palo Alto	1991	42,899	100.0		1,651,286	38.49
2180 Sand Hill Road	Palo Alto	1973	45,613	97.2		3,982,066	89.85

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Towers at Shore Center	Redwood Shores	2001	334,483	90.3		25,482,851	85.47
Skyway Landing	Redwood Shores	2001	247,173	92.7		8,786,675	38.36
901 Market Street	San Francisco	1912	206,199	100.0		9,644,049	46.77
1740 Technology	North San Jose	1985	206,876	99.1		6,477,658	31.59
Concourse	North San Jose	Various	944,386	96.2		25,846,584	28.87
Skyport Plaza	North San Jose	2001	418,086	99.1		9,650,011	23.29
Campus Center	Silicon Valley	2001	471,580	100.0		14,713,296	31.20
Subtotal			3,420,872	97.2	%	$137,810,616	$41.67
Los Angeles, California							
3401 Exposition	West Los Angeles	1961	63,376	100.0	%	$2,624,147	$41.41
Element LA	West Los Angeles	Various	284,037	100.0		14,960,821	52.67
Subtotal			347,413	100.0	%	$17,584,968	$50.62
Total Non-Same-Store			3,932,053	97.1	%	158,801,862	$41.89
Total Stabilized(5)			8,287,394	95.3	%	$297,531,018	$38.08
LEASE-UP							
San Francisco Bay Area, California							
One Bay Plaza	Burlingame	1980	195,739	78.8	%	$5,212,684	$34.17
Metro Center	Foster City	Various	730,215	59.0		18,416,823	42.78
Embarcadero Place	Palo Alto	1984	197,402	92.8		5,444,435	32.43
Page Mill Center	Palo Alto	1970/2016	176,245	87.2		9,843,216	64.02
Palo Alto Square	Palo Alto	1971	328,251	89.2		18,917,195	68.16
333 Twin Dolphin Plaza	Redwood Shores	1985	182,789	88.5		7,559,812	46.72
555 Twin Dolphin Plaza	Redwood Shores	1989	198,936	89.6		7,851,234	44.03
Shorebreeze	Redwood Shores	1985/1989	230,932	67.9		6,822,947	44.45
Gateway	North San Jose	Various	609,093	83.8		14,059,579	27.88
Metro Plaza	North San Jose	1986	456,921	84.2		10,593,142	29.21
Peninsula Office Park	San Mateo	Various	510,789	85.1		17,068,516	39.79
Techmart Commerce	Silicon Valley	1986	284,440	76.7		7,809,874	36.21
Total Lease-up			4,101,752	79.5	%	$129,599,457	$40.66
Total In-Service(6)			12,389,146	90.1	%	$427,130,475	$38.82
REDEVELOPMENT							
Greater Seattle, Washington							
Merrill Place Theater Building	Pioneer Square	Various	29,385	$—		$—	$—

Subtotal			29,385	—	%	$—	$—
San Francisco Bay Area, California							
Patrick Henry Drive	Silicon Valley	1982	70,520	—	%	$—	$—
875 Howard (1st Floor)	San Francisco	Various	55,827	—		—	—
Subtotal			126,347	—	%	$—	$—
Los Angeles, California							
12655 Jefferson	West Los Angeles	1985	100,756	17.7	%	$—	$—
3402 Pico (Existing)	West Los Angeles	1950	50,687	—		—	—
4th & Traction	Downtown Los Angeles	1939	120,937	—		—	—
405 Mateo	Downtown Los Angeles	Various	83,285	—		—	—
Subtotal			355,665	5.0	%	$—	$—
Total Redevelopment			511,397	3.5	%	—	$—
DEVELOPMENT							
Greater Seattle, Washington							

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Merrill Place—450 Alaskan Way	Pioneer Square	Q4-2017	166,800	—		—	—
Subtotal			166,800	—	%	$—	$—
Los Angeles, California							
Icon—Building I Tower	Hollywood	Q4-2016	323,237	61.9	%	$—	$—
Icon—Building II	Hollywood	Q3-2017	90,000	—		—	—
Total Icon			413,237	48.4	%	$—	$—
Total Development			580,037	34.5	%	—	$—
HELD-FOR-SALE							
San Francisco Bay Area, California							
Bayhill Office Center	San Bruno	Various	554,328	93.2	%	$15,116,301	$30.45
Total Held-for-Sale			554,328	93.2	%	$15,116,301	$30.45
Total Redvelopment, Development and Held-for-Sale			1,645,762	44.7	%	15,116,301	$30.45
MEDIA & ENTERTAINMENT PROPERTIES[7]							
Sunset Gower		Various	571,626	80.4	%	$14,304,870	$31.11
Sunset Bronson		Various	308,026	75.0		6,784,503	29.39
Total Media & Entertainment			879,652	78.5	%	$21,089,373	$30.53
LAND							
San Francisco Bay Area, California							
Skyport Plaza	North San Jose	N/A	350,000				
Campus Center	Silicon Valley	N/A	946,350				
Subtotal			1,296,350				
Los Angeles							
Sunset Bronson—Lot A	Hollywood	N/A	300,000				
Sunset Bronson—Lot D[8]	Hollywood	N/A	19,816				
Sunset Gower—Redevelopment	Hollywood	N/A	423,396				
Element LA	West Los Angeles	N/A	500,000				
3402 Pico (Residential)[9]	West Los Angeles	N/A	TBD				
3402 Pico (Future)	West Los Angeles	N/A	99,313				
Subtotal			1,342,525				

Total Land	2,638,875
Total Portfolio	17,553,435

(1) Square footage for office properties 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 re-measurement, re-leasing, acquisition or development.

(2) Percent leased for office properties is calculated as (i) square footage under commenced and uncommenced leases as of December 31, 2015, 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 December 31, 2015. 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)) under commenced leases as of December 31, 2015 by (ii) 12. Annual base rent for media and entertainment properties reflects actual base rent for the 12 months ended December 31, 2015, excluding tenant reimbursements.

(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 commenced lease as of December 31, 2015. 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 December 31, 2015, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended December 31, 2015.

(5) Stabilized office properties excludes the development, redevelopment, lease-up properties, properties held-for-sale and land properties.
(6) In-service office properties includes the stabilized office properties and lease-up properties.
(7) Occupancy trends for the media and entertainment properties have historically been determined based on their estimated gross square feet as determined in connection with the acquisitions of the Sunset Gower and Sunset Bronson properties in 2007 and 2008, respectively. Since that time, certain space has been either reconfigured or adapted for improved utilization. During the quarter, the Company completed a full examination of historic space utilization at both of its media and entertainment properties. As a result of that undertaking, the Company has adjusted the current and historic occupancy trends for the media and entertainment properties to reflect the utilization of certain production support space and building management use as occupancy, to more closely align with customary office property occupancy methodologies. The Company has also eliminated from the rentable square footage certain structural vacancy (i.e. electrical plant, utility areas, and covered pathways) historically included within the gross square footage, but not available for tenancy. Commencing with the most recently completed quarter, the Company intends to report occupancy trends for the media and entertainment properties in accordance with this methodology. Similarly, for purposes of enhancing and ensuring consistency with comparisons to prior periods, historic occupancies have likewise been calculated to reflect this methodology. Going forward, management expects these enhancements to more accurately reflect higher lease percentages than under the prior methodology. As of December 31, 2015, the fourth quarter average occupancy for the media and entertainment properties increased to 78.5% from 76.4% for the same period a year ago. By way of comparison, under the prior methodology, reported occupancy as of the fourth quarter ending December 31, 2014 was 71.6%.
(8) Square footage for Sunset Bronson Lot D represents management's estimate of developable square feet for 33 residential units.
(9) Management estimates that 3402 Pico (Residential) could be improved with up to 12 residential units.

Office Portfolio

Our office portfolio consists of 54 office properties comprising an aggregate of approximately 14.0 million square feet. As of December 31, 2015, our in-service office properties were approximately 90.1% leased (giving effect to leases signed but not commenced as of that date). All of our office properties are located in California and the Pacific Northwest. As of December 31, 2015, the weighted average remaining lease term for our stabilized office portfolio was 4.9 years.

Tenant Diversification of Office Portfolio

Our office portfolio is currently leased to a variety of companies. The following table sets forth information regarding the 15 largest tenants in our office portfolio based on annualized base rent as of December 31, 2015.

Tenant	Property	Lease Expiration	Total Leased Square Feet	Percentage of Office Portfolio Square Feet	Annualized Base Rent[1]	Percentage of Office Portfolio Annualized Base Rent
Google, Inc.[2]	Various	Various	305,729	2.2 %	$18,995,070	4.3 %
Weil, Gotshal & Manges LLP[3]	Towers at Shore Center	Various	101,000	0.7	16,265,637	3.7
Riot Games, Inc.[4]	Various	Various	286,629	2.0	15,108,565	3.4

Cisco Systems, Inc.[5]	Various	Various	474,560	3.4		14,808,569	3.3	
Uber Technologies, Inc.[6]	Various	Various	252,536	1.8		10,948,034	2.5	
Square, Inc.	1455 Market Street	9/27/23	334,284	2.4		10,938,442	2.5	
Salesforce.com[7]	Rincon Center	Various	237,567	1.7		10,855,113	2.5	
Stanford[8]	Various	Various	132,496	0.9		9,087,944	2.1	
Warner Bros. Entertainment	Pinnacle II	12/31/21	230,000	1.6		8,942,900	2.0	
Qualcomm Incorporated	Skyport Plaza	7/31/17	365,502	2.6		8,675,247	2.0	
Warner Music Group	Pinnacle I	12/31/19	195,166	1.4		8,005,578	1.8	
NetSuite, Inc.[9]	Peninsula Office Park	Various	166,667	1.2		7,567,085	1.7	
EMC Corporation[10]	Various	Various	294,756	2.1		7,520,525	1.7	
AIG, Inc.	Rincon Center	7/31/17	132,600	0.9		6,099,600	1.4	
GSA[11]	Various	Various	183,709	1.3		5,584,077	1.3	
Total			3,693,201	26.3	%	$159,402,386	36.0	%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) under commenced leases as of December 31, 2015, by 12 (ii) Annualized base rent does not reflect tenant reimbursements.

(2) Google, Inc. expirations by property and square footage: (i) 207,857 square feet at 3400 Hillview expiring on November 30, 2021 and (ii) 97,872 square feet at Foothill Research Center expiring on February 28, 2025.

(3) Weil, Gotshal & Manges LLP expiration by square footage: (i) 25,320 square feet expiring on August 31, 2016 and (ii) 75,680 square feet expiring on August 31, 2026.

(4) Riot Games, Inc. expirations by property and square footage: (i) 2,592 square feet at Shorebreeze Center expiring on November 30, 2016 and (ii) 284,037 square feet at Element LA expiring on March 31, 2030.

(5) Cisco Systems, Inc. expirations by property and square footage: (i) 2,980 square feet at Concourse expiring March 31, 2018 and (ii) 471,580 square feet at Campus Center expiring on December 31, 2019.

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(6) Uber Technologies, Inc. expirations by property and square footage : (i) 232,290 square feet at 1455 Market expiring on February 28, 2025 and (ii) 20,246 square feet at Skyway Landing expiring March 31, 2017.

(7) Salesforce.com will take possession of an additional 4,144 square feet during the second quarter of 2017. Expirations by square footage: (i) 78,872 square feet expiring on July 31, 2025; (ii) 59,689 square feet expiring on April 30, 2027; (iii) 93,028 square feet expiring on October, 31, 2028; and (iv) 5,978 square feet of MTM storage space.

(8) Stanford Expirations by property and square footage: (i) Stanford Healthcare 63,201 square feet at Page Mill Center expiring June 30, 2019; (ii) Board of Trustees Stanford 43,215 square feet at Page Mill Center expiring 12/31/2022 and (iii) Stanford University 26,080 square feet at Palo Alto Square expiring on December 31, 2019.

(9) NetSuite, Inc. expirations by square footage: (i) 38,194 square feet expiring on August 31, 2019 and (ii) 128,473 square feet expiring May 31, 2022.

(10) EMC expirations by property and square footage: (i) 66,510 square feet at 875 Howard Street expiring on June 30, 2019; (ii) 185,292 square feet at 505 First expiring on October 18, 2021; and (iii) 42,954 square feet at 505 First expiring on December 31, 2023.

(11) GSA expirations by property and square footage: (i) 71,729 square feet at 1455 Market Street expiring on February 19, 2017; (ii) 5,906 square feet at 901 Market Street expiring on April 30, 2017; (iii) 28,993 square feet at Northview expiring on April 4, 2020; (iv) 33,582 square feet at Rincon Center expiring May 31, 2020; and (v) 43,499 square feet at 901 Market Street expiring on July 31, 2021.

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 December 31, 2015.

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	273	29.5 %	396,869	3.3 %	$14,709,016	3.2 %
2,501-10,000	376	40.6	1,917,649	16.1	72,908,001	15.8
10,001-20,000	94	10.2	1,327,213	11.2	54,651,001	11.8
20,001-40,000	63	6.8	1,778,749	15.0	75,758,850	16.4
40,001-100,000	38	4.1	2,163,214	18.2	94,922,729	20.6
Greater than 100,000	21	2.3	3,767,951	31.7	129,297,179	28.0
Building Management Use	34	3.7	146,533	1.2	—	—
Signed Leases Not Commenced	26	2.8	398,147	3.3	19,092,973	4.1
Office Portfolio Total:	925	100.0 %	11,896,325	100.0 %	$461,339,749	100.0 %

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)), including uncommenced leases, as of December 31, 2015 (ii) by 12. Annualized base rent does not reflect tenant reimbursements.

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Lease Expirations of Office Portfolio

The following table sets forth a summary schedule of the lease expirations for leases in place as of December 31, 2015 plus available space, for each of the ten full calendar years beginning January 1, 2015 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. The table below does not include 50,960 square feet of Month-to-Month leases.

Year of Lease Expiration	Number of Expiring Leases	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[2]
Vacant		2,137,756	15.3	%				
2015	23	259,853	1.9		7,950,952	1.7		30.60
2016	181	1,216,021	8.7		43,669,835	9.5		35.91
2017	203	2,111,718	15.1		74,061,179	16.1		35.07
2018	147	1,351,166	9.7		50,132,214	10.9		37.10
2019	98	2,097,069	15.0		77,863,269	16.9		37.13
2020	93	949,150	6.8		40,647,220	8.8		42.82
2021	28	1,005,119	7.2		38,184,161	8.3		37.99
2022	16	301,147	2.2		15,087,819	3.3		50.10
2023	12	641,149	4.6		20,476,998	4.5		31.94
2024	8	123,907	0.9		6,559,123	1.4		52.94
Thereafter	17	1,244,386	8.9		66,290,781	14.4		53.27
Building management use	34	146,533	1.0		—	—		—
Signed leases not commenced[3]	26	398,147	2.8		19,092,973	4.2		47.95
Office Portfolio Total/Weighted Average:	886	13,983,121	100.0	%	$460,016,524	100.0	%	$ 38.84

(1) Rent data for our office properties is presented on an annualized basis without regard to cancellation options. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) as of December 31, 2015, by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

(2) Annualized base rent per square foot for all lease expiration years is calculated as (i) base rental payments (defined as cash base rents (before abatements)) under commenced leases, divided by (ii) square footage under commenced leases as of December 31, 2015.

(3) Annualized base rent per leased square foot and annualized best rent per square foot at expiration for signed leases not commenced, reflects uncommenced leases and is calculated as (i) base rental payments (defined as cash base rents (before abatements)) under uncommenced leases for vacant space as of December 31, 2015, divided by (ii) square footage under uncommenced leases as of December 31, 2015.

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Historical Office Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs for tenants at the properties in our total office portfolio:

	Year Ended December 31,		
	2015	2014	2013
Renewals [1]			
Number of leases	90	22	32
Square feet	661,724	233,332	232,967
Tenant improvement costs per square foot [2][3]	$12.00	$0.70	$2.86
Leasing commission costs per square foot [2]	6.71	2.82	5.42
Total tenant improvement and leasing commission costs [2]	$18.71	$3.52	$8.28
New leases [4]			
Number of leases	135	29	28
Square feet	924,832	398,402	716,178
Tenant improvement costs per square foot [2][3]	$34.55	$43.26	$52.52
Leasing commission costs per square foot [2]	13.70	13.21	22.87
Total tenant improvement and leasing commission costs [2]	$48.25	$56.47	$75.39
Total			
Number of leases	225	51	60
Square feet	1,586,556	631,734	949,145
Tenant improvement costs per square foot [2][3]	$25.14	$27.54	$40.33
Leasing commission costs per square foot [2]	10.78	9.38	18.59
Total tenant improvement and leasing commission costs [2]	$35.92	$36.92	$58.92

(1) Includes retained tenants that have relocated or expanded into new space within our portfolio.

(2) Assumes all tenant improvement and leasing commissions are paid in the calendar year in which the lease is executed, which may be different than the year in which they were actually paid.

(3) Tenant improvement costs are based on negotiated tenant improvement allowances set forth in leases, or, for any lease in which a tenant improvement allowance was not specified, the aggregate cost originally budgeted, at the time the lease commenced.

(4) Excludes retained tenants that have relocated or expanded into new space within our portfolio.

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Historical Office Leasing Activity

The following table sets forth certain historical information regarding leasing activity for our total office portfolio:

	Total Square Feet		
	Year Ended December 31,		
	2015	2014	2013
Vacant space available at the beginning of period	806,559	311,164	477,077
Expirations as of the last day of the prior period	61,586	208,299	58,089
Adjustment for remeasured square footage on new leases	(3,633)	491	4,408
Properties acquired vacant space	1,561,081	183,972	184,122
Properties placed in-service	166,800	413,000	—
Properties disposed vacant space	(54,268)	(8,900)	(19,408)
Leases expiring or terminated during the period	683,567	241,494	624,382
Total Space Available for Lease	3,221,692	1,349,520	1,328,670
Leases with new tenants	533,577	359,077	334,842
Lease renewals	139,188	47,549	69,694
Leases signed (uncommenced) at the end of the period	398,147	136,335	612,970
Total Space Leased	1,070,912	542,961	1,017,506
Vacant Space Available for Lease at the End of the Period	2,150,780	806,559	311,164

Media and Entertainment Portfolio

Our portfolio of operating properties includes two properties that we consider to be media and entertainment properties, comprising an aggregate of 879,652 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 programs, 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. At December 31, 2015, our media and entertainment properties were approximately 78.5% 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 than those of traditional office properties. Generally, lease terms 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. 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 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.

Description of Our Media and Entertainment Properties

Sunset Gower, Hollywood, California

Sunset Gower is a 15.7-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 as well as post-production. Sunset Gower typically serves as home to single-camera television and motion picture production tenants. For the year ended December 31, 2015, Sunset Gower was approximately 80.4% leased.

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 December 31, 2015, we had no immediate plans to develop additional facilities on the property.

Sunset Bronson, Hollywood, California

Sunset Bronson is a 10.6 acre media and entertainment property located in the heart of Hollywood, one block west of the Hollywood (101) Freeway and in close proximity to the Sunset Gower property. The property encompasses a full city block, bordered by Sunset Boulevard to the north, Bronson Avenue to the west, Van Ness Avenue to the east and Fernwood Avenue to the south. The property, which was built in phases from 1924 through 1981, formerly served as Warner Brothers Studios' headquarters and has been continuously operated as a media and entertainment property since the 1920s. The property includes a Historical-Cultural Monument designation for the Site of the Filming of the First Talking Film (The Jazz Singer) that is specific to the building structure that fronts Sunset Boulevard. Similar to nearby Sunset Gower, Sunset Bronson is a multi-use property with a full complement of production, post-production and support facilities that enable its media and entertainment focused tenants to conduct their business in a collaborative and efficient setting. In contrast to Sunset Gower, which typically serves single-camera television and motion picture productions, Sunset Bronson caters to multi-camera television productions, such as game shows, talk shows or courtroom shows that record in video and require a control room to manage and edit the productions' multiple cameras. For the year ended December 31, 2015, Sunset Bronson was approximately 75.0% leased.

In addition to Sunset Bronson's existing facilities, the current zoning designation for Sunset Bronson, M1-1—Limited Industrial, City of Los Angeles, permits a FAR of 1.5x, which implies a maximum allowable density of 689,565 square feet or an incremental 391,836 square feet above the existing 297,729 total FAR, including the KTLA portion of the property.

Sunset Bronson Lot A

In connection with our purchase of Sunset Bronson in 2008, we acquired a 67,381 square-foot undeveloped lot located on the northwest corner of Sunset Boulevard and Bronson Avenue. The lot is located two blocks west of the I-101 Freeway, between the Sunset Gower and Sunset Bronson properties. The site is currently used as a surface parking lot and can be developed to include up to 60,855 square feet of retail and office space based on current zoning, with the opportunity to add additional developable square footage through certain municipal land entitlement approvals. We estimate that with further entitlements, we could increase the developable square footage to approximately 273,913 square feet. While we are holding this property for its development potential, we do not currently have any plans for its development.

Item 3. Legal Proceedings

From time to time, we are a party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or that, individually or in the aggregate, would be expected to have a material adverse effect on our business, financial condition, results of operations or cash flows if determined adversely to us.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Overview

As of February 24, 2016, we had approximately 89,920,148 shares of common stock outstanding, including unvested restricted stock grants. Our common stock has traded on the NYSE under the symbol "HPP" since June 24, 2010. The quarterly high, low and closing prices of our common stock from January 1, 2014 through December 31, 2015, as reported by the NYSE, are set forth below for the periods indicated.

As of February 24, 2016, our operating partnership had 146,216,463 common units outstanding that were not owned by us. There is no active trading market for our operating partnership units.

Distributions

We intend to make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of our taxable income. We intend to pay regular quarterly dividend distributions to our stockholders. Currently, we pay distributions to our stockholders each March, June, September and December. Dividends are made to those stockholders who are stockholders as of the dividend record date. Dividends are paid at the discretion of our board of directors and dividend amounts depend on our available cash flows, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as our board of directors deem relevant.

On December 31, 2015, the reported closing sale price per share of our common stock on the NYSE was $28.14. The following table shows our dividends declared, and the high, low and closing sales prices for our common stock as reported by the NYSE for the periods indicated:

Fiscal year 2015	High	Low	Close	Per Share of Common Stock Dividends Declared
First quarter	$33.85	$29.82	$33.19	$0.125
Second quarter	34.25	28.09	28.37	0.125
Third quarter	31.84	27.57	28.79	0.125
Fourth quarter	30.97	27.40	28.14	0.200
Fiscal year 2014				
First quarter	23.61	19.13	23.07	0.125
Second quarter	25.96	22.13	25.34	0.125
Third quarter	27.19	24.33	24.66	0.125
Fourth quarter	30.61	24.45	30.06	0.125

The closing share price for our common stock on February 24, 2016, as reported by the NYSE, was $24.69. As of February 24, 2016, there were 55 stockholders of record of our common stock.

Recent Sales of Unregistered Securities

During the year ended December 31, 2015, our operating partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the year ended December 31, 2015, the Company issued an aggregate of 8,856,705 shares of its common stock in connection with restricted stock awards for no cash consideration, out of which 85,469 shares of common stock were forfeited to the Company in connection with restricted stock awards for a net issuance of 8,771,236 shares of common stock. For each share of common stock issued by the Company in connection with such an award, our operating partnership issued a

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restricted common unit to the Company as provided in our operating partnership's partnership agreement. During the year ended December 31, 2015, our operating partnership issued an aggregate of 8,771,236 common units to the Company.

All other issuances of unregistered equity securities of our operating partnership during the year ended December 31, 2015 have previously been disclosed in filings with the SEC. For all issuances of units to the Company, our operating partnership relied on the Company's status as a publicly traded NYSE-listed company with over $6.25 billion in total consolidated assets and as our operating partnership's majority owner and sole general partner as the basis for the exemption under Section 4(a)(2) of the Securities Act.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2015, certain employees surrendered common shares owned by them to satisfy their statutory minimum federal income tax obligation associated with the vesting of restricted common shares of beneficial interest issued under our 2010 Incentive Award Plan.

The following table summarizes all of the repurchases during the fourth quarter of 2015:

Period	Total Number of Shares Purchased	Average Price Paid Per Share(1)	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number Of Shares That May Yet Be Purchased Under The Plans Or Programs
October 1, 2015 through October 31, 2015	—	$ —	N/A	N/A
November 1, 2015 through November 30, 2015	—	—	N/A	N/A
December 1, 2015 through December 31, 2015	(115,759)	28.31	N/A	N/A
Total	(115,759)	$ 28.31	N/A	N/A

(1) The price paid per share is based on the closing price of our common shares as of the date of the determination of the statutory minimum federal tax income

Equity Compensation Plan Information

Our equity compensation plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this Annual Report on Form 10-K.

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Market for Hudson Pacific Properties, L.P., Common Capital, Related Unitholder Matters and Issuer Purchases of Units

There is no established public trading market for our operating partnership's common units. As of the date this report was filed, there were 33 holders of record of common units (including through our general partnership interest).

The following table reports the distributions per common unit declared during the years ended December 31, 2015 and 2014, respectively.

Fiscal year 2015	Per Common Unit Distributions Declared
First quarter	$0.125
Second quarter	0.125
Third quarter	0.125
Fourth quarter	0.200
Fiscal year 2014	
First quarter	0.125
Second quarter	0.125
Third quarter	0.125
Fourth quarter	0.125

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Stock Performance Graph

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

The following graph shows our cumulative total stockholder return for the five-year period ending on December 31, 2015. The graph assumes a $100 investment in each of the indices on December 31, 2010 and the reinvestment of all dividends. The graph also shows the cumulative total returns of the Standard & Poor's 500 Stock Index, or S&P 500, and industry peer groups. Our stock price performance shown in the following graph is not indicative of future stock price performance.

	Period Ending					
Index	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Hudson Pacific Properties, Inc.	100.00	97.52	149.23	158.60	222.30	212.18
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75
SNL U.S. REIT Office	100.00	99.10	113.54	120.99	152.53	153.87
NAREIT All Equity REITs	100.00	108.28	129.61	133.32	170.69	175.52

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Item 6. Selected Financial Data

The following tables set forth, on a historical basis, selected financial and operating data. The financial information has been derived from our consolidated balance sheets and statements of operations. The following data should be read in conjunction with our financial statements and the related notes, see Part IV, Item 15(a) and Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations included below in this report.

HUDSON PACIFIC PROPERTIES, INC. and HUDSON PACIFIC PROPERTIES, L.P.
(in thousands)
Year Ended December 31,

	2015(1)	2014	2013	2012	2011
Statements of Operations Data:					
Revenues					
Office					
Rental	$394,543	$156,806	$124,839	$88,459	$69,145
Tenant recoveries	66,235	34,509	25,870	22,029	21,954
Parking and other	20,940	22,471	14,732	9,840	5,643
Total office revenues	$481,718	$213,786	$165,441	$120,328	$96,742
Media & entertainment					
Rental	$23,027	$22,138	$23,003	$23,598	$21,617
Tenant recoveries	943	1,128	1,807	1,598	1,539
Other property-related revenue	14,849	15,751	15,072	14,733	13,638
Other	313	612	235	204	187
Total media & entertainment revenues	$39,132	$39,629	$40,117	$40,133	$36,981
Total revenues	$520,850	$253,415	$205,558	$160,461	$133,723
Operating expenses					
Office operating expenses	$166,131	$78,372	$63,434	$50,599	$42,312
Media & entertainment operating expenses	23,726	25,897	24,149	24,340	22,446
General and administrative	38,534	28,253	19,952	16,497	13,038
Depreciation and amortization	245,071	72,216	70,063	54,758	41,983
Total operating expenses	$473,462	$204,738	$177,598	$146,194	$119,779
Income from operations	$47,388	$48,677	$27,960	$14,267	$13,944
Other expense (income)					
Interest expense	$50,667	$25,932	$25,470	$19,071	$17,480
Interest income	(124)	(30)	(272)	(306)	(73)
Acquisition-related expenses	43,336	4,641	1,446	1,051	1,693
Other (income) expenses	62	(14)	(99)	(92)	443
Total other expenses	$93,941	$30,529	$26,545	$19,724	$19,543

(Loss) income from continuing operations before gain on sale of real estate	$(46,553)	$18,148	$1,415	$(5,457)	$(5,599)
Gain on sale of real estate	30,471	5,538	—	—	—
(Loss) income from continuing operations	$(16,082)	$23,686	$1,415	$(5,457)	$(5,599)
(Loss) income from discontinued operations	$—	$(164)	$1,571	$451	$3,361
Impairment loss from discontinued operations	—	—	(5,580)	—	—
Net (loss) income from discontinued operations	$—	$(164)	$(4,009)	$451	$3,361
Net (loss) income	$(16,082)	$23,522	$(2,594)	$(5,006)	$(2,238)

(1) Reflects our ownership of the properties acquired in the EOP Acquisition for the period from the period from April 1, 2015 to December 31, 2015. Refer to Part IV, Item 15(a) "Financial Statement and Schedules—Note 3 to the Consolidated Financial Statements—Investment in Real Estate" for details of the EOP Acquisition.

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HUDSON PACIFIC PROPERTIES, INC.
Year Ended December 31,

	2015(1)	2014	2013	2012	2011
Per-Share Data:					
Net income (loss) from continuing operations attributable to common stockholders and unitholders	$(0.19)	$0.15	$(0.20)	$(0.42)	$(0.46)
Net (loss) income from discontinued operations	—	—	(0.07)	0.01	0.11
Net income (loss) attributable to stockholders' and unitholders per share—basic and diluted	$(0.19)	$0.15	$(0.27)	$(0.41)	$(0.35)
Weighted average shares of common stock outstanding—basic	85,927,216	65,792,447	55,182,647	41,640,691	29,392,920
Weighted average shares of common stock outstanding—diluted	85,927,216	66,509,447	55,182,647	41,640,691	$29,392,920
Dividends declared per common share	$0.575	$0.500	$0.500	$0.500	$0.500

(1) Reflects our ownership of the properties acquired in the EOP Acquisition for the period from the period from April 1, 2015 to December 31, 2015. Refer to Part IV, Item 15(a) "Financial Statement and Schedules—Note 3 to the Consolidated Financial Statements—Investment in Real Estate" for details of the EOP Acquisition.

HUDSON PACIFIC PROPERTIES, INC. and HUDSON PACIFIC PROPERTIES, L.P.
(in thousands)
As of December 31,

	2015(1)	2014	2013	2012	2011
Balance Sheet Data:					
Investment in real estate, net	$5,500,462	$2,036,638	$1,844,614	$1,340,361	$957,810
Total assets (2)	6,254,035	2,335,140	1,553,321	1,147,638	1,001,567
Notes payable, net (2)	2,260,716	912,683	575,714	394,718	339,062
Total liabilities (2)	2,514,821	1,049,948	643,624	446,495	387,234
6.25% Series A cumulative redeemable preferred units of the Operating Partnership	10,177	10,177	10,475	12,475	12,475
Series B cumulative redeemable preferred stock	—	145,000	145,000	145,000	87,500
Other Data					
Cash flows provided by (used in)					
Operating activities	$174,856	$63,168	$41,547	$42,821	$32,082
Investing activities	$(1,797,699)	$(246,361)	$(424,042)	$(423,470)	$(130,604)
Financing activities	$1,658,641	$170,590	$393,947	$385,848	$63,352

(1)

Reflects our ownership of the properties acquired in the EOP Acquisition for the period from the period from April 1, 2015 to December 31, 2015. Refer to Part IV, Item 15(a) "Financial Statement and Schedules—Note 3 to the Consolidated Financial Statements—Investment in Real Estate" for details of the EOP Acquisition.

(2) During 2015, we adopted ASU 2015-03, Interest - Imputation of Interest. We reclassified certain deferred financing fees from an asset to a reduction in the carrying amount of notes payable in our Consolidated Balance Sheets. The amounts above reflect this reclassification for all periods presented.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion relates to our consolidated financial statements and should be read in conjunction with the consolidated financial statements and the related notes, see Part IV, Item 15(a). Statements contained in this Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations that are not historical facts may be forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Some of the information presented is forward-looking in nature, including information concerning projected future occupancy rates, rental rate increases, property development timing and investment amounts. Although the information is based on our current expectations, actual results could vary from expectations stated in this report. Numerous factors will affect our actual results, some of which are beyond our control. These include the breadth and duration of the current economic recession and its impact on our tenants, the strength of commercial and industrial real estate markets, market conditions affecting tenants, competitive market conditions, interest rate levels, volatility in our stock price and capital market conditions. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. We assume no obligation to update publicly any forward-looking information, whether as a result of new information, future events, or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws to disclose material information. For a discussion of important risks related to our business, and related to investing in our securities, including risks that could cause actual results and events to differ materially from results and events referred to in the forward-looking information, see Part I, Item 1A: Risk Factors and the discussion under the captions “Forward-looking Statements” above and “Liquidity and Capital Resources” contained in this Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Executive Summary

Through our interest in Hudson Pacific Properties, L.P. (our operating partnership) and its subsidiaries, at December 31, 2015, our consolidated office portfolio consisted of approximately 14.0 million square feet of in-service, redevelopment, development and held for sale properties, and our media and entertainment portfolio consisted of 0.9 million square feet. As of December 31, 2015, our consolidated in-service office portfolio was 90.1% leased (including leases not yet commenced). Our media and entertainment properties were 78.5% leased for the trailing 12-month period ended December 31, 2015.

Current Year Acquisitions, Dispositions, Held for Sale, Redevelopment and Financings

Acquisitions

EOP Acquisition

On April 1, 2015, we completed the EOP Acquisition from Blackstone. The EOP Acquisition consisted of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels located throughout the San Francisco Peninsula, Redwood Shores, Palo Alto, Silicon Valley and North San Jose submarkets. The total consideration paid for the EOP Acquisition before certain credits, proration, and closing costs included a cash payment of $1.75 billion (financed largely with proceeds received from our January 2015 common equity offering and $1.30 billion of new term debt), and an aggregate of 63,474,791 shares of common stock and common units.

4th & Traction

On May 22, 2015, we acquired a three-story, 120,937-square-foot former manufacturing facility known as 4th & Traction in Los Angeles, California for $49.3 million (before certain credits, prorations and closing costs). We funded this off-market transaction with proceeds from our unsecured revolving credit facility.

405 Mateo

On August 17, 2015, we completed the acquisition of 405 Mateo, a three-building, 83,285-square-foot redevelopment project in Downtown Los Angeles' Arts District for $40.0 million (before credits, prorations, and closing costs). We funded this transaction with proceeds from our unsecured revolving credit facility.

Dispositions

First Financial

On March 6, 2015, we sold our First Financial office property for $89.0 million, resulting in net proceeds of approximately $46.0 million after repayment of a $43.0 million loan secured by the property (before certain credits, prorations and closing costs). The proceeds were used pursuant to a like-kind Section 1031 exchange in connection with the EOP Acquisition.

Bay Park Plaza

On September 29, 2015, we sold our Bay Park Plaza office property for $90.0 million (before certain credits, prorations and closing costs). The net proceeds were used to repay a portion of our two-year term loan facility.

Held for Sale

On December 10, 2015, we entered into a purchase and sale agreement to sell our Bayhill office property for $215.0 million (before certain credits, prorations and closing costs). As a result, we have reclassified its assets and liabilities to held for sale as of December 31, 2015. The transaction closed on January 14, 2016.

Redevelopment

We select a property for redevelopment when we believe the result of doing so will render a higher economic return on the property. We may engage in the development or redevelopment of office properties when market conditions support a favorable risk-adjusted return. A redevelopment can consist of a range of improvements to a property, and may constitute a complete structural renovation of a building or remodeling select areas to make the property more attractive to tenants. Properties that undergo such renovations are excluded from our in-service portfolio to maintain consistency in evaluating our performance from period to period. The redevelopment process generally occurs over the course of several months or years, and requires significant development and construction costs. Commonly associated with newly-acquired properties, redevelopment efforts may also occur at properties we currently own. During 2015, there were a total of seven properties classified as under redevelopment: Merrill Place Theater Building, Patrick Henry Drive, 875 Howard (1st Floor), 12655 Jefferson, 3402 Pico (Existing), 4th & Traction and 405 Mateo. Of this group, 4th & Traction and 405 Mateo were acquired in 2015 for the purpose of redevelopment.

Financings

Senior Unsecured Credit Facilities

A&R Credit Agreement

In connection with the closing of the EOP Acquisition, we entered into a Second Amended and Restated Credit Agreement dated as of March 31, 2015 (the “A&R Credit Facilities”), which amended and restated our existing $300.0 million unsecured revolving credit facility and $150.0 million unsecured term loan facility to, among other things, extend the term, increase the unsecured revolving credit facility to $400.0 million and the unsecured 5-year term loan facility to $550.0 million, and add a $350.0 million unsecured 7-year term loan facility. The 5-year term loan and the

7-year term loan were fully drawn and used towards the EOP Acquisition. The unsecured revolving credit facility is available for other purposes, including for the payment of pre-development and development costs incurred in connection with properties owned by our operating partnership or any subsidiary, to finance capital expenditures and the repayment for indebtedness of the Company, and its subsidiaries, to provide for general working capital needs of the Company, our operating partnership and its subsidiaries and for other general corporate purposes, and to pay fees and expenses incurred in connection with the A&R Credit Facilities.

New Credit Agreement

On April 1, 2015, we entered into a New Credit Agreement (the “New Credit Agreement”), which provides a $550.0 million unsecured 2-year term loan credit facility (the “Two-Year Term Loan”), which was fully drawn by us on the date of the New Credit Agreement to consummate the EOP Acquisition, and to pay fees and expenses incurred in connection with that acquisition and the Two-Year Term Loan.

The entire balance of the Two-Year Term Loan was paid off during the year ended December 31, 2015 with the proceeds from the Bay Park Plaza disposition, excess cash from the Element LA refinancing, and proceeds from the $425.0 million private placement described below. Amounts paid down are no longer available for re-borrowing.

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Element LA Refinancing

On October 9, 2015, we entered into and closed a ten-year mortgage loan in the amount of $168.0 million, secured by the Element L.A. campus. The purpose of the loan was to fully refinance an existing construction loan secured by Element L.A. that was scheduled to mature on November 1, 2017. The remaining proceeds were used to pay down a portion of the Two-Year Term Loan. The loan is interest only and is payable monthly at a fixed rate of 4.59% per annum. No prepayment is allowed until three months prior to the maturity date. Defeasance is permitted (at Borrower's cost) after the earlier of: (x) two years after securitization or (y) three years after the closing of the Loan. The loan is non-recourse, subject to customary carve-outs. In addition, the loan agreement includes events of default that we believe are usual for loans and transactions of this type.

Note Purchase Agreement

On November 16, 2015, the Company entered into a Note Purchase Agreement, which provides for the private placement of $425.0 million of senior guaranteed notes by our operating partnership, of which (i) $110.0 million are designated as 4.34% Series A Guaranteed Senior Notes due January 2, 2023 (the "Series A Notes"), (ii) $259.0 million are designated as 4.69% Series B Guaranteed Senior Notes due December 16, 2025 (the "Series B Notes") and (iii) $56.0 million are designated as 4.79% Series C Guaranteed Senior Notes due December 16, 2027 (the "Series C Notes", and collectively with the Series A Notes and the Series B Notes, the "Notes"). The Notes were issued on December 16, 2015. Proceeds from the Notes were used toward the repayment of amounts outstanding under the Two-Year Term Loan with the remainder used toward the repayment of our revolving credit facility.

Term Loan Agreement

On November 17, 2015, we entered into a new Term Loan Credit Agreement (the "New Term Loan Agreement") which provides for (i) an unsecured 5-year delayed draw term loan credit facility in the amount of up to $175.0 million (the "5-Year Term Loan Facility") and (ii) an unsecured 7-year delayed draw term loan credit facility in the amount of up to $125.0 million (the "7-Year Term Loan Facility"). The Company intends to use the amounts available under the 5-Year Term Loan Facility and the 7-Year Term Loan Facility to repay outstanding borrowings under its unsecured revolving credit facility, repay other outstanding secured or unsecured indebtedness, or for general corporate purposes.

Redemption of Series B Preferred Stock

On December 10, 2015, we redeemed all 5,800,000 shares of our issued and outstanding 8.375% Series B Cumulative Preferred Stock for a total redemption price of approximately $147.3 million. We funded the redemption using borrowings under our unsecured revolving credit facility.

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.

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 common stock, common units and series A preferred units.

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 December 31, 2015, the percent leased for our in-service office properties was approximately 90.1% (or 88.8%, excluding 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 78.5%. 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 are generally below the current average quoted market rate. 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 and Pacific Northwest submarkets. Positive or negative changes in economic or other conditions in California or Pacific Northwest, including state budgetary shortfalls, 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. Certain of our properties have been reassessed for property tax purposes as a result of our initial public offering or their subsequent acquisition and other reassessments remain pending. In the case of completed reassessments, the amount of property taxes we pay reflects the valuations established with the county assessors for the relevant locations of each property as of the initial public offering or their subsequent acquisition. With respect to pending reassessments, we similarly expect the amount of property taxes we pay to reflect the valuations established with such county assessors.

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. 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. 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

Investment in Real Estate Properties

Acquisitions

When we acquire properties that are considered business combinations, the purchase price is assigned to various components of the acquisition based upon the fair value of each component. The components include but are not limited to land, building and improvements, intangible assets related to above-and below-market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. The initial assignment of the purchase price is based on management's preliminary assessment, which may differ when final information becomes available. Subsequent adjustments made to the initial purchase price assignment are made within the assignment period, which typically does not exceed one year, within the Consolidated Balance Sheet.

We assess fair value based on level 2 and level 3 inputs within the fair value hierarchy, which includes 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. The fair value of acquired "above-and below-" market leases are based on the estimated cash flow projections utilizing discount rates that reflect the risks associated with the leases acquired. The amount recorded is based on the present value of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the extended term for any leases with below-market renewal options. Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. In estimating carrying costs, we include estimates of lost rents at market rates during the hypothetical expected lease-up periods, which are dependent on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related costs. Acquisition-related expenses associated with business combinations are expensed in the period incurred.

Cost Capitalization

We capitalize direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate project. Indirect development costs, including salaries and benefits, office rent, and associated costs for those individuals directly responsible for and who spend their time on development activities are also capitalized and allocated to the projects to which they relate. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. We consider a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements but no later than one year after cessation of major construction activity. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as they are incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as they are incurred.

Operating Properties

The properties are generally carried at cost less accumulated depreciation and amortization. We compute depreciation using the straight-line method over the estimated useful lives of generally 39 years for building and improvements, 15 years for land improvements, five or seven years for furniture and fixtures and equipment, and over the shorter of asset life or life of the lease for tenant improvements. Above- and below-market lease intangibles are amortized to revenue over the remaining non-cancellable lease terms and bargain renewal periods, if applicable. Other in-place lease intangibles are amortized to expense over the remaining non-cancellable lease term. Depreciation is discontinued when a property is identified as held for sale.

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 with generally accepted accounting principles in the United States (“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. We recorded no impairment charges during the years ended December 31, 2015 and 2014.

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 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 its 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. 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. 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.

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.

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Stock-Based Compensation

We recognize the total compensation expense for time-vested shares on a straight-line basis over the vesting period based on the fair value of the award on the date of grant of our restricted shares.

The cost of our Outperformance Program (“OPP”) is subject to a forfeiture adjustment and is amortized through the final vesting period under a graded vesting expense recognition schedule. The costs were valued in accordance with ASC 718, utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company’s stock price and total stockholder return over the term of the performance awards, including total stock return volatility and risk-free interest. and (2) factors associated with the relative performance of the Company’s stock price and total stockholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the OPP awards is based on the sum of: (1) the present value of the expected payoff to the awards on the measurement date, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the awards. The ultimate reward realized on account of the OPP awards by the holders of the awards is contingent on the TSR achieved on the measurement date, both in absolute terms and relative to the TSR of the SNL Equity REIT Index.

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 property-owning subsidiaries are limited liability companies and are treated as pass-through entities or disregarded entities (or, in the case of the entity that owns the 1455 Market Street property, a REIT) for federal 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 have elected to be taxed as a REIT under the Code commencing with our taxable year ended December 31, 2010. We believe that we have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such manner. To qualify as a REIT, we are required to distribute at least 90% of our net taxable income, excluding net capital gains, 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 continue to qualify for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders. If we fail to 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, together with one of our subsidiaries, to treat such subsidiary as a taxable REIT subsidiary (“TRS”) for federal income tax purposes. 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 TRS. A TRS is subject to federal and, where applicable, state income taxes on its net income.

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

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of December 31, 2015, we have not established a liability for uncertain tax positions.

We and our TRS file income tax returns with the U.S. federal government and various state and local jurisdictions. We and our TRS are no longer subject to tax examinations by tax authorities for years prior to 2011. Generally, we have assessed

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our tax positions for all open years, which include 2011 to 2015, and concluded that there are no material uncertainties to be recognized.

Results of Operations

The following table identifies each of the properties in our portfolio acquired through December 31, 2015 and their date of acquisition.

Properties	Actual or Estimated Acquisition Date	Square Feet	Consideration Paid (In thousands)
Predecessor properties:			
875 Howard Street	2/15/2007	286,270	$—
Sunset Gower	8/17/2007	545,673	—
Sunset Bronson	1/30/2008	308,026	—
Technicolor Building	6/1/2008	114,958	—
Properties acquired after initial public offering:			
Del Amo Office	8/13/2010	113,000	27,327
9300 Wilshire Blvd.	8/24/2010	61,224	14,684
222 Kearny Street	10/8/2010	148,797	34,174
1455 Market(1)	12/16/2010	1,025,833	92,365
Rincon Center	12/16/2010	580,850	184,571
10950 Washington	12/22/2010	159,024	46,409
604 Arizona	7/26/2011	44,260	21,373
275 Brannan	8/19/2011	54,673	12,370
625 Second Street	9/1/2011	138,080	57,119
6922 Hollywood Blvd.	11/22/2011	205,523	92,802
6050 Sunset Blvd. & 1445 N. Beachwood Drive	12/16/2011	20,032	6,502
10900 Washington	4/5/2012	9,919	2,605
901 Market Street	6/1/2012	206,199	90,871
Element LA	9/5/2012	247,545	88,436
1455 Gordon Street	9/21/2012	5,921	2,385
Pinnacle I(2)	11/8/2012	393,777	209,504
3401 Exposition	5/22/2013	63,376	25,722
Pinnacle II(2)	6/14/2013	230,000	136,275
Seattle Portfolio (First & King, Met Park North and Northview)	7/31/2013	844,980	368,389
1861 Bundy	9/26/2013	36,492	11,500
Merrill Place	2/12/2014	193,153	57,034
3402 Pico Blvd. (Existing)	2/28/2014	50,687	18,546
12655 Jefferson	10/14/2014	100,756	38,000
EOP Northern California Portfolio (see table on next page for property list)(3)	4/1/2015	8,201,456	3,815,727
4th & Traction	5/22/2015	120,937	49,250
405 Mateo	8/17/2015	83,285	40,000
Properties under development(4):			
Icon—Building I Tower(5)	Q4-2016	323,273	N/A
Icon—Building II(6)	Q3-2017	90,000	N/A
Merrill Place—450 Alaskan Way(7)	Q4-2017	166,800	N/A
Total		15,174,779	$5,543,940

(1) We sold a 45% joint venture interest in the 1455 Market property on January 7, 2015.

(2) We acquired a 98.25% joint venture interest in the Pinnacle I property on November 8, 2012. On June 14, 2013 our joint venture partner contributed its interest in Pinnacle II, which reduced our entire interest in the joint venture to 65.0%.

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(3) Includes Bay Park Plaza, which was sold on September 29, 2015, and Bayhill Office Center, which was sold on January 14, 2016.
(4) The properties under development were included within acquisitions listed above.
(5) We estimate this development will be completed in the fourth quarter of 2016 and stabilized in the third quarter of 2018.
(6) We estimate this development will be completed in the third quarter of 2017 and stabilized in the third quarter of 2018.
(7) We estimate this development will be completed in the fourth quarter of 2017 and stabilized in the first quarter of 2018.

The following table identifies each of the properties that were part of the EOP Northern California Portfolio acquired from Blackstone on April 1, 2015.
EOP Northern California Portfolio

Properties	Actual Acquisition Date	Square Feet
Properties currently owned:		
One Bay Plaza	4/1/2015	195,739
Metro Center Tower	4/1/2015	730,215
2180 Sand Hill Road	4/1/2015	45,613
Campus Center	4/1/2015	471,580
Palo Alto Square	4/1/2015	328,251
Lockheed Building	4/1/2015	42,899
3400 Hillview	4/1/2015	207,857
Foothill Research Ctr	4/1/2015	195,376
Clocktower Square Bldg	4/1/2015	100,344
Page Mill Center	4/1/2015	176,245
555 Twin Dolphin Plaza	4/1/2015	198,936
Shorebreeze	4/1/2015	230,932
333 Twin Dolphin Plaza	4/1/2015	182,789
Towers at Shore Center	4/1/2015	334,483
Skyway Landing	4/1/2015	247,173
Gateway Office	4/1/2015	609,093
Metro Plaza	4/1/2015	456,921
1740 Technology	4/1/2015	206,876
Skyport Plaza	4/1/2015	418,086
Peninsula Office Park	4/1/2015	510,789
Patrick Henry Drive	4/1/2015	70,520
Concourse	4/1/2015	944,386
Techmart Commerce Center	4/1/2015	284,440
Embarcadero Place	4/1/2015	197,402
Properties sold/held for sale		
Bay Park Plaza	4/1/2015	260,183
Bayhill Office Center(1)	4/1/2015	554,328
Total		8,201,456

(1) Sold on January 14, 2016 and reflected as held for sale on our consolidated financial statements as of December 31, 2015.

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.

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Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

Net Operating Income

We evaluate performance based upon property net operating income ("NOI") from continuing operations. NOI is not a measure of operating results or cash flows from operating activities as measured by GAAP and should not be considered an alternative to income from continuing operations, as an indication of our performance, or as an alternative to cash flows as a measure of liquidity, or our ability to make distributions. All companies may not calculate NOI in the same manner. We consider NOI to be a useful performance measure to investors and management, because when compared across periods, NOI reflects the revenues and expenses directly associated with owning and operating our properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. We define NOI as operating revenues (including rental revenues, other property-related revenue, tenant recoveries and other operating revenues), less property-level operating expenses (which includes external management fees, if any, and property-level general and administrative expenses). NOI excludes corporate general and administrative expenses, depreciation and amortization, impairments, gain/loss on sale of real estate, interest expense, acquisition-related expenses and other non-operating items. NOI on a cash basis is NOI on a GAAP basis, adjusted to exclude the effect of straight-line rent and other non-cash adjustments required by GAAP. We believe that NOI on a cash basis is helpful to investors as an additional measure of operating performance because it eliminates straight-line rent and other non-cash adjustments to revenue and expenses.

Management further evaluates NOI by evaluating the performance from the following property groups:

- Same-Store Properties—which includes all of the properties owned and included in our stabilized portfolio as of January 1, 2014 and still owned and included in the stabilized portfolio as of December 31, 2015,

- Non-same store properties, development projects, redevelopment properties, and lease-up properties as of December 31, 2015; and other properties not owned or in operation from January 1, 2014 through December 31, 2015.

The following tables summarize the Net Operating Income from continuing operations, as defined, for our total portfolio for the years ended December 31, 2015 and 2014:

Reconciliation to net income	Year Ended December 31 2015	2014	Dollar Change	Percentage Change
Same-store net operating income	134,020	133,186	$834	0.6 %
Non-same store net operating income	196,973	15,960	181,013	1,134.2 %
General and administrative	(38,534)	(28,253)	(10,281)	36.4 %
Depreciation and amortization	(245,071)	(72,216)	(172,855)	239.4 %
Income from operations	$47,388	$48,677	$(1,289)	(2.6)%
Interest expense	(50,667)	(25,932)	(24,735)	95.4 %
Interest income	124	30	94	313.3 %
Acquisition-related expenses	(43,336)	(4,641)	(38,695)	833.8 %
Other expense (income)	(62)	14	(76)	(542.9)%

Gain on sale of real estate	30,471	5,538	24,933	450.2 %
Net (loss) income from discontinued operations	—	(164)	164	— %
Net (loss) income	$(16,082)	$23,522	$(39,604)	(168.4)%
Same-store office statistics				
Number of properties	19	19		
Rentable square feet	4,355,341	4,355,341		
Ending % leased	93.8 %	95.6 %		(1.9)%
Ending % occupied	92.4 %	93.4 %		(1.1)%
Average % occupied for the period	92.6 %	90.6 %		2.2 %
Average annual rental rate per square foot	$34.48	$33.07	$1.41	4.3 %

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	Year Ended December 31, 2015			2014		
	Same-Store	Non-Same-Store	Total	Same Store	Non-Same-Store	Total
Operating Revenues						
Office						
Rental	$142,928	$ 251,615	$394,543	$136,723	$ 20,083	$156,806
Tenant recoveries	27,505	38,730	66,235	32,722	1,787	34,509
Parking and other	15,322	5,618	20,940	19,478	2,993	22,471
Total office revenues	$185,755	$ 295,963	$481,718	$188,923	$ 24,863	$213,786
Media & Entertainment						
Rental	$23,027	$ —	$23,027	$22,138	$ —	$22,138
Tenant recoveries	943	—	943	1,128	—	1,128
Other property-related revenue	14,849	—	14,849	15,751	—	15,751
Other	313	—	313	612	—	612
Total Media & Entertainment revenues	$39,132	$ —	$39,132	$39,629	$ —	$39,629
Total revenues	$224,887	$ 295,963	$520,850	$228,552	$ 24,863	$253,415
Operating expenses						
Office operating expenses	$67,142	$ 98,990	$166,132	$69,469	$ 8,903	$78,372
Media & Entertainment operating expenses	23,726	—	23,726	25,897	—	25,897
Total operating expenses	$90,868	$ 98,990	$189,858	$95,366	$ 8,903	$104,269
Office Net Operating Income	$118,613	$ 196,973	$315,586	$119,454	$ 15,960	$135,414
Media & entertainment Net Operating Income	15,406	—	15,406	13,732	—	13,732
Net Operating Income	$134,019	$ 196,973	$330,992	$133,186	$ 15,960	$149,146

	Year Ended December 31, 2015 as compared to the Year Ended December 31, 2014					
	Same-Store		Non-Same-Store		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating Revenues						
Office						
Rental	$6,205	4.5 %	$231,532	1,152.9 %	$237,737	151.6 %
Tenant recoveries	(5,217)	(15.9)	36,943	2,067.3	31,726	91.9
Parking and other	(4,156)	(21.3)	2,625	87.7	(1,531)	(6.8)
Total office revenues	$(3,168)	(1.7)%	$271,100	1,090.4 %	$267,932	125.3 %
Media & Entertainment						
Rental	$889	4.0 %	$—	— %	$889	4.0 %

Tenant recoveries	(185	)	(16.4	)	—	—		(185	)	(16.4	)
Other property-related revenue	(902	)	(5.7	)	—	—		(902	)	(5.7	)
Other	(299	)	(48.9	)	—	—		(299	)	(48.9	)
Total Media & Entertainment revenues	$(497	)	(1.3	)%	$—	—	%	$(497	)	(1.3	)%
Total revenues	$(3,665	)	(1.6	)%	$271,100	1,090.4	%	$267,435		105.5	%
Operating expenses											
Office operating expenses	$(2,327	)	(3.3	)%	$90,087	1,011.9	%	$87,760		112.0	%
Media & Entertainment operating expenses	(2,171	)	(8.4	)	—	—		(2,171	)	(8.4	)
Total operating expenses	$(4,498	)	(4.7	)%	$90,087	1,011.9	%	$85,589		82.1	%
Office Net Operating Income	$(841	)	(0.7	)%	$181,013	1,134.2	%	$180,172		133.1	%
Media & entertainment Net Operating Income	1,674		12.2	%	—	—	%	1,674		12.2	%
Net Operating Income	$833		0.6	%	$181,013	1,134.2	%	$181,846		121.9	%

Net Operating Income increased $181.8 million, or 121.9%, for the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily resulting from:

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- A $181.0 million or 1,134.2% increase in net operating income from our non-same-store properties resulting primarily from the EOP Acquisition on April 1, 2015. The remaining increase is as a result of lease-up of our Element LA (Riot Games), 901 Market (Nordstrom Rack, Saks and Company, Nerdwallet), 3401 Exposition (Deluxe Entertainment Services) properties and income from our purchase of the Broadway properties-secured note receivable, which we purchased on August 19, 2014. This increase was partially offset by the sale of our First Financial property on March 5, 2015 and the sale of our Tierrasanta property on July 16, 2014.

- A $0.8 million or 0.7% decrease in net operating income from our same-store office properties resulting primarily from a decrease in lease termination fees in the current year as compared to the prior year. During the year ended December 31, 2014 we received one-time lease termination fees from Fox Interactive ($3.1 million) and The Children's Place ($1.2 million). The decrease was partially offset by the lease-up of our 1455 Market (Uber and Square) and Rincon Center (Sales Force) properties.

- A $1.7 million or 12.2% increase in NOI from our same-store media and entertainment properties resulting primarily from the higher rental revenue generated by strong occupancy and heightened production activity at the Sunset Gower property, partially offset by our decision to take certain buildings and stages off-line to facilitate our ICON development and other longer-term plans for the Sunset Bronson property.

The year-over-year changes in the items that comprise same-store net operating income are primarily attributable to the factors discussed below.

Same-Store Office:

Office rental revenue increased $6.2 million or 4.5% to $142.9 million for the year ended December 31, 2015 compared to $136.7 million for the year ended December 31, 2014. The increase is primarily due to rental income relating to new leases signed at our 1455 Market (Uber and Square) and Rincon Center (Sales Force) properties at higher rents than expiring leases, partially offset by a one-time GAAP straight line rent write-off at our Howard Street property (Heald College).

Office tenant recoveries decreased by $5.2 million or 15.9% to $27.5 million for the year ended December 31, 2015 compared to $32.7 million for the year ended December 31, 2014. The decrease is primarily related to $3.6 million of one-time property tax recoveries resulting from the reassessment of the 1455 Market Street and Rincon Center properties, and
to a lesser extent other assets within the San Francisco portfolio, for all applicable periods prior to the third quarter of 2014.

Office parking and other revenue decreased by $4.2 million or 21.3% to $15.3 million for the year ended December 31, 2015 compared to $19.5 million for the year ended December 31, 2014. The decrease is primarily due to a one time termination fee at our 625 Second Street (Fox interactive) and 222 Kearny (The Children's Place) properties recognized in 2014.

Office operating expenses decreased by $2.3 million or 3.3% to $67.1 million for the year ended December 31, 2015 compared to $69.5 million for the year ended December 31, 2014. The decrease is primarily due to one time property tax expenses of $4.7 million resulting from the reassessment of the 1455 Market Street and Rincon Center properties, and to a lesser extent other assets within the San Francisco portfolio, for all applicable periods prior to the third quarter of 2014, partially offset by increases in operating expenses across all same store properties.

Same-Store Media & Entertainment:

Media and entertainment rental revenue, tenant recoveries and other property-related revenue decreased by $0.5 million or 1.3% to $39.1 million for the year ended December 31, 2015 compared to $39.6 million for the year ended December 31, 2014. The decrease is primarily due to the our decision to take certain buildings and stages off-line to facilitate the ICON development and other longer-term plans for the Sunset Bronson property, partially offset by higher tenant recoveries generated by strong occupancy at the Sunset Gower property.

Media and entertainment operating expenses decreased $2.2 million, or 8.4%, to $23.7 million for the year ended December 31, 2015 compared to $25.9 million for the year ended December 31, 2014. The decrease is the result of our decision to take certain buildings and stages off-line to facilitate the ICON development and other longer-term plans for the Sunset Bronson property, partially offset by additional lighting expense in connection with the heightened production activity at the Sunset Gower property.

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Other Expense (Income)

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. General and administrative expenses increased $10.3 million, or 36.4%, to $38.5 million for the year ended December 31, 2015 compared to $28.3 million for the year ended December 31, 2014. The increase in general and administrative expenses was primarily attributable to the adoption of the 2015 OPP Plan and increased staffing to meet operational needs stemming from growth related to the EOP Acquisition, which was completed on April 1, 2015.

Depreciation and amortization expense increased $172.9 million, or 239.4%, to $245.1 million for the year ended December 31, 2015 compared to $72.2 million for the year ended December 31, 2014. The increase was primarily related to depreciation expenses associated with the EOP Acquisition on April 1, 2015. The remaining increase is a result of the assets associated with the early termination of a tenant at our Howard Street property, lease-up of our Element LA, 1455 Market, 901 Market Street and 3401 Exposition properties, partially offset by the reduction of depreciation expense as a result of the sale of our First Financial property on March 5, 2015 and sale of our Tierrasanta property on July 16, 2014.

Interest expense increased $24.7 million, or 95.4%, to $50.7 million for the year ended December 31, 2015 compared to $25.9 million for the year ended December 31, 2014. At December 31, 2015, we had $2,278.4 million, before deferred loan costs recorded as a net against the loan balance, of notes payable, compared to $957.5 million at December 31, 2014. The increase was primarily attributable to $1.3 billion of term loan borrowings used to finance the EOP Acquisition, partially offset by interest savings related to our repayment of indebtedness associated with our 6922 Hollywood, 275 Brannan and First and King properties and repayment of debt associated with the sale of our First Financial property on March 5, 2015.

Acquisition-related expenses increased $38.7 million, or 833.8%, to $43.3 million for the year ended December 31, 2015 compared to $4.6 million for the year ended December 31, 2014. The increase is primarily as a result of acquisition costs related to the EOP Acquisition.

Gain on sale of real estate increase by $24.9 million, or 450.2% to $30.5 million for the year ended December 31, 2015 compared to $5.5 million or the year ended December 31, 2014. The increase in gain on sale is a result of the sales of First Financial on March 5, 2015 for $89.0 million (before certain credits, prorations and closing costs) and Bay Park Plaza on September 29, 2015 for $90.0 million (before certain credits, prorations and closing costs) generating $30.5 million of gain on sale of real estate for the year ended December 31, 2015 as compared to a $5.5 million gain on sale of real estate for the year ended December 31, 2014 resulting from the sale of our Tierrasanta property for $19.5 million (before certain credits, prorations and closing costs) on July 16, 2014.

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Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

Reconciliation to net income	Year Ended December 31 2014	2013	Dollar Change	Percentage Change
Same-store net operating income	$98,036	$93,890	$4,146	4.4 %
Non-same store net operating income	51,110	24,085	27,025	112.2 %
General and administrative	(28,253)	(19,952)	(8,301)	41.6 %
Depreciation and amortization	(72,216)	(70,063)	(2,153)	3.1 %
Income from operations	$48,677	$27,960	$20,717	74.1 %
Interest expense	(25,932)	(25,470)	(462)	1.8 %
Interest income				