

Hudson Pacific Properties, Inc.
Form 10-Q
May 13, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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

For the Transition Period from _____ to _____

Commission File Number 001-34789

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

Maryland
(State or other jurisdiction of incorporation or organization)
11601 Wilshire Blvd., Suite 1600
Los Angeles, California
(Address of principal executive offices)
(310) 445-5700
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year if changed since last report)

27-1430478
(I.R.S. Employer Identification Number)
90025
(Zip Code)

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. Yes No .

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of common stock outstanding at May 10, 2011 was 33,563,534.

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PART I—FINANCIAL INFORMATION

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)

	March 31, 2011	December 31, 2010
ASSETS		
REAL ESTATE ASSETS		
Land	\$329,231	\$329,231
Building and improvements	472,087	468,711
Tenant improvements	49,739	47,478
Furniture and fixtures	11,431	11,411
Property under development	3,343	7,904
Total real estate held for investment	865,831	864,735
Accumulated depreciation and amortization	(33,388	) (27,113
Investment in real estate, net	832,443	837,622
Cash and cash equivalents	38,273	48,875
Restricted cash	9,588	4,121
Accounts receivable, net	5,973	4,478
Straight-line rent receivables	7,579	6,703
Deferred leasing costs and lease intangibles, net	81,295	86,385
Deferred finance costs, net	4,752	3,211
Interest rate contracts	1,020	—
Goodwill	8,754	8,754
Prepaid expenses and other assets	4,148	4,416
TOTAL ASSETS	\$993,825	1,004,565
LIABILITIES AND EQUITY		
Notes payable	\$332,153	\$342,060
Accounts payable and accrued liabilities	15,492	11,507
Below-market leases	20,049	20,983
Security deposits	5,221	5,052
Prepaid rent	11,656	10,559
Redeemable non-controlling interest in consolidated real estate entity	41,117	—
Interest rate contracts	31	71
TOTAL LIABILITIES	425,719	390,232
6.25% Series A Cumulative Redeemable Preferred units of the Operating Partnership	12,475	12,475
Redeemable non-controlling interest in consolidated real estate entity	—	40,328
EQUITY		
Hudson Pacific Properties, Inc. stockholders' equity:		
Series B cumulative redeemable preferred stock	87,500	87,500
Common Stock, \$0.01 par value 490,000,000 authorized, 22,451,829 outstanding at March 31, 2011 and 22,436,950 outstanding at December 31, 2010	225	224
Additional paid-in capital	408,911	411,598
Accumulated other comprehensive loss	(119	) 6
Accumulated deficit	(5,930	) (3,482
Total Hudson Pacific Properties, Inc. stockholders' equity	490,587	495,846

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Non-controlling unitholders in the Operating Partnership	65,044	65,684
TOTAL EQUITY	555,631	561,530
TOTAL LIABILITIES AND EQUITY	\$993,825	1,004,565

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

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HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,		
	2011	2010	
Revenues			
Office			
Rental	\$17,514	\$2,980	
Tenant recoveries	6,031	411	
Other	2,087	81	
Total office revenues	25,632	3,472	
Media & Entertainment			
Rental	5,480	5,286	
Tenant recoveries	343	367	
Other property-related revenue	3,271	1,851	
Other	78	6	
Total media & entertainment revenues	9,172	7,510	
Total revenues	34,804	10,982	
Operating Expenses			
Office operating expenses	10,274	1,198	
Media & entertainment operating expenses	5,179	4,530	
General and administrative	3,146	—	
Depreciation and amortization	11,361	2,713	
Total operating expenses	29,960	8,441	
Income from operations	4,844	2,541	
Other Expense (Income)			
Interest expense	4,642	2,082	
Interest income	(8) (3)
Unrealized (gain) of interest rate contracts	—	(207)
Acquisition-related expenses	—	—	
Other expense	117	—	
	4,751	1,872	
Net income	93	669	
Less: Net (income) attributable to preferred stock and units	(2,027) —	
Less: Net (income) attributable to restricted shares	(62) —	
Less: Net (income) loss attributable to non-controlling members in consolidated real estate entities	(813) (3)
Add: Net loss attributable to unitholders in the Operating Partnership	299	—	
(Loss) income attributable to Hudson Pacific Properties, Inc. shareholders' / controlling member' s equity	\$ (2,510	) \$666
Net (loss) attributable to shareholders' per share - basic and diluted	\$ (0.11) —	
Weighted average shares of common stock outstanding - basic and diluted	21,949,118	—	
Dividends declared per common share	\$0.1250	—	

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HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$93	\$669
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,361	2,713
Amortization of deferred financing costs and loan premium, net	86	415
Amortization of stock based compensation	720	—
Straight-line rent receivables	(876	) (322
Amortization of above-market leases	841	121
Amortization of below-market leases	(934	) (220
Amortization of lease incentive costs	339	—
Bad debt expense	88	(132
Amortization of ground lease	80	—
Unrealized gain on interest rate contract	—	(196
Change in operating assets and liabilities:		
Restricted cash	(5,467	) (616
Accounts receivable	(1,583	) (300
Deferred leasing costs and lease intangibles	(826	) (309
Prepaid expenses and other assets	224	294
Accounts payable and accrued liabilities	6,155	(56
Security deposits	169	205
Prepaid rent	1,097	(581
Net cash provided by operating activities	11,567	1,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(3,652	) (2,172
Net cash used in investing activities	(3,652	) (2,172
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	100,000	1,485
Payments of notes payable	(109,617) —
Series B stock issuance transaction costs	(600) —
Dividends paid to common stock and unit holders	(3,132) —
Dividends paid to preferred stock and unit holders	(2,027) —
Contributions by members	—	983
Distribution to non-controlling member in consolidated real estate entity	(24) —
Payment of loan costs	(3,117) —
Net cash (used in) provided by financing activities	(18,517	) 2,468
Net increase (decrease) in cash and cash equivalents	(10,602	) 1,981
Cash and cash equivalents-beginning of period	48,875	3,694
Cash and cash equivalents-end of period	\$38,273	\$5,675
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$4,005	\$1,696
Supplemental schedule of noncash investing and financing activities		

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Accounts payable and accrued liabilities for investment in property	\$2,196	\$3,394
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The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements

(Unaudited and in thousands, except square footage and share data)

1. Organization and Basis of Presentation

Hudson Pacific Properties, Inc. (which is referred to in these financial statements as the “Company,” “we,” “us,” or “our”) is a Maryland corporation formed on November 9, 2009 that did not have any meaningful operating activity until the consummation of our initial public offering and the related acquisition of our predecessor and certain other entities in June 2010.

We combined with our predecessor and Howard Street Associates LLC and acquired certain other entities simultaneously with the closing of our initial public offering on June 29, 2010 (“IPO”). On June 29, 2010, we completed the following formation transactions:

• In our IPO we issued a total of 14,720,000 shares of our common stock in exchange for gross proceeds of approximately \$250.2 million in cash.

• In a concurrent private placement, we issued a total of 1,176,471 shares of our common stock in exchange for gross proceeds of \$20.0 million in cash.

• In our formation transactions, we acquired certain assets of our predecessor and other entities in exchange for the assumption or discharge of \$246.3 million in indebtedness, the payment of \$7.2 million in cash, and the issuance of 2,610,941 common units of partnership interest in our operating partnership, 499,014 series A preferred units of partnership interest in our operating partnership and 6,050,037 million shares of our common stock.

• We entered into a \$200.0 million senior secured revolving credit facility, with an accordion feature to increase the availability to \$250.0 million under specified circumstances.

As indicated above, because the IPO and related formation transactions did not occur until shortly before June 30, 2010, the results of operations for the entities acquired in connection with the IPO and related formation transactions are only included in certain historical financial statements. More particularly, the results of operations discussed below for the three months ended March 31, 2010 reflect the operations of the three office properties and two media and entertainment properties owned by HFOP City Plaza, LLC, Sunset Bronson Entertainment Properties, LLC, SGS Realty II, LLC, and Howard Street Associates LLC, as applicable. The two office properties and certain management contracts owned by Glenborough Tierrasanta, LLC, GLB Encino, LLC and Hudson Capital, LLC, as applicable, were acquired on June 29, 2010. The Del Amo Office property and underlying ground sublease was acquired on August 16, 2010, the 9300 Wilshire Boulevard office building and underlying ground lease was acquired on August 24, 2010, the 222 Kearny office building was acquired on October 8, 2010, the 1455 Market office building and our 51% joint venture interest in Rincon Center were both acquired on December 16, 2011, and the 10950 Washington office building was acquired on December 22, 2011. The results of operations for each of these acquisitions are included in our consolidated statements of operations only from the date of acquisition.

We have determined that one of the entities comprising our predecessor, SGS Realty II, LLC, was the acquirer for accounting purposes in our formation transactions that occurred in connection with our IPO. In addition, we have concluded that any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC in connection with our IPO was a transaction between entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost. The consideration we paid in connection with the contribution of the ownership of these entities to us is described in the

third bullet point appearing above.

After the completion of the IPO, the concurrent private placement, and the related formation transactions that occurred on June 29, 2010, we are a fully integrated, self-administered, and self-managed real estate investment trust (“REIT”). Through our controlling interest in Hudson Pacific Properties, L.P. (our “Operating Partnership”) and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties. As of March 31, 2011, we owned a portfolio of 11 office properties (including our joint venture interest in the Rincon Center property) and two media and entertainment properties. All of these properties are located in California.

Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm's review of our consolidated financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

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2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated/combined financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The effect of all significant intercompany balances and transactions has been eliminated. The real estate entities included in the accompanying consolidated/combined financial statements have been consolidated/combined on the basis that, for the periods prior to the completion of our IPO, such entities were under common control.

Reclassifications

For the first quarter of 2011, we have reclassified certain other property-related revenue and tenant recoveries relating to our media and entertainment properties that had been included as an offset to corresponding operating expenses, such that on account of such reclassification our media and entertainment revenue, other property-related revenue, and tenant recoveries and our media and entertainment operating expenses reflect the gross revenue and gross expenses, as applicable, without regard to such offset. This reclassification conforms the periods prior to 2011 with the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates.

Investment in Real Estate Properties

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

Acquisition-related expenses are expensed in the period incurred.

The Company records acquired “above and below” market leases at fair value using 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 the Company’s 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, the Company includes 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, the Company considers leasing

commissions, legal and other related costs.

The Company capitalizes 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. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. The Company considers 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 incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as incurred.

The Company computes depreciation using the straight-line method over the estimated useful lives of a range of 39 years for building and improvements, 15 years for land improvements, 5 or 7 years for furniture and fixtures and equipment,

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

and over the life of the lease for tenant improvements. Depreciation is discontinued when a property is identified as held for sale. Above- and below-market lease intangibles are amortized to revenue over the remaining non-cancellable lease terms and bargain renewal periods, if any. Other in-place lease intangibles are amortized to expense over the remaining non-cancellable lease term and bargain renewal periods, if any.

Impairment of Long-Lived Assets

The Company assesses 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 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. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. The Company did not record any impairment charges related to its real estate assets and related intangibles during the three months ended March 31, 2011.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations. Our goodwill balance of \$8,754 is reported as of March 31, 2011. Goodwill has an indefinite life and, accordingly, we do not amortize this asset but instead analyze it on an annual basis for impairment. No impairments have been noted for the three months ended March 31, 2011.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks plus all short-term investments with a maturity of three months or less when purchased.

The Company maintains some of its cash in bank deposit accounts that, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate taxes and insurance expenditures, repairs and capital improvements reserves, general and other reserves and security deposits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. The Company maintains 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. The Company monitors 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, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. At March 31, 2011, management believes that the collectability of straight-line rent balances are reasonably assured; accordingly, no allowance was established against straight-line rent receivables. The Company evaluates 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 the Company's historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company's historical experience. Historical experience has been within management's expectations.

Revenue Recognition

The Company recognizes 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, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is 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

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

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 (phone 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 the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated credit risk.

The Company recognizes 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) the Company is 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.

Deferred Financing Costs

Deferred financing costs are amortized over the term of the respective loan.

Derivative Financial Instruments

The Company manages interest rate risk associated with borrowings by entering into interest rate derivative contracts. The Company recognizes all derivatives on the consolidated balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value and the changes in fair value are reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income, which is a component of equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

The Company held two interest rate contracts as of March 31, 2011, which have been accounted for as cash flow hedges as more fully described in footnote 6 below. The Company held one interest rate swap at December 31, 2010, which has been accounted for as a cash flow hedge as more fully described in footnote 6 below.

Stock Based Compensation

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

Income Taxes

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

Our taxable income prior to the completion of our IPO is reportable by the members of the limited liability companies that comprise our predecessor. Our property-owning subsidiaries are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements for the activities of these entities.

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

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 undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

The Company is subject to the statutory requirements of the state in which it conducts business.

The Company periodically evaluates its tax positions to evaluate 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 March 31, 2011, the Company has not established a liability for uncertain tax positions.

Fair Value of Assets and Liabilities

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company uses several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establishes a fair value by assigning weights to the various valuation sources.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

The Company considers the following factors to be indicators of an inactive market: (i) there are few recent transactions, (ii) price quotations are not based on current information, (iii) price quotations vary substantially either over time or among market makers (for example, some brokered markets), (iv) indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability, (v) there is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the Company's estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability, (vi) there is a wide bid-ask spread or significant increase in the bid-ask spread, (vii) there is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities, and (viii) little information is released publicly (for example, a principal-to-principal market).

The Company considers the following factors to be indicators of non-orderly transactions: (i) there was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions, (ii) there was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant, (iii) the seller is in or near bankruptcy or receivership (that is, distressed), or the seller was required to sell to meet regulatory or legal requirements (that is, forced), and (iv) the transaction price is an outlier when compared with other recent transactions for the same or similar assets or liabilities.

In August 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-05, Fair Value Measurements and Disclosures (Topic 820), Measuring Liabilities at Fair Value. This update provides amendments to the ASC for the fair value measurement of liabilities. In circumstances in which a quoted price in an active market for the identical liability is not available, the reporting entity is required to measure fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets, or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. These amendments to the ASC are effective upon issuance and did not have a significant impact on our financial statements.

The Company's interest rate contract agreements are classified as Level 2 and their fair value is derived from estimated values obtained from observable market data for similar instruments.

Unrealized losses associated with Level 2 assets were \$180 and unrealized gains associated with Level 2 liabilities were \$40 for the three months ended March 31, 2011. Unrealized gains associated with Level 2 liabilities were \$207 for the three months ended March 31, 2010. The unrealized gains associated with Level 2 assets for the three months ended March 31, 2011 relate to interest rate contracts that have been accounted for as a cash flow hedges, therefore changes in the fair value of those derivatives are recognized in other comprehensive income, which is a component of equity. The unrealized gains associated with Level 2 assets for three months ended March 31, 2010 relate to interest rate contracts that were not designated as cash flow hedges, therefore changes in the fair value of those derivatives are recognized in earnings.

3. Investment in Real Estate

As described above, we acquired GLB Encino, LLC, Glenborough Tierrasanta, LLC, and Hudson Capital, LLC as part of the formation transactions in connection with our IPO for approximately \$89.0 million. The results of operations for each of the acquired entities are included in our consolidated statements of operations only from the June 29, 2010. The following table represents our purchase price allocation for these acquisitions.

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

	GLB Encino, LLC and Glenborough Tierrasanta, LLC	Hudson Capital, LLC	Total
Consideration paid			
Issuance of common shares or common operating partnership units	\$3,019	\$9,000	\$12,019
Issuance of preferred operating partnership units	12,475	—	12,475
Cash consideration	7,200	—	7,200
Debt assumed	57,300	—	57,300
Total consideration paid	\$79,994	\$9,000	\$88,994
Allocation of consideration paid			
Investment in real estate, net	\$72,978	\$255	\$73,233
Lease intangibles, net	6,570	—	6,570
Goodwill	—	8,754	8,754
Leasing costs	1,940	—	1,940
Fair market favorable debt value	280	—	280
Below-market leases	(1,062	)	(1,062
Cash	—	23	23
Other liabilities assumed, net	(712	) (32	) (744
Total consideration paid	\$79,994	\$9,000	\$88,994

As described above, we also acquired the Del Amo Office property, the 9300 Wilshire Boulevard office building, the 222 Kearny Street property, the Rincon Center joint venture interest, the 1455 Market property and the 10950 Washington Boulevard property. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price allocation for these acquisitions.

	Del Amo	9300 Wilshire	222 Kearny	Rincon Center	1455 Market	10950 Washington	Total
Date of Acquisition	August 13, 2010	August 24, 2010	October 8, 2010	December 16, 2010	December 16, 2010	December 22, 2010	
Consideration paid							
Cash consideration	\$27,327	\$14,684	\$34,174	\$38,391	\$92,365	\$16,409	\$223,350
Redeemable Non-controlling Interest in Consolidated Real Estate Entity	—	—	—	40,180	—	—	40,180
Debt Assumed	—	—	—	106,000	—	30,000	136,000
Total consideration	\$27,327	\$14,684	\$34,174	\$184,571	\$92,365	\$46,409	\$399,530
Allocation of consideration paid							
Investment in real estate, net	18,000	10,718	31,356	168,906	76,216	43,089	348,285
Above-market leases	2,626	689	1,296	3,693	903	1,160	10,367
In-place leases	2,118	677	1,942	10,935	13,471	2,417	31,560
Other lease intangibles	558	198	491	3,692	8,212	765	13,916
Fair market unfavorable debt value	—	—	—	(650)	(230) (880

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Below-market ground lease	4,198	2,822	494	—	—	—	7,514
Below-market leases	—	(104) (691) (1,576) (5,899) (1,201) (9,471
Other asset (liabilities) assumed, net	(173	) (316	) (714	) (429	) (538	) 409	(1,761
Total consideration paid	\$27,327	\$14,684	\$34,174	\$184,571	\$92,365	\$46,409	\$399,530

The table below shows the pro forma financial information (unaudited) for the three months ended March 31, 2011 and 2010 as if all properties had been acquired as of January 1, 2011 and 2010.

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

	Three Months Ended March 31,	
	2011	2010
Total revenues	\$34,804	\$30,980
Net income	\$93	\$714

4. Lease Intangibles

The following summarizes our deferred leasing cost and lease intangibles as of:

	March 31,	December 31,
	2011	2010
Above-market leases	\$15,755	\$15,755
Lease in-place	45,658	45,658
Below-market ground leases	7,513	7,513
Other lease intangibles	25,903	25,903
Lease commissions	642	957
Deferred leasing costs	4,683	4,154
	100,154	99,940
Accumulated amortization	(18,859	) (13,555
Deferred leasing costs and lease intangibles, net	\$81,295	\$86,385
Below-market leases	24,702	24,702
Accumulated accretion	(4,653	) (3,719
Acquired lease intangible liabilities, net	\$20,049	20,983

5. Notes Payable

Senior Secured Revolving Credit Facility

In conjunction with our IPO and formation transactions, we entered into a \$200.0 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated act as syndication agent and joint lead arranger. The credit facility bears interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR is subject to a floor of 1.50%. The secured revolving credit facility contains an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances. On April 4, 2011, we amended this facility as described more fully in footnote (4) below.

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

- a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60:1.00;
- a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes; depreciation and amortization to consolidated fixed charges) of 1.75:1.00;
- a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25:1.00;
- a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15:1.00; and

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

The following table sets forth information as of March 31, 2011 with respect to our outstanding indebtedness. The \$37.0 million note secured by the Sunset Bronson property summarized below was repaid from proceeds of the the \$92.0 million note secured by Sunset

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

Gower / Sunset Bronson properties as described in (2) below.

Debt	Outstanding March 31, 2011	Outstanding December 31, 2010	Interest Rate (1)	Maturity Date
Mortgage loan secured by Sunset Bronson ⁽²⁾	\$—	\$37,000	LIBOR+3.65%	4/30/2011
Mortgage loan secured by Rincon Center ⁽³⁾	106,000	106,000	6.08%	7/1/2011
Mortgage loan secured by First Financial	43,000	43,000	5.34%	12/1/2011
Mortgage loan secured by Tierrasanta	14,300	14,300	5.62%	12/1/2011
Mortgage loan secured by 10950 Washington	30,000	30,000	5.94%	2/11/2012
Secured Revolving Credit Facility ⁽⁴⁾	46,500	111,117	LIBOR+3.25%-4.00%	6/29/2013
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽²⁾	\$92,000	\$—	LIBOR+3.50%	2/11/2016
Subtotal	\$331,800	\$341,417		
Unamortized loan premium, net ⁽⁵⁾	353	643		
Total	\$332,153	\$342,060		

(1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed, excluding the amortization of loan fees and costs.

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the (2) loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson property that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured revolving credit facility. Until its repayment on February 11, 2011, the \$37.0 million mortgage loan secured by our Sunset Bronson property incurred interest at a rate of one-month LIBOR plus 3.65% and was subject to the same interest rate contract swapping one-month LIBOR to a fixed rate of 0.75% described earlier.

(3) Outstanding balance reflects full project-level indebtedness on Rincon Center, without pro rata adjustment for our 51% share of the Rincon Center joint venture.

We entered into a \$200.0 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated act as syndication agent and joint lead arranger. Until it was amended on April 4, 2011, the facility bore interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR was subject to a floor of 1.50%. The secured revolving (4) credit facility contains an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances. On April 4, 2011, we amended our \$200 million secured revolving credit facility. As a result of the amendment, the secured revolving credit facility now bears interest at a rate per annum equal to LIBOR plus 250 basis points to 325 basis points (down from 325 basis points to 400 basis points), depending on our leverage ratio, and is no longer subject to a LIBOR floor of 1.50%. The secured revolving credit facility continues to include an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances.

- (5) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with the First Financial, Tierrasanta, Rincon and 10950 Washington loans.

6. Interest Rate Contracts

The indebtedness encumbering the Sunset Gower property and Technicolor Building until its repayment on June 29, 2010 in connection with the IPO and related formation transactions was subject to an interest rate contract, effective as of September 15, 2008, capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan. That interest rate contract expired on September 15, 2009. Another interest rate contract capping one-month LIBOR at 4.75% on the notional amount and on terms identical to the principal amount and terms of the mortgage loan was purchased and went effective September 15, 2009 and covered the period through March 15, 2010. The fair market value of that interest rate cap agreement at March 31, 2011 (having expired on March 15, 2010) and December 31, 2010 was \$0.

The indebtedness encumbering the Sunset Bronson property was subject to a collar on the LIBOR portion of the interest rate of not less than 2.55% and no greater than 3.87% until September 1, 2010. We had not designated the interest rate collar agreement as a hedging instrument for accounting purposes; therefore, the change in the fair value of the derivative instrument is reported in current earnings. From and after June 1, 2010, the applicable interest rate became 5.90% per annum, until a new secured interest rate contract went effective upon the closing of the IPO and related formation transaction on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%. The interest rate contract for Sunset Bronson fixed one-month LIBOR on the full \$37.0 million notional loan amount through April 30, 2011 on terms identical to the terms of the mortgage loan. We designated this interest rate swap as a cash flow hedge for accounting purposes.

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On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment campuses. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan is currently subject to the above described interest rate contract, which swapped one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on \$50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson campus that was scheduled to mature on April 30, 2011. We designated this interest rate cap contract as a cash flow hedge for accounting purposes.

The fair market value of the interest rate cap at March 31, 2011 was \$1,020 and interest rate swap at March 31, 2011 and December 31, 2010 was a \$31 and \$71, respectively.

7. Future Minimum Base Rents and Lease Payments Future Minimum Rents

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2011 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at March 31, 2011 are as follows for the years/periods ended December 31. The table does not include rents under leases at our media and entertainment properties with terms of one year or less.

2011 (nine months ending December 31, 2011)	\$49,620
2012	63,317
2013	58,679
2014	46,540
2015	42,577
2016	34,012
Thereafter	59,541
Total future minimum rents	\$354,286

Future Minimum Lease Payments

In conjunction with the acquisition of the Sunset Gower Property, our subsidiary, SGS Realty II, LLC, assumed a ground lease agreement (expiring March 31, 2060) for a portion of the land with an unrelated party. Commencing September 1, 2007, the monthly rent increased to \$15, whereas the monthly rent totaled \$14 at the time of acquisition. The rental rate is subject to adjustment in September 2011 and every seven years thereafter. In conjunction with the acquisition of the Del Amo Office building, our subsidiary, Hudson Del Amo Office, LLC, assumed a ground sublease (expiring June 30, 2049) with an unrelated party. Rent under the ground sublease is \$1.00 per year, with the sublessee being responsible for all impositions, insurance premiums, operating charges, maintenance charges, construction costs and other charges, costs and expenses that arise or may be contemplated under any provisions of the ground sublease. In conjunction with the acquisition of the 9300 Wilshire Boulevard building, our subsidiary, Hudson 9300 Wilshire, LLC, assumed a ground lease (expiring August 14, 2032) with an unrelated party. Minimum rent under the ground lease is \$75 per year (additional rent under this lease of 6% of gross rentals less minimum rent, as defined in such lease, is not included in this amount).

The following table provides information regarding our future minimum lease payments at March 31, 2011 under these lease agreements.

2011 (nine months ending December 31, 2011)	\$923
2012	1,231
2013	1,231
2014	1,231
2015	1,231

2016	1,231
Thereafter	45,618
Total future minimum rents	\$52,696

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8. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, payables, and accrued liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. Fair values for notes payable are estimates based on rates currently prevailing for similar instruments of similar maturities. The estimated fair values of interest-rate contract/cap arrangements were derived from estimated values based on observable market data for similar instruments.

	March 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$332,153	\$332,798	\$342,060	\$342,153
Derivative assets, disclosed as "Interest rate contracts"	\$1,020	(1,020)	—	—
Derivative liabilities, disclosed as "Interest rate contracts"	31	31	71	71
	\$331,164	\$331,809	\$342,131	\$342,224

9. Equity

Non-controlling Interests

Non-controlling common partnership interests in our operating partnership relate to interests in the partnership that are not owned by us. Non-controlling interests consisted of 2,610,941 common units of partnership interest in our operating partnership, or common units, and represented approximately 10.4% of our operating partnership at March 31, 2011. Common units and shares of our common stock have essentially the same economic characteristics as they share equally in the total net income or loss distributions of our operating partnership. Investors who own common units have the right to cause our operating partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

Redeemable non-controlling interest in consolidated real estate entity relates to a joint venture relationship with an affiliate of Beacon Capital Partners ("Beacon"), an unrelated third party, in the Rincon Center property. We acquired a 51% interest in a 581,000 (unaudited) square foot commercial space owned by Beacon as described in note 3. We had a call right and Beacon had a put right that, if exercised, obligated us to make an additional investment to acquire the remaining 49% interest in the Rincon Center joint venture in the second quarter of 2011 at a purchase price of approximately \$41.1 million, which includes an allocation of net current assets. Further, if we defaulted on our obligations under the put/call arrangement, we were obligated to pay a termination fee of \$17.5 million, and Beacon could elect to either purchase our interest in the Rincon Center joint venture or pursue a forced sale of the property. On February 24, 2011, we exercised the call right and completed the acquisition of the Beacon 49% interest on April 29, 2011.

Non-controlling series A preferred partnership interests in our operating partnership relate to 499,014 series A preferred units of partnership interest our operating partnership, or series A preferred units, that are not owned by us. These series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of \$25.00 per unit and are convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable for registered shares of common stock, in each case after an initial holding period of not less than three years from the consummation of this offering. For a description of the conversion and redemption rights of the series A preferred units, please see "Description of the Partnership Agreement of Hudson Pacific Properties, L.P.—Material Terms of Our Series A Preferred Units" in our June 23, 2010 Prospectus.

Series B cumulative redeemable preferred stock relates to 3,500,000 shares of our series B preferred stock, \$0.01 par value per share. Dividends on our series B preferred stock are cumulative from the date of original issue (December

10, 2010) and payable quarterly on or about the last calendar day of each March, June, September and December, commencing on December 31, 2010, at the rate of 8.375% per annum of its \$25.00 per share liquidation preference (equivalent to \$2.09375 per share per annum). If following a change of control of our Company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of 12.375% per annum per share of the liquidation preference of our series B preferred stock (equivalent to \$3.09375 per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our

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(Unaudited and in thousands, except square footage and share data)

series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. Except in instances relating to preservation of our qualification as a real estate investment trust, or REIT, or in connection with a change of control of our company, our series B preferred stock is not redeemable prior to December 10, 2015. On and after December 10, 2015, we may redeem our series B preferred stock in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Our series B preferred stock has no maturity date and will remain outstanding indefinitely unless redeemed by us, and it is not subject to any sinking fund or mandatory redemption and is not convertible into any of our other securities. For a full description of the Series B cumulative redeemable preferred stock, please see “Description of our Preferred Stock” in our December 7, 2010 Prospectus.

The table below represent our condensed consolidated statements of equity and non-controlling series A preferred partnership and redeemable non-controlling interest in consolidated real estate entity interests:

Hudson Pacific Properties Inc., Stockholders' Equity

	Common Shares	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non- controlling Interests — Unitholders in the Operating Partnership	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units	Non- controlling Interests — Members in Consolidated Entities
Balance, January 1, 2011	22,436,950	\$ 224	\$ 87,500	\$ 411,598	\$(3,482)	\$ 6	\$ 65,684	\$ 561,530	\$ 12,475	\$ 40,328
Contributions								—		
Distributions								—		(24)
Issuance of restricted stock	14,879	1		(1)				—		
Transaction related costs				(600)				(600)		
Declared Dividend			(1,832)	(2,806)			(326)	(4,964)	(195)	
Amortization of stock based compensation				720				720		
Net income (loss)			1,832		(2,448)		(299)	(915)	195	813
Cash Flow Hedge						(125)	(15)	(140)		

Adjustment											
Comprehensive											
Loss										(1,055)	
Balance,	22,451,829	\$ 225	\$ 87,500	\$ 408,911	\$(5,930)	\$(119)	\$ 65,044	\$ 555,631	\$ 12,475	\$ 41,117	
March 31, 2011											

Dividends

During the first quarter for 2011, we declared dividends on our common stock and non-controlling common partnership interests of \$0.125 per share and unit. We also declared dividends on our series A preferred partnership interests of \$0.3906 per unit. In addition, we declared dividends on our series B preferred shares of \$0.52344 per share. The first quarter dividends were declared on March 10, 2011 to holders of record on March 21, 2011.

Taxability of Dividends

Earnings and profits, which determine the taxability of distributions to stockholders, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of loss on extinguishment of debt, revenue recognition, and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation.

Stock-Based Compensation

In connection with entering into the employment arrangements effective as of closing of the IPO, Messrs. Coleman, Stern, Lammas, Barton, Shimoda, and certain non-executive employees and directors were granted 270,588 restricted shares of our

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Notes to Consolidated Financial Statements—(Continued)

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common stock at our initial offering price of \$17.00 per restricted share resulting in \$4.5 million in total compensation expense. These restricted stock awards will vest in three equal, annual installments on each of the first three anniversaries of the date of the IPO, subject to the executive's continued employment. On December 29, 2010, various executives were granted 219,854 restricted shares of our common stock at the closing price of \$15.01 per restricted share resulting in \$3.3 million total compensation expense. On January 20, 2011 our directors were granted 11,571 restricted shares and 3,308 unrestricted shares (fully vested) of our common stock at the closing price of \$15.12 per restricted share resulting in \$0.2 million total compensation expense. In connection with his resignation as a director, 7,535 restricted shares previously granted to Mark Burnett were forfeited, unvested. We have elected to 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. None of the restricted shares were vested at March 31, 2011. For the three months ended March 31, 2011, \$720 of non-cash compensation expense was recognized in general and administrative expenses and additional paid-in capital.

10. Related Party Transactions

Until the IPO and related formation transactions, the media and entertainment properties owned by our predecessor were managed by Hudson Studios Management, LLC and our City Plaza office property was managed by Hudson OP Management, LLC (Hudson Studios Management, LLC and Hudson OP Management, LLC are collectively referred to as "Hudson Management"), both of which were affiliates of our predecessor. For the three months ended March 31, 2010, management fees of \$275 had been incurred. These agreement were effectively terminated upon our acquisition of Hudson Management.

The developers and managers of the 875 Howard Street Property were TMG Partners and Flynn Properties, Inc. TMG Partners was also the managing member. TMG Partners and Flynn Properties, Inc. jointly began providing property management services for the 875 Howard Street Property starting February 15, 2007. A monthly property management fee equal to the greater of \$20 per month or 2.5% of gross rents received from tenants during each calendar month was paid in equal parts to TMG Partners and Flynn Properties, Inc. These fees totaled \$42 for the three months ended March 31, 2010.

11. Commitments and Contingencies

Legal

From time to time, the Company is party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's results of operations, financial position, or cash flows.

Concentrations

All of the Company's Properties are located in California which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the three months ended March 31, 2011 and 2010, approximately 26% and 68% , respectively of the Company's revenues were derived from tenants in the media and entertainment industry, which makes the Company particularly susceptible to demand for rental space in such industry. Consequently, the Company is subject to the risks associated with an investment in real estate with a concentration of tenants in that industry. For the three months ended March 31, 2011 and 2010, the Technicolor Lease

accounted for approximately 4% and 13%, respectively of total revenues and the KTLA lease accounted for approximately 2% and 6%, respectively, of total revenues.

Bank of America leases approximately 836,000 square feet (unaudited) of our 1455 Market property for various lease terms between one and seven years. As a result of our purchase of this property on December 16, 2010, this lease did not account for any portion of our total revenue for the three months ended March 31, 2010. For the three months ended March 31, 2011, the Bank of America Lease accounted for approximately 7%.

12. Segment Reporting

The Company's reporting segments are based on the Company's method of internal reporting which classifies its operations into two reporting segments: (i) office properties, and (ii) media and entertainment Properties. The Company evaluates performance based upon property net operating income from continuing operations ("NOI") of the combined properties in each segment. NOI is not a measure of operating results or cash flows from operating activities as measured by GAAP, is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a

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Notes to Consolidated Financial Statements—(Continued)

(Unaudited and in thousands, except square footage and share data)

measure of liquidity. All companies may not calculate NOI in the same manner. The Company considers NOI to be an appropriate supplemental financial measure to net income because it helps both investors and management to understand the core operations of the Company's properties. The Company defines 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 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.

Summary information for the reportable segments for the three months ended March 31, 2011 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 25,632	\$9,172	\$34,804
Operating expenses	10,274	5,179	15,453
Net operating income	\$ 15,358	\$3,993	\$19,351

Summary information for the reportable segments for the three months ended March 31, 2010 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 3,472	\$7,510	\$10,982
Operating expenses	1,198	4,530	5,728
Net operating income	\$ 2,274	\$2,980	\$5,254

The following is reconciliation from NOI to reported net income, the most direct comparable financial measure calculated and presented in accordance with GAAP:

	March 31, 2011	March 31, 2010
Net operating income	\$19,351	\$5,254
General and administrative	(3,146)) —
Depreciation and amortization	(11,361)	) (2,713)
Interest income	8	3
Unrealized gain on interest rate contract	—	207
Interest expense	(4,642)	) (2,082)
Acquisition-related expenses	—	—
Other expense	(117)) —
Net income	\$93	\$669

There were no intersegment sales or transfers during either of the three-month periods ended March 31, 2011 and 2010.

13. Subsequent Events

Secured Credit Facility

Effective April 4, 2011, we entered into an amendment to our secured revolving credit facility, the effects of which are reflected in the description below. From and after the date of such amendment, the secured revolving credit facility

bears interest at a rate per annum equal to LIBOR plus 250 basis points to 325 basis points, depending on our leverage ratio. The secured revolving credit facility contains an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances.

The amount available for us to borrow under the facility is subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the facility and a minimum implied debt service coverage ratio. Our ability to

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borrow under the facility is subject to ongoing compliance with a number of customary restrictive covenants, including:

- a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60:1.00;
- a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.50:1.00;
- a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25:1.00;
- a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15:1.00; and
- a minimum tangible net worth equal to at least 85% of our tangible net worth at the closing of our initial public offering plus 75% of the net proceeds of any additional equity issuances.

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

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

Acquisitions and Financings

On April 29, 2011, the Company acquired the remaining 49% interest in One and Two Rincon Center, a landmark, 581,000-square-foot office complex in San Francisco's South Financial District, for \$38.7 million (before closing costs and prorations).

In conjunction with the acquisition, the Company closed a seven-year, secured, non-recourse loan in the amount of \$110.0 million from JPMorgan Chase Bank, National Association. Interest under the new loan is payable monthly at a fixed annual rate of 5.134%. The purpose of the loan is to fully refinance an existing \$106.0 million project loan on the property that was scheduled to mature on July 1, 2011. The Company's operating partnership has provided a customary non-recourse carve-out guaranty and environmental indemnity. In addition, the loan agreement includes customary events of default, including for failure to pay principal or interest or for certain non-permitted transfers.

Secondary Offering

On May 3, 2011, we completed the public offering of 6,950,000 shares of common stock and the exercise of the underwriters' over-allotment option to purchase an additional 1,042,500 shares of our common stock at the public offering price of \$14.62 per share. We also completed the private placement of 3,125,000 shares to investment funds affiliated with Farallon Capital Management, L.L.C., at the same price.

Total proceeds from the public offering and the concurrent private placement, after underwriters' discount, were approximately \$156.7 million (before transaction costs). Of the total, approximately \$96.5 million was from the public offering of common stock, approximately \$14.5 million was from the exercise of the over-allotment option and

approximately \$45.7 million was from the private placement investment.

We intend to use the net proceeds from the offering and the concurrent private placement to repay indebtedness under our secured revolving credit facility, to fund future acquisitions and for general working capital purposes.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

We make statements in this quarterly report that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans to," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

- adverse economic or real estate developments in our markets;
- general economic conditions;
- defaults on, early terminations of or non-renewal of leases by tenants;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
 - lack or insufficient amounts of insurance;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;
- our failure to maintain our status as a REIT;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- financial market fluctuations;
- changes in real estate and zoning laws and increases in real property tax rates; and
- other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the Securities and Exchange Commission.

Historical Results of Operations

This Quarterly Report on Form 10-Q for Hudson Pacific Properties, Inc. for the three months ended March 31, 2011 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on form 10-K for the year ended December 31, 2010. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on form 10-K for the year ended December 31, 2010 as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition, some of the statements and assumptions in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the second quarter and beyond. See "Forward-Looking Statements."

Overview

As indicated above, because the IPO and related formation transactions did not occur until shortly before June 30, 2010, the results of operations for the entities acquired in connection with the IPO and related formation transactions are only

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included in certain historical financial statements. More particularly, the results of operations discussed below for the three months ended March 31, 2010 reflect the operations of the three office properties and two media and entertainment properties owned by HFOP City Plaza, LLC, Sunset Bronson Entertainment Properties, LLC, SGS Realty II, LLC, and Howard Street Associates LLC, as applicable. The two office properties and certain management contracts owned by Glenborough Tierrasanta, LLC, GLB Encino, LLC and Hudson Capital, LLC, as applicable, were acquired on June 29, 2010. The Del Amo Office property and underlying ground sublease was acquired on August 16, 2010, the 9300 Wilshire Boulevard office building and underlying ground lease was acquired on August 24, 2010, the 222 Kearny office building was acquired on October 8, 2010, the 1455 Market office building and our 51% joint venture interest in Rincon Center were both acquired on December 16, 2011, and the 10950 Washington office building was acquired on December 22, 2011. The results of operations for each of these acquisitions are included in our consolidated statements of operations only from the date of acquisition.

The following table identifies each of the properties in our portfolio acquired through March 31, 2011 and their date of acquisition.

Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	2/15/2007	286,270
Sunset Gower	8/17/2007	543,709
Sunset Bronson	1/30/2008	313,723
Technicolor Building	6/1/2008	114,958
City Plaza	8/26/2008	333,922
First Financial	6/29/2010	222,423
Tierrasanta	6/29/2010	104,234
Del Amo Office	8/13/2010	113,000
9300 Wilshire Boulevard	8/24/2010	58,484
222 Kearny	10/8/2010	148,797
1455 Market	12/16/2010	1,012,012
Rincon Center ⁽¹⁾	12/16/2010	580,850
10950 Washington	12/22/2010	158,873
Total		3,991,255

(1) We acquired a 51% joint venture interest in the Rincon Center property. On February 24, 2011, we exercised our call right to purchase the remaining 49% interest in the Rincon Center property. On April 29, 2011 we acquired the remaining 49% interest in the Rincon Center property for approximately \$38.7 million (before closing costs and prorations).

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

Comparison of the three months ended March 31, 2011 to the three months ended March 31, 2010

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased \$22.2 million (including early lease termination revenue from a single floor tenant at our City Plaza project), or 638.2%, to \$25.6 million for the three months ended March 31, 2011 compared to \$3.5 million for the three months ended March 31, 2010. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties and percentage rent on retail space contained within those properties. Total office rental revenue increased \$14.5 million, or 487.7%, to \$17.5 million for the three months ended March 31, 2011 compared to \$3.0 million for the three months ended March 31, 2010. The increase in rental revenue from a year ago was primarily the result of rental revenue from office properties acquired in connection with our initial public offering and during the third and fourth quarters of 2010.

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Office Tenant Recoveries. Office tenant recoveries increased \$5.6 million, or 1,367.4%, to \$6.0 million for the three months ended March 31, 2011 compared to \$0.4 million for the three months ended March 31, 2010. The increase in tenant recoveries was primarily the result of recoveries from office properties acquired in connection with our initial public offering and during the third and fourth quarters of 2010.

Office Other Revenue. Other revenue increased \$2.0 million (including early lease termination revenue), or 2,476.5%, to \$2.1 million for the three months ended March 31, 2011 compared to \$0.1 million for the three months ended March 31, 2010. The increase in other revenue was primarily the result of the early lease termination revenue from a single floor tenant at our City Plaza project.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased \$1.7 million, or 22.1%, to \$9.2 million for the three months ended March 31, 2011 compared to \$7.5 million for the three months ended March 31, 2010. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$0.2 million, or 3.7%, to \$5.5 million for the three months ended March 31, 2011 compared to \$5.3 million for the three months ended March 31, 2010. The increase in rental revenue was primarily due to improved occupancy at both media and entertainment properties.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the three months ended March 31, 2011 compared to the three months ended March 31, 2010.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$1.4 million, or 76.7%, to \$3.3 million for the three months ended March 31, 2011 compared to \$1.9 million for the three months ended March 31, 2010. The increase in other property-related revenue was primarily due to an increased in lighting equipment rental revenue, parking revenue, and telecom revenue relating to higher production activity associated with improved occupancy at both media and entertainment properties.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property level general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$21.5 million, or 254.9%, to \$30.0 million for the three months ended March 31, 2011 compared to \$8.4 million for the three months ended March 31, 2010. This increase in total operating expenses is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$9.1 million, or 757.6%, to \$10.3 million for the three months ended March 31, 2011 compared to \$1.2 million for the three months ended March 31, 2010. The increase in operating expenses was primarily due to the acquisitions of office properties in connection with our initial public offering and during the third and fourth quarters of 2010.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.6 million, or 14.3%, to \$5.2 million for the three months ended March 31, 2011 compared to \$4.5 million for the three months

ended March 31, 2010. The increase in operating expenses was due to an increase in other property-related expenses, primarily lighting and other equipment rental expenses resulting from higher production activity associated with improved occupancy at both media and entertainment properties.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. Since the IPO, 2010 private placement, and formation transactions did not occur until June 29, 2010, the three months ended March 31, 2010 do not include general and administrative expenses for corporate-level operations. The \$3.1 million of general and administration expenses reflect the expenses of our corporate-level operation for the three months ended March 31, 2011.

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Depreciation and Amortization. Depreciation and amortization expense increased \$8.6 million, or 318.8%, to \$11.4 million for the three months ended March 31, 2011 compared to \$2.7 million for the three months ended March 31, 2010. The increase was primarily due to the depreciation associated with the acquisitions of office properties in connection with our initial public offering and during the third and fourth quarters of 2010.

Other Expense (Income)

Interest Expense. Interest expense increased \$2.6 million, or 123.0%, to \$4.6 million for the three months ended March 31, 2011 compared to \$2.1 million for the three months ended March 31, 2010. The increase was primarily due to the increased indebtedness associated with the acquisitions of office properties in connection with our initial public offering and during the third and fourth quarters of 2010 in addition to the reduction of capitalized interest as a result of the completion of the 875 Howard Street property in April 2010.

Unrealized Gain on Interest Rate Contracts. Unrealized gain on interest rate contracts decreased by \$0.2 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 as a result of the expiration of an interest rate contract that was not accounted for as an effective cash flow hedge.

Acquisition-related expenses. We had no material acquisition-related expenses for the three months ended March 31, 2011 and March 31, 2010.

Net Income

Net income for the three months ended March 31, 2011 was \$0.1 million compared to net income of \$0.7 million for the three months ended March 31, 2010. The decrease was primarily due to higher office and media and entertainment operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, and higher interest expenses, partially offset by higher office and media and entertainment revenues, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

Our ratio of debt to total market capitalization was approximately 39.4% (counting series A preferred units as debt) as of March 31, 2011. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units, plus the book value of our total consolidated indebtedness. We had approximately \$38.3 million of cash and cash equivalents at March 31, 2011. In addition, the lead arrangers for our secured credit facility have secured commitments that will allow borrowings of up to \$200 million, of which approximately \$75.0 million is available to us as of March 31, 2011. We intend to use the secured credit facility, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes. Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and dividend payments to our stockholders required to maintain our REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through cash on hand, net cash provided by operations, reserves established from existing cash and, if necessary, by drawing upon our secured credit facility.

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

secured credit facility pending permanent financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Cash Flows

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Comparison of three months ended March 31, 2011 to three months ended March 31, 2010

Cash and cash equivalents were \$38.3 million and \$48.9 million at March 31, 2011 and December 31, 2010, respectively.

Net cash provided by operating activities increased by \$9.9 million to \$11.6 million for the three months ended March 31, 2011 compared to \$1.7 million used in operating activities for the three months ended March 31, 2010. The increase is primarily due to the acquisition of certain ownership interests in properties contributed in connection with our initial public offering and related formation transactions and the purchase of six properties subsequent to our initial public offering which increased operating cash flow and partially offset by an increase in restricted cash at our Sunset Bronson / Sunset Gower properties resulting from restricted cash requirements as a result of the financing completed in February 2011.

Net cash used in investing activities increased \$1.5 million to \$3.7 million for the three months ended March 31, 2011 compared to \$2.2 million for three months ended March 31, 2010. The increase was primarily due to an increase in investments in real estate, primarily as a result of the purchase of certain ownership interests in properties contributed in connection with our IPO and related formation transactions and purchase of two properties subsequent to the IPO.

Net cash used in financing activities increased \$21.0 million to \$18.5 million for the three months ended March 31, 2011 compared to net cash provided by financing activities \$2.5 million for the three months ended March 31, 2010. The increase was due to the net loan and line of credit repayments and cash distributions to our common and preferred unit and share holders.

Indebtedness

Our indebtedness creates the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness and other obligations. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase.

As of March 31, 2011, we have approximately \$331.8 million (before loan premium), of which \$138.5 million, or 41.7%, is variable rate debt, \$87.0 million of which is subject to the interest rate contracts described above.

The following table sets forth information as of March 31, 2011 (unaudited) with respect to our outstanding indebtedness.

Debt	Outstanding March 31, 2011	Outstanding December 31, 2010	Interest Rate (1)	Maturity Date
Mortgage loan secured by Sunset Bronson ⁽²⁾	\$—	\$ 37,000	LIBOR+3.65%	4/30/2011
Mortgage loan secured by Rincon Center ⁽³⁾	106,000	106,000	6.08%	7/1/2011
Mortgage loan secured by First Financial	43,000	43,000	5.34%	12/1/2011
Mortgage loan secured by Tierrasanta	14,300	14,300	5.62%	12/1/2011
Mortgage loan secured by 10950 Washington	30,000	30,000	5.94%	2/11/2012
Secured Revolving Credit Facility ⁽⁴⁾	46,500	111,117	LIBOR+3.25%-4.00%	6/29/2013
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽²⁾	92,000	—	LIBOR+3.50%	2/11/2016
Subtotal	\$331,800	\$341,417		
Unamortized loan premium, net ⁽⁵⁾	353	643		
Total	\$332,153	\$342,060		

(1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed, excluding the amortization of loan fees and costs.

(2)

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson property that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured revolving credit facility. Until its repayment on February 11, 2011, the \$37.0 million mortgage loan secured by our Sunset Bronson property incurred interest at a rate of one-month LIBOR plus 3.65% and was subject to the same interest rate contract swapping one-month LIBOR to a fixed rate of 0.75% described earlier.

(3) Outstanding balance reflects full project-level indebtedness on Rincon Center, without pro rata adjustment for our 51% share of the Rincon Center

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joint venture.

- We entered into a \$200.0 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated act as syndication agent and joint lead arranger. Until it was amended on April 4, 2011, the facility bore interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR was subject to a floor of 1.50%. The secured revolving credit facility contains an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances. On April 4, 2011, we amended our \$200 million secured revolving credit facility. As a result of the amendment, the secured revolving credit facility now bears interest at a rate per annum equal to LIBOR plus 250 basis points to 325 basis points (down from 325 basis points to 400 basis points), depending on our leverage ratio, and is no longer subject to a LIBOR floor of 1.50%. The secured revolving credit facility continues to include an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances.
- (4) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with the First Financial, Tierrasanta, Rincon and 10950 Washington loans.
- (5)

Contractual Obligations and Commitments

During the first quarter of 2011, there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. As more fully described in the interest rate risk section, we use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We only enter into contracts with major financial institutions based on their credit rating and other factors.

As of March 31, 2011, we had an interest rate agreement that expired on April 30, 2011 with respect to \$37.0 million of the \$92.0 million of total indebtedness on the Sunset Gower and Bronson properties pursuant to which we swapped one-month LIBOR to a fixed rate of 0.75%, which effectively results in a 4.25% fixed rate on that portion of the Sunset Gower and Sunset Bronson loan. We also had an interest rate agreement with respect to \$50.0 million of the same \$92.0 million of total indebtedness on the Sunset Gower and Sunset Bronson properties which capped one-month LIBOR at a rate of 3.715%, effectively resulting in a maximum rate on that portion of the Sunset Gower and Sunset Bronson loan of 7.215%.

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

As of March 31, 2011, our total outstanding debt was approximately \$331.8 million (before loan premium), which was comprised of \$138.5 million of variable rate secured mortgage loans, \$87.0 of which is subject to the interest rate contracts described above, and \$193.3 million of fixed rate secured mortgage loans. As of March 31, 2011, the fair value of our fixed rate secured mortgage loans was approximately \$193.9 million.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange

Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2011, the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures at the end of the period covered by this Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures

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were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure. No changes to our internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our 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 effect on our business, financial condition or results of operation if determined adversely to us.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) Recent Sales of Unregistered Securities: We did not make any unregistered sales of our securities during the quarter ended March 31, 2011.

(b) Use of Proceeds from Registered Securities: None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers: We did not make any purchases of our equity securities during the quarter ended March 31, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (Removed and Reserved).

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hudson Pacific Properties, Inc. ⁽²⁾
3.2	Amended and Restated Bylaws of Hudson Pacific Properties, Inc. ⁽²⁾
3.3	Form of Articles Supplementary of Hudson Pacific Properties, Inc. ⁽⁹⁾
4.1	Form of Certificate of Common Stock of Hudson Pacific Properties, Inc. ⁽⁵⁾
4.2	Form of Certificate of Series B Preferred Stock of Hudson Pacific Properties, Inc. ⁽⁹⁾
10.1	Form of Second Amended and Restated Agreement of Limited Partnership of Hudson Pacific Properties, L.P. ⁽⁹⁾

10.2 Registration Rights Agreement among Hudson Pacific Properties, Inc. and the persons named therein.⁽⁸⁾

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10.3	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Victor J. Coleman. ⁽⁸⁾
10.4	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Howard S. Stern. ⁽⁸⁾
10.5	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark T. Lammas. ⁽⁸⁾
10.6	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Christopher Barton. ⁽⁸⁾
10.7	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Dale Shimoda. ⁽⁸⁾
10.8	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Theodore R. Antenucci. ⁽⁸⁾
10.9	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark Burnett. ⁽⁸⁾
10.10	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Richard B. Fried. ⁽⁸⁾
10.11	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Jonathan M. Glaser. ⁽⁸⁾
10.12	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark D. Linehan. ⁽⁸⁾
10.13	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Robert M. Moran, Jr. ⁽⁸⁾
10.14	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Barry A. Porter. ⁽⁸⁾
10.15	Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan. ^{(5) *}
10.16	Restricted Stock Award Grant Notice and Restricted Stock Award Agreement. ^{(5) *}
10.17	Hudson Pacific Properties, Inc. Director Stock Plan. ^{(9) *}
10.18	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Victor J. Coleman. ^{(2) *}
10.19	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Howard S. Stern. ^{(2) *}
10.20	Employment Agreement, dated as of May 14, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Mark T. Lammas. ^{(4) *}
10.21	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Christopher Barton. ^{(2) *}
10.22	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. and Dale Shimoda. ^{(2) *}
10.23	Contribution Agreement by and among Victor J. Coleman, Howard S. Stern, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010. ⁽¹⁾
10.24	Contribution Agreement by and among SGS investors, LLC, HFOP Investors, LLC, Soma Square Investors, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010. ⁽¹⁾
10.25	Contribution Agreement by and among TMG-Flynn SOMA, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010. ⁽¹⁾
10.26	Contribution Agreement by and among Glenborough Fund XIV, L.P., Glenborough Acquisition, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc. dated as of February 15, 2010. ⁽¹⁾
10.27	Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc. Hudson Pacific Properties, L.P, and the persons named therein as nominees of the Farallon Funds, dated as of February 15, 2010. ⁽¹⁾

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- 10.28 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and the persons named therein as nominees of TMG-Flynn SOMA, LLC, dated as of February 15, 2010.⁽¹⁾
- 10.29 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and the persons named therein as nominees of Glenborough Fund XIV, L.P. dated as of February 15, 2010.⁽¹⁾

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10.30	Subscription Agreement by and among Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institution Partners III, L.P., Victor J. Coleman and Hudson Pacific Properties, Inc. dated as of February 15, 2010. ⁽²⁾
10.31	Tax Protection Agreement between Hudson Pacific Properties, L.P. and the persons named therein, dated June 29, 2010. ⁽⁷⁾
10.32	Agreement of Purchase and Sale and Joint Escrow Instructions between Del Amo Fashion Center Operating Company and Hudson Capital, LLC dated as of May 18, 2010. ⁽⁴⁾
10.33	Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated June 29, 2010. ⁽⁷⁾
10.34	First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 29, 2010. ⁽⁵⁾
10.35	Amended and Restated First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 20, 2010. ⁽⁷⁾
10.36	Loan Agreement among Sunset Bronson Entertainment Properties, L.L.C., as Borrower, Wachovia Bank, National Association, as Administrative Agent, Wachovia Capital Markets, LLC, as Lead Arranger and Sole Bookrunner, and lenders party thereto, dated as of May 12, 2008. ⁽⁶⁾
10.37	Conditional Consent Agreement between GLB Encino, LLC, as Borrower, and SunAmerica Life Insurance Company, as Lender, dated as of June 10, 2010. ⁽⁶⁾
10.38	Amended and Restated Deed of Trust, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents between GLB Encino, LLC, as Trustor, SunAmerica Life Insurance Company, as Beneficiary, and First American Title Insurance Company, as Trustee, dated as of January 26, 2007. ⁽⁶⁾
10.39	Amended and Restated Promissory Note by GLB Encino, as Maker, to SunAmerica Life Insurance Company, as Holder, dated as of January 26, 2007. ⁽⁶⁾
10.40	Approval Letter from Wells Fargo, as Master Servicer, and CWC Capital Asset Management, LLC, as Special Servicer to Hudson Capital LLC, dated as of June 8, 2010. ⁽⁶⁾
10.41	Loan and Security Agreement between Glenborough Tierrasanta, LLC, as Borrower, and German American Capital Corporation, as Lender, dated as of November 28, 2006. ⁽⁶⁾
10.42	Note by Glenborough Tierrasanta, LLC, as Borrower, in favor of German American Capital Corporation, as Lender, dated as of November 28, 2006. ⁽⁶⁾
10.43	Reaffirmation, Consent to Transfer and Substitution of Indemnitor, by and among Glenborough Tierrasanta, LLC, Morgan Stanley Real Estate Fund V U.S., L.P., MSP Real Estate Fund V, L.P., Morgan Stanley Real Estate Investors, V U.S., L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., MSP Co-Investment Partnership V, L.P., MSP Co-Investment Partnership V, L.P., Glenborough Fund XIV, L.P., Hudson Pacific Properties, L.P., and US Bank National Association, dated June 29, 2010. ⁽⁷⁾
10.44	Purchase and Sale Agreement, dated September 15, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P. ⁽⁹⁾
10.45	First Amendment to Purchase and Sale Agreement, dated October 1, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P. ⁽⁹⁾
10.46	Term Loan Agreement by and between Sunset Bronson Entertainment Properties, LLC and Sunset Gower Entertainment Properties, LLC, as Borrowers, and Wells Fargo Bank, National Association, as Lender, dated February 11, 2011. ⁽¹⁰⁾
10.47	Contract for Sale dated as of December 15, 2010 by and between Hudson 1455 Market, LLC and Bank of America, National Association. ⁽¹²⁾
10.48	

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Contribution Agreement by and between BCSP IV U.S. Investments, L.P. and Hudson Pacific Properties, L.P., dated as of December 15, 2010.⁽¹³⁾

10.49 10.50 Limited Liability Company Agreement of Rincon Center JV LLC by and between Rincon Center Equity LLC and Hudson Rincon, LLC, dated as of December 16, 2010.⁽¹³⁾

10.50 First Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated December 10, 2010.⁽¹³⁾

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10.51 Second Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated April 4, 2011.⁽¹⁴⁾

10.52 First Amendment to Registration Rights Agreement by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated May 3, 2011. ⁽¹¹⁾

10.53 Subscription Amendment by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated April 26, 2011.

10.54 Loan Agreement by and between Hudson Rincon Center, LLC, as Borrower, and JPMorgan Chase Bank, National Association, as Lender, dated April 29, 2011.⁽¹¹⁾

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 9, 2010.
 - (2) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on May 12, 2010.
 - (3) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 3, 2010.
 - (4) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 11, 2010.
 - (5) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 14, 2010.
 - (6) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 22, 2010.
 - (7) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2010.
 - (8) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on November 22, 2010.
 - (9) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on December 6, 2010.
 - (10) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 15, 2011.
 - (11) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 4, 2011.
 - (12) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on December 21, 2010.
 - (13) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on April 14, 2011.
 - (14) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.
- * Denotes a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HUDSON PACIFIC PROPERTIES, INC.

Date: May 13, 2011

/S/ MARK T. LAMMAS

Mark T. Lammas

Chief Financial Officer (principal financial officer)