
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 June 30, 2019

or

☐ **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.)
Commission File Number: 333-202799-01 (Hudson Pacific Properties, L.P.)

Hudson Pacific Properties, Inc.
Hudson Pacific Properties, L.P.

(Exact name of registrant as specified in its charter)

Hudson Pacific Properties, Inc.

Maryland

(State or other jurisdiction of incorporation or organization)

27-1430478

(I.R.S. Employer Identification Number)

Hudson Pacific Properties, L.P.

Maryland

(State or other jurisdiction of incorporation or organization)

80-0579682

(I.R.S. Employer Identification Number)

11601 Wilshire Blvd., Ninth Floor
Los Angeles, California 90025

(Address of principal executive offices) (Zip Code)

(310) 445-5700

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Registrant	Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Hudson Pacific Properties, Inc.	Common Stock, \$0.01 par value	HPP	New York Stock Exchange

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

Hudson Pacific Properties, Inc. Yes ☒ No ☐

Hudson Pacific Properties, L.P. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Hudson Pacific Properties, Inc. Yes ☒ No ☐

Hudson Pacific Properties, L.P. Yes ☒ No ☐

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

Hudson Pacific Properties, Inc.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

Hudson Pacific Properties, L.P.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☐

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

Hudson Pacific Properties, Inc. ☐

Hudson Pacific Properties, L.P. ☐

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

Hudson Pacific Properties, Inc. Yes ☐ No ☒

Hudson Pacific Properties, L.P. Yes ☐ No ☒

The number of shares of common stock of Hudson Pacific Properties, Inc. outstanding at July 31, 2019 was 154,398,219.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2019 of Hudson Pacific Properties, Inc., a Maryland corporation, and Hudson Pacific Properties, L.P., a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” or “our Company” refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

Hudson Pacific Properties, Inc. is a real estate investment trust, or REIT, and the sole general partner of our operating partnership. As of June 30, 2019, Hudson Pacific Properties, Inc. owned approximately 99.2% of the ownership interest in our operating partnership (including unvested restricted units). The remaining approximately 0.8% interest was owned by certain of our executive officers, directors and outside investors, including unvested operating partnership performance units. As the sole general partner of our operating partnership, Hudson Pacific Properties, Inc. has the full, exclusive and complete responsibility for our operating partnership’s day-to-day management and control.

We believe combining the quarterly reports on Form 10-Q of Hudson Pacific Properties, Inc. and the operating partnership into this single report results in the following benefits:

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

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

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

To help investors understand the significant differences between our Company and our operating partnership, this report presents the consolidated financial statements and Note 15—Earnings Per Share separately for our Company and our operating partnership. All other sections of this report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk,” are presented together for our Company and our operating partnership.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that our Company and our operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, or the Exchange Act and 18 U.S.C. §1350, this report also includes separate Part I, Item 4 “Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of Hudson Pacific Properties, Inc. and our operating partnership.

HUDSON PACIFIC PROPERTIES, INC. AND HUDSON PACIFIC PROPERTIES, L.P.
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS OF HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Investment in real estate, at cost	\$ 7,088,508	\$ 7,059,537
Accumulated depreciation and amortization	(792,485)	(695,631)
Investment in real estate, net	6,296,023	6,363,906
Cash and cash equivalents	48,172	53,740
Restricted cash	13,375	14,451
Accounts receivable, net	13,805	14,004
Straight-line rent receivables, net	170,928	142,369
Deferred leasing costs and lease intangible assets, net	299,250	279,896
U.S. Government securities	142,761	146,880
Operating lease right-of-use asset	270,943	—
Prepaid expenses and other assets, net	66,074	55,633
Investment in unconsolidated real estate entity	65,495	—
Assets associated with real estate held for sale	99,840	—
TOTAL ASSETS	\$ 7,486,666	\$ 7,070,879
LIABILITIES AND EQUITY		
Liabilities		
Unsecured and secured debt, net	\$ 2,834,785	\$ 2,623,835
In-substance defeased debt	136,636	138,223
Joint venture partner debt	66,136	66,136
Accounts payable, accrued liabilities and other	241,990	175,300
Operating lease liability	273,883	—
Lease intangible liabilities, net	37,833	45,612
Security deposits and prepaid rent	61,788	68,687
Liabilities associated with real estate held for sale	104	—
Total liabilities	3,653,155	3,117,793
Redeemable preferred units of the operating partnership	9,815	9,815
Redeemable non-controlling interest in consolidated real estate entities	114,917	113,141
Equity		
Hudson Pacific Properties, Inc. stockholders' equity		
Common stock, \$0.01 par value, 490,000,000 authorized, 154,396,755 shares and 154,371,538 shares outstanding at June 30, 2019 and December 31, 2018, respectively	1,543	1,543
Additional paid-in capital	3,450,155	3,524,502
Accumulated other comprehensive income	1,279	17,501
Accumulated deficit	(31,355)	—
Total Hudson Pacific Properties, Inc. stockholders' equity	3,421,622	3,543,546
Non-controlling interest—members in consolidated entities	268,158	268,246
Non-controlling interest—units in the operating partnership	18,999	18,338
Total equity	3,708,779	3,830,130
TOTAL LIABILITIES AND EQUITY	\$ 7,486,666	\$ 7,070,879

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

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES				
Office				
Rental (Note 2)	\$ 172,256	\$ 129,732	\$ 342,453	\$ 259,814
Tenant recoveries (Note 2)	—	21,960	—	42,864
Service revenues (Note 2)	6,791	6,858	12,452	12,404
Total office revenues	179,047	158,550	354,905	315,082
Studio				
Rental (Note 2)	14,521	10,708	26,915	21,091
Tenant recoveries (Note 2)	—	500	—	854
Service revenues and other (Note 2)	3,088	5,411	12,225	12,260
Total studio revenues	17,609	16,619	39,140	34,205
Total revenues	196,656	175,169	394,045	349,287
OPERATING EXPENSES				
Office operating expenses	60,896	53,940	121,711	107,180
Studio operating expenses	9,539	8,539	20,648	18,203
General and administrative	18,344	16,203	36,438	31,767
Depreciation and amortization	69,606	60,706	138,111	121,259
Total operating expenses	158,385	139,388	316,908	278,409
OTHER (EXPENSE) INCOME				
Loss from unconsolidated real estate investments	(85)	—	(85)	—
Interest expense	(26,552)	(19,331)	(50,902)	(39,834)
Interest income	1,008	66	2,032	75
Transaction-related expenses	—	—	(128)	(118)
Other income	181	319	75	723
Unrealized gain on non-real estate investment	—	928	—	928
Gains on sale of real estate	—	1,928	—	39,602
Impairment loss	—	—	(52,201)	—
Total other (expense) income	(25,448)	(16,090)	(101,209)	1,376
Net income (loss)	12,823	19,691	(24,072)	72,254
Net income attributable to preferred units	(153)	(153)	(306)	(312)
Net income attributable to participating securities	(48)	(110)	(356)	(437)
Net income attributable to non-controlling interest in consolidated real estate entities	(3,317)	(3,167)	(6,138)	(6,490)
Net loss attributable to redeemable non-controlling interest in consolidated real estate entities	558	—	1,158	—
Net (income) loss attributable to non-controlling interest in the operating partnership	(77)	(59)	108	(236)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 9,786	\$ 16,202	\$ (29,606)	\$ 64,779
BASIC AND DILUTED PER SHARE AMOUNTS				
Net income (loss) attributable to common stockholders—basic	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.42
Net income (loss) attributable to common stockholders—diluted	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.41
Weighted average shares of common stock outstanding—basic	154,384,586	155,636,636	154,390,340	155,631,375
Weighted average shares of common stock outstanding—diluted	154,687,261	156,590,227	154,390,340	156,563,966

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

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 12,823	\$ 19,691	\$ (24,072)	\$ 72,254
Currency translation adjustments	1,315	—	1,315	—
Net unrealized (losses) gains on derivative instruments:				
Unrealized (losses) gains	(7,937)	4,185	(13,891)	13,726
Reclassification adjustment for realized gains	(1,838)	(701)	(3,748)	(729)
	(9,775)	3,484	(17,639)	12,997
Total other comprehensive (loss) income	(8,460)	3,484	(16,324)	12,997
Comprehensive income (loss)	4,363	23,175	(40,396)	85,251
Comprehensive income attributable to preferred units	(153)	(153)	(306)	(312)
Comprehensive income attributable to participating securities	(48)	(133)	(356)	(524)
Comprehensive income attributable to non-controlling interest in consolidated real estate entities	(3,317)	(3,167)	(6,138)	(6,490)
Comprehensive loss attributable to redeemable non-controlling interest in consolidated real estate entities	558	—	1,158	—
Comprehensive (income) loss attributable to non-controlling interest in the operating partnership	(12)	(72)	210	(283)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 1,391	\$ 19,650	\$ (45,828)	\$ 77,642

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

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the three and six months ended June 30, 2018
(unaudited, in thousands, except share data)

	Hudson Pacific Properties, Inc. Stockholders' Equity					Non-controlling interest		Total Equity
	Shares of Common Stock	Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Units in the Operating Partnership	Members in Consolidated Entities	
Balance at March 31, 2018	155,626,055	\$ 1,556	\$ 3,625,673	\$ 9,500	\$ 22,936	\$ 15,644	\$ 263,556	\$ 3,938,865
Distributions	—	—	—	—	—	—	(1,028)	(1,028)
Proceeds from sale of common stock, net of underwriters' discount and transaction costs	—	—	(34)	—	—	—	—	(34)
Issuance of unrestricted stock	21,678	—	—	—	—	—	—	—
Declared dividend	—	—	(13,364)	(25,812)	—	(178)	—	(39,354)
Amortization of stock-based compensation	—	—	3,558	—	—	1,019	—	4,577
Net income	—	—	—	16,312	—	59	3,167	19,538
Other comprehensive gain	—	—	—	—	3,471	13	—	3,484
Balance, June 30, 2018	155,647,733	\$ 1,556	\$ 3,615,833	\$ —	\$ 26,407	\$ 16,557	\$ 265,695	\$ 3,926,048
Balance at December 31, 2017	155,602,508	\$ 1,556	\$ 3,622,988	\$ —	\$ 13,227	\$ 14,591	\$ 258,602	\$ 3,910,964
Cumulative adjustment related to adoption of ASU 2017-12	—	—	—	(231)	230	1	—	—
Contributions	—	—	—	—	—	—	2,691	2,691
Distributions	—	—	—	—	—	—	(2,088)	(2,088)
Proceeds from sale of common stock, net of underwriters' discount and transaction costs	—	—	(207)	—	—	—	—	(207)
Issuance of unrestricted stock	65,578	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholding	(20,353)	—	(693)	—	—	—	—	(693)
Declared dividend	—	—	(13,364)	(64,985)	—	(356)	—	(78,705)
Amortization of stock-based compensation	—	—	7,109	—	—	2,038	—	9,147
Net income	—	—	—	65,216	—	236	6,490	71,942
Other comprehensive gain	—	—	—	—	12,950	47	—	12,997
Balance at June 30, 2018	155,647,733	\$ 1,556	\$ 3,615,833	\$ —	\$ 26,407	\$ 16,557	\$ 265,695	\$ 3,926,048

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

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the three and six months ended June 30, 2019
(unaudited, in thousands, except share data)

	Hudson Pacific Properties, Inc. Stockholders' Equity					Non-controlling interest		
	Shares of Common Stock	Stock Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Units in the Operating Partnership	Members in Consolidated Entities	Total Equity
Balance at March 31, 2019	154,373,581	\$ 1,543	\$ 3,485,307	\$ (41,189)	\$ 9,674	\$ 17,870	\$ 267,039	\$ 3,740,244
Distributions	—	—	—	—	—	—	(2,198)	(2,198)
Issuance of unrestricted stock	23,174	—	—	—	—	—	—	—
Declared dividend	—	—	(38,789)	—	—	(348)	—	(39,137)
Amortization of stock-based compensation	—	—	3,637	—	—	1,465	—	5,102
Net income	—	—	—	9,834	—	77	3,317	13,228
Other comprehensive loss	—	—	—	—	(8,395)	(65)	—	(8,460)
Balance at June 30, 2019	154,396,755	\$ 1,543	\$ 3,450,155	\$ (31,355)	\$ 1,279	\$ 18,999	\$ 268,158	\$ 3,708,779
Balance at December 31, 2018	154,371,538	\$ 1,543	\$ 3,524,502	\$ —	\$ 17,501	\$ 18,338	\$ 268,246	\$ 3,830,130
Cumulative adjustment related to adoption of ASC 842	—	—	—	(2,105)	—	—	—	(2,105)
Distributions	—	—	—	—	—	—	(6,226)	(6,226)
Issuance of unrestricted stock	152,097	1	(1)	—	—	—	—	—
Shares withheld to satisfy tax withholding	(126,880)	(1)	(3,667)	—	—	—	—	(3,668)
Declared dividend	—	—	(78,030)	—	—	(1,534)	—	(79,564)
Amortization of stock-based compensation	—	—	7,351	—	—	2,930	—	10,281
Net (loss) income	—	—	—	(29,250)	—	(108)	6,138	(23,220)
Other comprehensive loss	—	—	—	—	(16,222)	(102)	—	(16,324)
Redemption of common units in the operating partnership	—	—	—	—	—	(525)	—	(525)
Balance at June 30, 2019	154,396,755	\$ 1,543	\$ 3,450,155	\$ (31,355)	\$ 1,279	\$ 18,999	\$ 268,158	\$ 3,708,779

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

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

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (24,072)	\$ 72,254
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	138,111	121,259
Non-cash portion of interest expense	3,034	3,093
Amortization of stock-based compensation	10,217	8,627
Loss from unconsolidated real estate investment	85	—
Straight-line rents	(28,469)	(17,879)
Straight-line rent expenses	731	262
Amortization of above- and below-market leases, net	(7,109)	(7,042)
Amortization of above- and below-market ground leases, net	1,230	1,216
Amortization of lease incentive costs	769	687
Other non-cash adjustments	(89)	(114)
Impairment loss	52,201	—
Gains on sale of real estate	—	(39,602)
Change in operating assets and liabilities:		
Accounts receivable	(99)	(3,057)
Deferred leasing costs and lease intangibles	(16,777)	(21,835)
Prepaid expenses and other assets	(5,081)	(3,250)
Accounts payable, accrued liabilities and other	27,933	(12,666)
Security deposits and prepaid rent	(6,899)	566
Net cash provided by operating activities	145,716	102,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment in real estate	(189,273)	(185,031)
Property acquisitions	—	(30,166)
Maturities of U.S. Government securities	4,185	—
Proceeds from sale of real estate	—	250,199
Contributions to unconsolidated entities	(64,448)	—
Deposits for property acquisitions	(20,500)	(27,500)
Net cash (used in) provided by investing activities	(270,036)	7,502
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unsecured and secured debt	695,001	250,000
Payments of unsecured and secured debt	(485,283)	(308,660)
Payments of in-substance defeased debt	(1,587)	—
Proceeds from issuance of common stock, net	—	(207)
Repurchase of common units in the operating partnership	(525)	—
Redemption of series A preferred units	—	(362)
Dividends paid to common stock and unitholders	(79,564)	(78,705)
Dividends paid to preferred unitholders	(306)	(312)
Contribution of redeemable non-controlling member in consolidated real estate entities	2,941	—
Distribution of redeemable non-controlling member in consolidated real estate entities	(7)	—
Contribution of non-controlling member in consolidated real estate entities	—	2,691
Distribution to non-controlling member in consolidated real estate entities	(6,226)	(2,088)
Payments to satisfy tax withholding	(3,668)	(693)
Payment of loan costs, net loan premium paid	(3,100)	(6,978)
Net cash provided by (used in) financing activities	117,676	(145,314)
Net decrease in cash and cash equivalents and restricted cash	(6,644)	(35,293)
Cash and cash equivalents and restricted cash—beginning of period	68,191	101,280
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—END OF PERIOD	\$ 61,547	\$ 65,987

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

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ITEM 1. FINANCIAL STATEMENTS OF HUDSON PACIFIC PROPERTIES, L.P.

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Investment in real estate, at cost	\$ 7,088,508	\$ 7,059,537
Accumulated depreciation and amortization	(792,485)	(695,631)
Investment in real estate, net	6,296,023	6,363,906
Cash and cash equivalents	48,172	53,740
Restricted cash	13,375	14,451
Accounts receivable, net	13,805	14,004
Straight-line rent receivables, net	170,928	142,369
Deferred leasing costs and lease intangible assets, net	299,250	279,896
U.S. Government securities	142,761	146,880
Operating lease right-of-use asset	270,943	—
Prepaid expenses and other assets, net	66,074	55,633
Investment in unconsolidated real estate entity	65,495	—
Assets associated with real estate held for sale	99,840	—
TOTAL ASSETS	\$ 7,486,666	\$ 7,070,879
LIABILITIES AND CAPITAL		
Liabilities		
Unsecured and secured debt, net	\$ 2,834,785	\$ 2,623,835
In-substance defeased debt	136,636	138,223
Joint venture partner debt	66,136	66,136
Accounts payable, accrued liabilities and other	241,990	175,300
Operating lease liability	273,883	—
Lease intangible liabilities, net	37,833	45,612
Security deposits and prepaid rent	61,788	68,687
Liabilities associated with real estate held for sale	104	—
Total liabilities	3,653,155	3,117,793
Capital		
Redeemable preferred units of the operating partnership	9,815	9,815
Redeemable non-controlling interest in consolidated real estate entities	114,917	113,141
Hudson Pacific Properties, L.P. partners' capital		
Common units, 155,117,528 and 154,940,583 issued and outstanding at June 30, 2019 and December 31, 2018, respectively.	3,439,380	3,544,319
Accumulated other comprehensive income	1,241	17,565
Total Hudson Pacific Properties, L.P. partners' capital	3,440,621	3,561,884
Non-controlling interest—members in consolidated entities	268,158	268,246
Total capital	3,708,779	3,830,130
TOTAL LIABILITIES AND CAPITAL	\$ 7,486,666	\$ 7,070,879

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES				
Office				
Rental (Note 2)	\$ 172,256	\$ 129,732	\$ 342,453	\$ 259,814
Tenant recoveries (Note 2)	—	21,960	—	42,864
Service revenues (Note 2)	6,791	6,858	12,452	12,404
Total office revenues	179,047	158,550	354,905	315,082
Studio				
Rental (Note 2)	14,521	10,708	26,915	21,091
Tenant recoveries (Note 2)	—	500	—	854
Service revenues and other (Note 2)	3,088	5,411	12,225	12,260
Total studio revenues	17,609	16,619	39,140	34,205
Total revenues	196,656	175,169	394,045	349,287
OPERATING EXPENSES				
Office operating expenses	60,896	53,940	121,711	107,180
Studio operating expenses	9,539	8,539	20,648	18,203
General and administrative	18,344	16,203	36,438	31,767
Depreciation and amortization	69,606	60,706	138,111	121,259
Total operating expenses	158,385	139,388	316,908	278,409
OTHER (EXPENSE) INCOME				
Loss from unconsolidated real estate investments	(85)	—	(85)	—
Interest expense	(26,552)	(19,331)	(50,902)	(39,834)
Interest income	1,008	66	2,032	75
Transaction-related expenses	—	—	(128)	(118)
Other income	181	319	75	723
Unrealized gain on non-real estate investment	—	928	—	928
Gains on sale of real estate	—	1,928	—	39,602
Impairment loss	—	—	(52,201)	—
Total other (expense) income	(25,448)	(16,090)	(101,209)	1,376
Net income (loss)	12,823	19,691	(24,072)	72,254
Net income attributable to non-controlling interest in consolidated real estate entities	(3,317)	(3,167)	(6,138)	(6,490)
Net loss attributable to redeemable non-controlling interest in consolidated real estate entities	558	—	1,158	—
Net income (loss) attributable to Hudson Pacific Properties, L.P.	10,064	16,524	(29,052)	65,764
Net income attributable to preferred units	(153)	(153)	(306)	(312)
Net income attributable to participating securities	(48)	(110)	(356)	(437)
NET INCOME (LOSS) AVAILABLE TO COMMON UNITHOLDERS	\$ 9,863	\$ 16,261	\$ (29,714)	\$ 65,015
BASIC AND DILUTED PER UNIT AMOUNTS				
Net income (loss) attributable to common unitholders—basic	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.42
Net income (loss) attributable to common unitholders—diluted	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.41
Weighted average shares of common units outstanding—basic	155,105,359	156,205,681	155,047,979	156,198,825
Weighted average shares of common units outstanding—diluted	156,175,004	157,159,272	155,047,979	157,131,416

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 12,823	\$ 19,691	\$ (24,072)	\$ 72,254
Currency translation adjustment	1,315	—	1,315	—
Net unrealized (losses) gains on derivative instruments:				
Unrealized (losses) gains	(7,937)	4,185	(13,891)	13,726
Reclassification adjustment for realized gains	(1,838)	(701)	(3,748)	(729)
	(9,775)	3,484	(17,639)	12,997
Total other comprehensive (loss) income	(8,460)	3,484	(16,324)	12,997
Comprehensive income (loss)	4,363	23,175	(40,396)	85,251
Comprehensive income attributable to preferred units	(153)	(153)	(306)	(312)
Comprehensive income attributable to participating securities	(48)	(133)	(356)	(524)
Comprehensive income attributable to non-controlling interest in consolidated real estate entities	(3,317)	(3,167)	(6,138)	(6,490)
Comprehensive loss attributable to redeemable non-controlling interest in consolidated real estate entities	558	—	1,158	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO PARTNERS' CAPITAL	\$ 1,403	\$ 19,722	\$ (46,038)	\$ 77,925

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF CAPITAL
For the three and six months ended June 30, 2018
(unaudited, in thousands, except share data)

Hudson Pacific Properties, L.P. Partners' Capital						
	Number of Common Units	Common Units	Accumulated Other Comprehensive Income	Total Partners' Capital	Non-controlling Interest —Members in Consolidated Entities	Total Capital
Balance at March 31, 2018	156,195,100	\$ 3,652,289	\$ 23,020	\$ 3,675,309	\$ 263,556	\$ 3,938,865
Distributions	—	—	—	—	(1,028)	(1,028)
Proceeds from sale of common units, net of underwriters' discount and transaction costs	—	(34)	—	(34)	—	(34)
Issuance of unrestricted units	21,678	—	—	—	—	—
Declared distributions	—	(39,354)	—	(39,354)	—	(39,354)
Amortization of unit-based compensation	—	4,577	—	4,577	—	4,577
Net income	—	16,371	—	16,371	3,167	19,538
Other comprehensive gain	—	—	3,484	3,484	—	3,484
Balance at June 30, 2018	156,216,778	\$ 3,633,849	\$ 26,504	\$ 3,660,353	\$ 265,695	\$ 3,926,048
Balance at December 31, 2017	156,171,553	\$ 3,639,086	\$ 13,276	\$ 3,652,362	\$ 258,602	\$ 3,910,964
Cumulative adjustment related to adoption of ASU 2017-12	—	(231)	231	—	—	—
Contributions	—	—	—	—	2,691	2,691
Distributions	—	—	—	—	(2,088)	(2,088)
Proceeds from sale of common units, net of underwriters' discount and transaction costs	—	(207)	—	(207)	—	(207)
Issuance of unrestricted units	65,578	—	—	—	—	—
Units withheld to satisfy tax withholding	(20,353)	(693)	—	(693)	—	(693)
Declared distributions	—	(78,705)	—	(78,705)	—	(78,705)
Amortization of unit-based compensation	—	9,147	—	9,147	—	9,147
Net income	—	65,452	—	65,452	6,490	71,942
Other comprehensive gain	—	—	12,997	12,997	—	12,997
Balance at June 30, 2018	156,216,778	\$ 3,633,849	\$ 26,504	\$ 3,660,353	\$ 265,695	\$ 3,926,048

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF CAPITAL
(unaudited, in thousands, except unit data)
For the three and six months ended June 30, 2019

	Hudson Pacific Properties, L.P. Partners' Capital					
	Number of Common Units	Common Units	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital	Non-controlling Interest —Members in Consolidated Entities	Total Capital
Balance at March 31, 2019	155,094,354	\$ 3,463,504	\$ 9,701	\$ 3,473,205	\$ 267,039	\$ 3,740,244
Distributions	—	—	—	—	(2,198)	(2,198)
Issuance of unrestricted units	23,174	—	—	—	—	—
Declared distributions	—	(39,137)	—	(39,137)	—	(39,137)
Amortization of unit-based compensation	—	5,102	—	5,102	—	5,102
Net income	—	9,911	—	9,911	3,317	13,228
Other comprehensive loss	—	—	(8,460)	(8,460)	—	(8,460)
Balance at June 30, 2019	155,117,528	\$ 3,439,380	\$ 1,241	\$ 3,440,621	\$ 268,158	\$ 3,708,779
Balance at December 31, 2018	154,940,583	\$ 3,544,319	\$ 17,565	\$ 3,561,884	\$ 268,246	\$ 3,830,130
Cumulative adjustment related to adoption of ASC 842	—	(2,105)	—	(2,105)	—	(2,105)
Distributions	—	—	—	—	(6,226)	(6,226)
Issuance of unrestricted units	321,901	—	—	—	—	—
Units withheld to satisfy tax withholding	(126,880)	(3,668)	—	(3,668)	—	(3,668)
Declared distributions	—	(79,564)	—	(79,564)	—	(79,564)
Amortization of unit-based compensation	—	10,281	—	10,281	—	10,281
Net (loss) income	—	(29,358)	—	(29,358)	6,138	(23,220)
Other comprehensive loss	—	—	(16,324)	(16,324)	—	(16,324)
Redemption of common units	(18,076)	(525)	—	(525)	—	(525)
Balance at June 30, 2019	155,117,528	\$ 3,439,380	\$ 1,241	\$ 3,440,621	\$ 268,158	\$ 3,708,779

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (24,072)	\$ 72,254
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	138,111	121,259
Non-cash portion of interest expense	3,034	3,093
Amortization of unit-based compensation	10,217	8,627
Loss from unconsolidated real estate investment	85	—
Straight-line rents	(28,469)	(17,879)
Straight-line rent expenses	731	262
Amortization of above- and below-market leases, net	(7,109)	(7,042)
Amortization of above- and below-market ground leases, net	1,230	1,216
Amortization of lease incentive costs	769	687
Other non-cash adjustments	(89)	(114)
Impairment loss	52,201	—
Gains on sale of real estate	—	(39,602)
Change in operating assets and liabilities:		
Accounts receivable	(99)	(3,057)
Deferred leasing costs and lease intangibles	(16,777)	(21,835)
Prepaid expenses and other assets	(5,081)	(3,250)
Accounts payable and accrued liabilities and other	27,933	(12,666)
Security deposits and prepaid rent	(6,899)	566
Net cash provided by operating activities	145,716	102,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment in real estate	(189,273)	(185,031)
Property acquisitions	—	(30,166)
Maturities of U.S. Government securities	4,185	—
Proceeds from sale of real estate	—	250,199
Contributions to unconsolidated entities	(64,448)	—
Deposits for property acquisitions	(20,500)	(27,500)
Net cash (used in) provided by investing activities	(270,036)	7,502
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unsecured and secured debt	695,001	250,000
Payments of unsecured and secured debt	(485,283)	(308,660)
Payments of in-substance defeased debt	(1,587)	—
Proceeds from issuance of common units, net	—	(207)
Repurchase of common units in the operating partnership	(525)	—
Redemption of series A preferred units	—	(362)
Distributions paid to common stock and unitholders	(79,564)	(78,705)
Distributions paid to preferred unitholders	(306)	(312)
Contribution of redeemable non-controlling member in consolidated real estate entities	2,941	—
Distribution of redeemable non-controlling member in consolidated real estate entities	(7)	—
Contribution of non-controlling member in consolidated real estate entities	—	2,691
Distribution to non-controlling member in consolidated real estate entities	(6,226)	(2,088)
Payments to satisfy tax withholding	(3,668)	(693)
Payment of loan costs, net loan premium paid	(3,100)	(6,978)
Net cash provided by (used in) financing activities	117,676	(145,314)
Net decrease in cash and cash equivalents and restricted cash	(6,644)	(35,293)
Cash and cash equivalents and restricted cash—beginning of period	68,191	101,280
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—END OF PERIOD	\$ 61,547	\$ 65,987

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

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

1. Organization

Hudson Pacific Properties, Inc. is a Maryland corporation formed on November 9, 2009 as a fully integrated, self-administered and self-managed real estate investment trust (“REIT”). Through its controlling interest in the operating partnership and its subsidiaries, Hudson Pacific Properties, Inc. owns, manages, leases, acquires and develops real estate, consisting primarily of office and studio properties. Unless otherwise indicated or unless the context requires otherwise, all references in these financial statements to “the Company” refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

The Company’s portfolio consists of properties located throughout Northern and Southern California, the Pacific Northwest and Western Canada. The following table summarizes the Company’s portfolio as of June 30, 2019:

Segments	Number of Properties	Square Feet (unaudited)
Consolidated portfolio		
Office	52	13,866,807
Studios	3	1,224,403
Total consolidated portfolio	55	15,091,210
Unconsolidated office ⁽¹⁾	1	1,455,007
TOTAL ⁽²⁾	56	16,546,217

- The Company purchased, through a co-ownership agreement with an affiliate of Blackstone Property Partners Lower Fund 1 LP (“Blackstone”), the Bentall Centre property located in Vancouver, Canada. The Company owns 20% of this joint venture. The square footage shown above represents 100% of the property. For further detail regarding the Bentall Centre property, see Note 4.
- Includes redevelopment, development and held for sale properties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company and the operating partnership are prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to the Securities and Exchange Commission (“SEC”) rules and regulations. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented. References to number of properties and square feet are not covered by the auditor’s review procedures.

The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2019. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements in the 2018 Annual Report on Form 10-K of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. and the notes thereto.

Principles of Consolidation

The unaudited interim consolidated financial statements of the Company include the accounts of the Company, the operating partnership and all wholly owned and controlled subsidiaries. The consolidated financial statements of the operating partnership include the accounts of the operating partnership and all wholly owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Under the consolidation guidance, the Company first evaluates an entity using the variable interest model, then the voting model. The Company ultimately consolidates all entities that the Company controls through either majority ownership or voting rights, including all variable interest entities (“VIEs”) of which the Company is considered the primary beneficiary. The Company

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

accounts for all other unconsolidated joint ventures using the equity method of accounting. In addition, the Company continually evaluates each legal entity that is not wholly owned for reconsideration based on changing circumstances.

VIEs are defined as entities in which equity investors do not have:

- the characteristics of a controlling financial interest;
- sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; and/or
- the entity is structured with non-substantive voting rights.

The entity that consolidates a VIE is known as its primary beneficiary and is generally the entity with both the power to direct the activities that most significantly affect the VIE's economic performance and the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. As of June 30, 2019, the Company has determined its operating partnership and six joint ventures met the definition of a VIE. Four of the joint ventures are consolidated and two of the joint ventures are unconsolidated.

Consolidated Joint Ventures

As of June 30, 2019, the operating partnership has determined that four of its joint ventures met the definition of a VIE and are consolidated:

Entity	Property	Ownership Interest
Hudson 1455 Market, L.P.	1455 Market	55.0 %
Hudson 1099 Stewart, L.P.	Hill7	55.0 %
HPP-MAC WSP, LLC	One Westside and 10850 Pico	75.0 %
Hudson One Ferry REIT, L.P.	Ferry Building	55.0 %

As of June 30, 2019 and December 31, 2018, the Company has determined that its operating partnership met the definition of a VIE and is consolidated.

Substantially all of the assets and liabilities of the Company are related to the operating partnership VIE.

Unconsolidated Joint Ventures

As of June 30, 2019, the Company has determined it is not the primary beneficiary of two joint ventures. Due to its significant influence over the unconsolidated entities, the Company accounts for the entities using the equity method of accounting. Under the equity method, the Company initially records the investment at cost and subsequently adjusts for equity in earnings or losses and cash contributions and distributions.

On June 5, 2019, the Company purchased, through a co-ownership agreement with Blackstone, the Bentall Centre property located in Vancouver, Canada. The joint venture property-owning entity is structured as a tenancy in common under applicable tax laws. The Company owns 20% of this joint venture and serves as the operating partner. The Company's net equity investment of this unconsolidated entity is reflected within investment in unconsolidated real estate entity on the Consolidated Balance Sheets. The Company's share of net income or loss from the entity is included within loss from unconsolidated real estate investments on the Consolidated Statements of Operations. Refer to note 4 for details.

On June 16, 2016, the Company entered into a joint venture to co-originate a loan secured by land in Santa Clara, California. The Company owns 21% of the unconsolidated non-real estate entity. The Company's net equity investment in the unconsolidated joint venture was \$86 thousand as of June 30, 2019 and December 31, 2018, which is reflected within prepaid expenses and other assets, net on the Consolidated Balance Sheets.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

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. On an ongoing basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties, determining the incremental borrowing rate used in the present value calculations of its new or modified operating lessee agreements, its accrued liabilities and its performance-based equity compensation awards. The Company bases its estimates on historical experience, current market conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates.

Lease Accounting

In February 2016, the FASB issued guidance codified in ASC 842, Leases ("ASC 842"), which amends the guidance in former ASC 840, Leases ("ASC 840"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors). The new standard increases transparency and comparability most significantly by requiring the recognition by lessees of right-of-use ("ROU") assets and lease liabilities on the balance sheet for those leases classified as operating leases. The Company adopted ASC 842 on January 1, 2019 using the modified retrospective transition approach that must be applied for leases that exist or are entered into after January 1, 2019.

ASC 842 requires companies to identify lease and non-lease components of a lease agreement. Lease components relate to the right to use the leased asset whereas non-lease components relate to payments for goods or services that are transferred separately from the right to use the underlying asset.

ASC 842 provides transition practical expedients that must be elected together that allows relief from the requirement to (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases that are in effect as of the date of adoption. The guidance also permits an entity to elect a practical expedient that provides relief from the requirement to assess whether an existing or expired land easement that was not previously accounted for as a lease under ASC 840 is considered in a lease under ASC 842. For lessors, the guidance provides for a practical expedient, by class of underlying asset, to elect a combined single lease component presentation if (i) the timing and pattern of the transfer of the combined single lease component is the same, and (ii) the related lease component, if accounted for separately, would be classified as an operating lease.

The Company elected the practical expedients above. The lessor practical expedient to combine lease and non-lease components was elected only for the Company's leases related to the office properties. For the Company's studio properties, the timing and pattern of the transfer of the lease components and non-lease components for studio properties are not the same and therefore the Company could not elect this practical expedient for the Company's studio properties. The standalone selling price related to the studio non-lease components is readily available and does not require estimates.

Lessee Accounting

The Company determines if an arrangement is a lease at inception. The Company's operating lease agreements relate to ground lease assets and are reflected in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date, or the date of the ASC 842 adoption, in determining the present value of lease payments. The weighted average incremental borrowing rate used to calculate the ROU assets and liabilities was 5.7%. ROU assets also include any lease payments made and exclude lease incentives. Many of the Company's lessee agreements include options to extend the lease, which we do not include in its minimum lease terms unless the option is reasonably certain to be exercised. Rental expense for lease

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

payments related to operating leases is recognized on a straight-line basis over the lease term. The weighted average remaining lease term, as of June 30, 2019, was 32 years.

Lessor Accounting

As a lessor, the Company's recognition of revenue remained consistent with previous guidance, apart from the narrower definition of initial direct costs that can be capitalized. With the election of the lessor practical expedient, the presentation of revenues on the Consolidated Statement of Operations has changed to reflect a single lease component that combines rental, tenant recoveries, and other tenant-related revenues for the office portfolio. For the Company's rentals at the studio properties, total lease consideration is allocated to lease and non-lease components on a relative standalone basis. The recognition of revenues related to lease components is governed by ASC 842, while revenue related to non-lease components is be subject to ASC 606, Revenue from Contracts with Customers ("ASC 606").

The new standard defines initial direct costs as only the incremental costs of signing a lease. Internal direct compensation costs and external legal fees related to the execution of successful lease agreements that no longer meet the definition of initial direct costs under ASC 842 are accounted for as office operating expense or studio operating expense in the Company's Consolidated Statements of Operations. Additionally, the Company may elect the practical expedients only for leases that have commenced before the effective date of the adoption of ASC 842. As a result of the adoption, the Company recognized \$1.8 million as a cumulative adjustment to accumulated deficit for costs associated with leases that have not commenced as of January 1, 2019, that were previously capitalized and no longer meet the definition of initial direct costs in accordance with ASC 842. The Company recognized \$0.3 million as cumulative adjustments to accumulated deficit related to other transition adjustments.

Revenue Recognition

The Company has compiled an inventory of its sources of revenues and has identified the following material revenue streams: (i) rental revenues (ii) tenant recoveries and other tenant-related revenues (iii) ancillary revenues (iv) guest parking revenues and (v) sale of real estate.

Revenue Stream	Components	Financial Statement Location ⁽¹⁾
Rental revenues	Office rentals, stage rentals and storage rentals	Office and studio segments: rental
Tenant recoveries and other tenant-related revenues	Reimbursement of real estate taxes, insurance, repairs and maintenance, other operating expenses and must-take parking revenues	Office segment: rental Studio segment: rental and service revenue and other
Ancillary revenues	Revenues derived from tenants' use of lighting, equipment rental, power, HVAC and telecommunications (i.e., telephone and internet)	Studio segment: service revenue and other
Guest parking revenues	Parking revenue that is not associated with lease agreements	Office segment: service revenue Studio segment: service revenue and other
Sale of real estate	Gains on sales derived from cash consideration less cost basis	Gains on sale of real estate

1. The financial statement locations stated above are for the six months ended June 30, 2019, after the adoption of ASC 842, and do not reflect the locations for the six months ended June 30, 2018.

The Company's 2018 rental revenues are accounted for under ASC 840. The Company continues to recognize rental revenue from tenants on a straight-line basis over the lease term when collectability is probable and the tenant has taken possession of or controls the physical use of the leased asset.

The Company recognizes tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period during which 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.

Other tenant-related revenues includes parking stipulated in lease agreements as must-take parking rentals. These revenues are recognized over the term of the lease.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

Ancillary revenues and guest parking revenues have been accounted for under ASC 606 since the Company adopted this standard on January 1, 2018. These revenues have single performance obligations and are recognized at the point in time when services are rendered.

The following table summarizes the Company's revenue streams that are accounted for under ASC 606:

	Three Months Ended June 30,		Six Month Ended June 30,	
	2019	2018	2019	2018
Ancillary revenues	\$ 3,882	\$ 4,086	\$ 11,968	\$ 9,406
Guest parking revenues	\$ 5,267	\$ 5,861	\$ 11,714	\$ 11,274
Studio related tenant recoveries ⁽¹⁾	\$ 720	N/A	\$ 995	N/A

1. Studio related tenant recoveries are accounted for under ASC 606 effective January 1, 2019.

The following table summarizes the Company's receivables that are accounted for under ASC 606:

	June 30, 2019	December 31, 2018
Ancillary revenues	\$ 967	\$ 3,752
Guest parking revenues	\$ 1,292	\$ 959
Studio related tenant recoveries ⁽¹⁾	\$ 14	N/A

1. Studio related tenant recoveries are accounted for under ASC 606 effective January 1, 2019.

In regards to sale of real estate, the Company applies certain recognition and measurement principles in accordance with ASC 606. The Company is required to evaluate the sales of real estate based on transfer of control. If a real estate sale contract includes ongoing involvement by the seller with the sold property, the seller must evaluate each promised good or service under the contract to determine whether it represents a performance obligation, constitutes a guarantee or prevents the transfer of control. The timing and pattern of revenue recognition might change as it relates to gains on sale of real estate if the sale includes continued involvement that represents a separate performance obligation.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Update ("ASU"). The following ASUs were adopted by the Company in 2019:

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2016-02, Leases (Topic 842)	Issued on February 5, 2016, ASU 2016-02 amends the accounting guidance for leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors).	The Company adopted ASC 842 during the first quarter of 2019 using the modified retrospective transition method with a cumulative adjustment to accumulated deficit. Refer to Lease Accounting section above for details.
ASU 2019-01, Leases (Topic 842): Codification Improvements		
ASU 2018-11, Leases (Topic 842): Targeted Improvements		
ASU 2018-10, Codification Improvements to Topic 842, Leases		
ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842	The amendments in this update permits use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the UST, the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the SIFMA Municipal Swap Rate.	The Company adopted this guidance during the first quarter of 2019 using the prospective approach. The adoption did not have an impact on the Consolidated Financial Statements since LIBOR is still in use, however, this is expected to have an impact in later periods once SOFR is adopted.
ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes		

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Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this Update also require certain disclosures about stranded tax effects.	The Company adopted this guidance during the first quarter of 2019 on a prospective basis. The adoption did not have an impact on the Consolidated Financial Statements.

Other Recently Issued ASUs

The Company considers the applicability and impact of all ASUs. The following table lists the recently issued ASUs that have not been disclosed in the Company's 2018 Annual Report on Form 10-K and have not been adopted by the Company. The list excludes those ASUs that are not expected to have a material impact on the Company's consolidated financial statements.

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief	The amendments in this update provide an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information.	For entities that have not yet adopted the amendments in Update 2016-13, the effective date and transition methodology for the amendments in this Update are the same as in Update 2016-13. Therefore, effective for fiscal years beginning after December 15 2019, including interim periods within those years.	The Company is currently evaluating the impact of this update.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	The FASB amended its standards on credit losses, hedging, and recognizing and measuring financial instruments to clarify them and address implementation issues.	Effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years.	The Company is currently evaluating the impact of this update.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments, which changes the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. The accounting standard will apply to our investments, U.S. Government securities and the Company's receivables related to service revenues. This standard applies to net investments in leases resulting from sales-type or direct financing leases recognized by a lessor and does not apply to the receivables arising from operating leases, which are accounted for under ASC 842. The accounting standard is effective for reporting periods beginning after December 15, 2019, with early adoption permitted, and will be applied as a cumulative adjustment to retained earnings as of the effective date. The effect on the Company's consolidated financial statements will largely depend on the composition and credit quality of our financial investments and the economic conditions at the time of adoption.

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3. Investment in Real Estate

The following table summarizes the Company's investment in real estate, at cost as of:

	June 30, 2019	December 31, 2018
Land	\$ 1,313,411	\$ 1,372,872
Building and improvements	4,968,626	4,991,770
Tenant improvements	569,976	510,217
Furniture and fixtures	9,573	9,320
Property under development	226,922	175,358
INVESTMENT IN REAL ESTATE, AT COST ⁽¹⁾	\$ 7,088,508	\$ 7,059,537

1. Excludes balances related to properties that have been classified as held for sale.

Acquisitions

On June 5, 2019, the Company purchased, through a joint venture with Blackstone, the Bentall Centre office properties and retail complex in Vancouver, Canada. This joint venture is an unconsolidated entity, please refer to Note 4 for details.

The Company had no acquisitions related to consolidated entities during the six months ended June 30, 2019.

Dispositions

The Company had no dispositions during the six months ended June 30, 2019.

Held for Sale

The Company had one property, Campus Center, classified as held for sale as of June 30, 2019. The property was identified as a non-strategic asset to the Company's portfolio and is included in the Company's office segment. The Campus Center property, which includes the office property and developable land, is being sold to two separate, unrelated buyers for a combined amount of \$148.4 million (before certain credits, prorations and closing costs). The office property was sold on July 24, 2019 and the developable land was sold on July 30, 2019. Refer to Note 22 for details. The Company did not have any properties classified as held for sale as of December 31, 2018.

The following table summarizes the components of assets and liabilities associated with real estate held for sale as of:

	June 30, 2019
ASSETS	
Investment in real estate, net	\$ 99,726
Prepaid expenses and other assets, net	114
ASSETS ASSOCIATED WITH REAL ESTATE HELD FOR SALE	\$ 99,840
LIABILITIES	
Accounts payable, accrued liabilities and other	\$ 104
LIABILITIES ASSOCIATED WITH REAL ESTATE HELD FOR SALE	\$ 104

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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, based on Level 1 or Level 2 inputs, less estimated costs to sell. The Company recorded \$52.2 million of impairment charges during the three months ended March 31, 2019 related to the Campus Center office property. The Company's estimated fair value was based on the sale price. The Company did not recognize additional impairment charges during the three months ended June 30, 2019. The Company did not recognize impairment charges during the six months ended June 30, 2018.

4. Investment in unconsolidated real estate entity

On June 5, 2019, the Company purchased, through a joint venture with Blackstone, the Bentall Centre office properties and retail complex in Vancouver, Canada. The Company owns 20% of this joint venture and serves as the operating partner.

The unconsolidated real estate entity's functional currency is the local currency. The Company has exposure to risks related to foreign currency fluctuations. The assets and liabilities are translated into U.S. dollars at the exchange rate in effect as of the financial statement date. Income statement accounts of our foreign subsidiaries are translated using the monthly-average exchange rate for the periods presented. Gains or losses resulting from the translation are classified in accumulated other comprehensive income (loss) as a separate component of total equity and are excluded from net income (loss).

The maximum exposure related to this unconsolidated joint venture is limited to our investment and \$96.2 million of debt which the Company has guaranteed.

5. Deferred Leasing Costs and Lease Intangibles, net

The following summarizes the Company's deferred leasing costs and lease intangibles as of:

	June 30, 2019	December 31, 2018
Deferred leasing costs and in-place lease intangibles	\$ 364,711	\$ 336,535
Accumulated amortization	(130,354)	(123,432)
Deferred leasing costs and in-place lease intangibles, net	234,357	213,103
Below-market ground leases	72,916	72,916
Accumulated amortization	(10,184)	(8,932)
Below-market ground leases, net	62,732	63,984
Above-market leases	8,047	8,425
Accumulated amortization	(5,886)	(5,616)
Above-market leases, net	2,161	2,809
DEFERRED LEASING COSTS AND LEASE INTANGIBLE ASSETS, NET	\$ 299,250	\$ 279,896
Below-market leases	\$ 91,546	\$ 101,736
Accumulated amortization	(54,610)	(57,043)
Below-market leases, net	36,936	44,693
Above-market ground leases	1,095	1,095
Accumulated amortization	(198)	(176)
Above-market ground leases, net	897	919
LEASE INTANGIBLE LIABILITIES, NET ⁽¹⁾	\$ 37,833	\$ 45,612

1. Excludes balances related to properties that have been classified as held for sale.

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The Company recognized the following amortization related to deferred leasing costs and lease intangibles:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Deferred leasing costs and in-place lease intangibles ⁽¹⁾	\$ (11,311)	\$ (11,423)	\$ (23,193)	\$ (23,119)
Below-market ground leases ⁽²⁾	\$ (626)	\$ (603)	\$ (1,252)	\$ (1,238)
Above-market leases ⁽³⁾	\$ (338)	\$ (409)	\$ (648)	\$ (883)
Below-market leases ⁽³⁾	\$ 3,268	\$ 3,640	\$ 7,757	\$ 7,925
Above-market ground leases ⁽²⁾	\$ 11	\$ 11	\$ 22	\$ 22

1. Amortization is recorded in depreciation and amortization expenses and office rental revenues in the Consolidated Statements of Operations.

2. Amortization is recorded in office operating expenses in the Consolidated Statements of Operations.

3. Amortization is recorded in rental revenues in the Consolidated Statements of Operations.

6. Receivables

The Company's accounting policy and methodology used to estimate the allowance for doubtful accounts related to service revenues are discussed in the Company's 2018 Annual Report on Form 10-K.

The Company's accounting policy and methodology used to assess collectability related to rental revenues changed on January 1, 2019 when the Company adopted ASC 842. The guidance requires the Company to assess, at lease commencement and subsequently, collectability from its tenants of future lease payments. If the Company determines collectability is not probable, it recognizes an adjustment to lower income from rentals, whereas previously the Company recognized bad debt expense.

Accounts Receivable

As of June 30, 2019, accounts receivable was \$13.8 million and there was an allowance for doubtful accounts of \$26 thousand. As of December 31, 2018, accounts receivable was \$16.5 million and there was an allowance for doubtful accounts of \$2.5 million.

Straight-Line Rent Receivable

As of June 30, 2019, straight-line rent receivable was \$170.9 million and there was no allowance for doubtful accounts. As of December 31, 2018, straight-line rent receivables was \$142.4 million and there was no allowance for doubtful accounts.

7. Prepaid Expenses and Other Assets, net

The following table summarizes the Company's prepaid expenses and other assets, net as of:

	June 30, 2019	December 31, 2018
Deposits for future acquisitions ⁽¹⁾	\$ 20,500	\$ —
Goodwill	8,754	8,754
Non-real estate investments	4,637	2,713
Derivative assets	2,023	16,687
Other	30,160	27,479
PREPAID EXPENSES AND OTHER ASSETS, NET ⁽²⁾	\$ 66,074	\$ 55,633

1. In the first quarter of 2019, the Company entered into an agreement to purchase the condominium rights to build a fully entitled office development Washington 1000, adjacent to the Washington State Convention Center addition, for \$86.0 million (before credits, prorations and closing costs) and paid a \$20.5 million non-refundable deposit. The remaining \$65.5 million is a future commitment expected to be settled in 2021.

2. Excludes balances related to properties that have been classified as held for sale.

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Goodwill

No goodwill impairment indicators have been identified during the six months ended June 30, 2019.

Non-Real Estate Investments

The Company holds investments in entities that do not report NAV. The Company marks these investments to fair value based on Level 2 inputs, whenever fair value is readily available or observable. Changes in fair value are included in the unrealized gain on non-real estate investment line item on the Consolidated Statements of Operations. No gain or loss has been recognized due to observable changes in fair value for the six months ended June 30, 2019 and June 30, 2018. To date, the Company has recognized an unrealized gain of \$928 thousand related to observable changes in fair value, which was recognized in the second quarter of 2018.

For one of the investments, the Company is committed to funding up to \$20.0 million in a real estate technology venture capital fund. During the second quarter of 2019, the Company has contributed \$1.9 million to this fund with \$18.1 million remaining to be contributed.

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8. Debt

The following table sets forth information with respect to the Company's outstanding indebtedness:

	June 30, 2019	December 31, 2018	Interest Rate ⁽¹⁾	Contractual Maturity Date
UNSECURED AND SECURED DEBT				
Unsecured debt				
Unsecured revolving credit facility ⁽²⁾⁽³⁾	\$ 185,000	\$ 400,000	LIBOR + 1.05% to 1.50%	3/13/2022 ⁽⁴⁾
Term loan A ⁽²⁾⁽⁵⁾	300,000	300,000	LIBOR + 1.20% to 1.70%	4/1/2020 ⁽⁶⁾
Term loan B ⁽²⁾⁽⁷⁾	350,000	350,000	LIBOR + 1.20% to 1.70%	4/1/2022
Term loan D ⁽²⁾⁽⁸⁾	125,000	125,000	LIBOR + 1.20% to 1.70%	11/17/2022
Series A notes	110,000	110,000	4.34%	1/2/2023
Series E notes	50,000	50,000	3.66%	9/15/2023
Series B notes	259,000	259,000	4.69%	12/16/2025
Series D notes	150,000	150,000	3.98%	7/6/2026
3.95% Registered senior notes	400,000	400,000	3.95%	11/1/2027
Series C notes	56,000	56,000	4.79%	12/16/2027
4.65% Registered senior notes ⁽⁹⁾	500,000	—	4.65%	4/1/2029
Term loan C	—	75,000	LIBOR + 1.30% to 2.20%	N/A
Total unsecured debt	2,485,000	2,275,000		
Secured debt				
Met Park North ⁽¹⁰⁾	64,500	64,500	LIBOR + 1.55%	8/1/2020
10950 Washington ⁽¹¹⁾	26,598	26,880	5.32%	3/11/2022
Sunset Bronson Studios/ICON/CUE ⁽¹²⁾	5,001	—	LIBOR + 1.35%	3/1/2024
Element LA	168,000	168,000	4.59%	11/6/2025
Hill7 ⁽¹³⁾	101,000	101,000	3.38%	11/6/2028
Sunset Gower Studios/Sunset Bronson Studios	—	5,001	LIBOR + 2.25%	N/A
Total secured debt	365,099	365,381		
Total unsecured and secured debt	2,850,099	2,640,381		
Unamortized deferred financing costs and loan discounts/premiums ⁽¹⁴⁾	(15,314)	(16,546)		
TOTAL UNSECURED AND SECURED DEBT, NET	\$ 2,834,785	\$ 2,623,835		
IN-SUBSTANCE DEFEASED DEBT ⁽¹⁵⁾	\$ 136,636	\$ 138,223	4.47%	10/1/2022
JOINT VENTURE PARTNER DEBT ⁽¹⁶⁾	\$ 66,136	\$ 66,136	4.50%	10/9/2028

- Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. Interest rates are as of June 30, 2019, which may be different than the interest rates as of December 31, 2018 for corresponding indebtedness.
- The rate is based on the operating partnership's leverage ratio. The Company has an option to make an irrevocable election to change the interest rate depending on the Company's credit rating or a specified base rate plus an applicable margin. As of June 30, 2019, no such election had been made.
- The Company has a total capacity of \$600.0 million under its unsecured revolving credit facility.
- The maturity date may be extended once for an additional one-year term.
- The interest rate on the outstanding balance of the term loan was effectively fixed at 2.65% to 3.06% per annum through the use of two interest rate swaps. See Note 9 for details.
- The maturity date may be extended twice, each time for an additional one-year term.
- The interest rate on the outstanding balance of the term loan was effectively fixed at 2.96% to 3.46% per annum through the use of two interest rate swaps. See Note 9 for details.
- The interest rate on the outstanding balance of the term loan was effectively fixed at 2.63% to 3.13% per annum through the use of an interest rate swap. See Note 9 for details.
- On February 27, 2019, the operating partnership completed an underwritten public offering of \$350.0 million of senior notes, which were issued at a discount at 98.663% of par. On June 14, 2019, the operating partnership completed an additional underwritten public offering of \$150.0 million of senior notes, which were issued at a premium at 104.544% of par. These notes are treated as a single series of securities with an aggregate principal amount of \$500.0 million.
- Interest on the full loan amount has been effectively fixed at 3.71% per annum through the use of an interest rate swap. See Note 9 for details.
- Monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.

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12. The Company has a total capacity of \$235.0 million under the Sunset Bronson Studios/ICON/CUE revolving credit facility. This loan is secured by the Company's Sunset Bronson Studios, ICON and CUE properties.
13. The Company owns 55% of the ownership interest in the consolidated joint venture that owns the Hill7 property. The full amount of the loan is shown. This loan bears interest only at 3.38% until November 6, 2026, at which time the interest rate will increase and monthly debt service will include principal payments with a balloon payment at maturity.
14. Excludes deferred financing costs related to establishing the Company's unsecured revolving credit facility and Sunset Bronson Studios/ICON/CUE revolving credit facility, which are reflected in prepaid and other assets, net line item in the Consolidated Balance Sheets. See Note 7 for details.
15. The Company owns 75% of the ownership interest in the joint venture that owns the One Westside and 10850 Pico properties. The full amount of the loan is shown. Monthly debt service includes annual debt amortization payments based on a 10-year amortization schedule with a balloon payment at maturity.
16. This amount relates to debt attributable to Allianz U.S. Private REIT LP ("Allianz"), the Company's partner in the joint venture that owns the Ferry Building property. The maturity date may be extended twice for an additional two-year term each.

Current Year Activity

During the six months ended June 30, 2019, the outstanding borrowings on the unsecured revolving credit facility decreased by \$215.0 million, net of draws. The Company uses the unsecured revolving credit facility 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.

On February 27, 2019, the operating partnership completed an underwritten public offering of \$350.0 million in senior notes due April 1, 2029. The notes are fully and unconditionally guaranteed by the Company. The net proceeds from the offering, after deducting the underwriting discount, were approximately \$343.0 million and were used to repay outstanding borrowings under its unsecured revolving credit facility and \$75.0 million of its five-year term loan due November 17, 2020.

On March 1, 2019, the Company entered into a loan agreement to borrow up to \$235.0 million on a revolving basis, maturing on March 1, 2024. The Company drew \$5.0 million to pay down the Sunset Gower Studios/Sunset Bronson Studios construction loan that matured on March 4, 2019. The unused fee rate is 0.20%.

On June 14, 2019, the operating partnership completed an underwritten public offering of \$150.0 million in senior notes due April 1, 2029. These notes were issued as additional notes under the indenture pursuant to which the operating partnership previously issued \$350.0 million of 4.65% senior notes due 2029. The notes are fully and unconditionally guaranteed by the Company. The net proceeds from the offering, after deducting the underwriting discount and commissions, were approximately \$155.3 million, \$150.0 million of which were used by the operating partnership to repay outstanding borrowings under its unsecured revolving credit facility.

Indebtedness

The Company presents its financial statements on a consolidated basis. Notwithstanding such presentation, except to the extent expressly indicated, the Company's separate property-owning subsidiaries are not obligors of or under the debt of their respective affiliates and each property-owning subsidiary's separate liabilities do not constitute obligations of its respective affiliates.

Loan agreements include events of default that the Company believes are usual for loans and transactions of this type. As of the date of this filing, there have been no events of default associated with the Company's loans.

The following table provides information regarding the Company's minimum future principal payments due on the Company's debt (before the impact of extension options, if applicable) as of June 30, 2019:

Year	Unsecured and Secured Debt	In-substance Defeased Debt	Joint Venture Partner Debt
Remaining 2019	\$ 286	\$ 1,606	\$ —
2020	365,095	3,323	—
2021	632	3,494	—
2022	685,085	128,213	—
2023	160,000	—	—
Thereafter	1,639,001	—	66,136
TOTAL	\$ 2,850,099	\$ 136,636	\$ 66,136

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Unsecured Debt

Registered Senior Notes

The following table provides further information on the operating partnership's Registered senior notes as of June 30, 2019:

	Issuance Date	Maturity Date	Par Value	Issuance at Par	Coupon at Offer	Effective Interest Rate
4.65% Registered senior notes	6/14/2019	4/1/2029	\$ 150,000	104.544 %	4.65 %	4.12 %
4.65% Registered senior notes	2/27/2019	4/1/2029	\$ 350,000	98.663 %	4.65 %	4.82 %
3.95% Registered senior notes	10/2/2017	11/1/2027	\$ 400,000	99.815 %	3.95 %	3.97 %

Term Loan and Credit Facility

On March 13, 2018, the operating partnership entered into a third amended and restated credit agreement (the "Amended and Restated Credit Agreement") with various financial institutions. The Amended and Restated Credit Agreement amends and restates and replaces (i) the operating partnership's existing second amended and restated credit agreement, entered into on March 31, 2015, which governed its \$400.0 million unsecured revolving credit facility, \$300.0 million unsecured 5-year term loan facility and \$350.0 million unsecured 7-year term loan facility, and (ii) the operating partnership's Term Loan Credit Agreement, entered into on November 17, 2015, which governed its \$75.0 million unsecured 5-year term loan facility and \$125.0 million unsecured 7-year term loan facility.

The Amended and Restated Credit Agreement provides for (i) the increase of the operating partnership's unsecured revolving credit facility to \$600.0 million and the extension of the term to March 13, 2022 and (ii) term loans in amount and tenor equal to the term loans outstanding under the previous agreements (\$300.0 million term loan A maturing April 1, 2020, \$350.0 million term loan B maturing April 1, 2022, \$75.0 million term loan C maturing November 17, 2020 and \$125.0 million term loan D maturing November 17, 2022). The \$75.0 million term loan was repaid with proceeds from the Company's 4.65% registered senior notes.

The following table summarizes the balance and key terms of the unsecured revolving credit facility as of:

	June 30, 2019	December 31, 2018
Outstanding borrowings	\$ 185,000	\$ 400,000
Remaining borrowing capacity	415,000	200,000
TOTAL BORROWING CAPACITY	\$ 600,000	\$ 600,000
Interest rate ⁽¹⁾	LIBOR + 1.05% to 1.50%	
Annual facility fee rate ⁽¹⁾	0.15% or 0.30%	
Contractual maturity date ⁽²⁾	3/13/2022	

1. The rate is based on the operating partnership's leverage ratio. The Company has the option to make an irrevocable election to change the interest rate depending on the Company's credit rating. As of June 30, 2019, no such election had been made.

2. The maturity date may be extended once for an additional one-year term.

Debt Covenants

The operating partnership's ability to borrow under its unsecured loan arrangements remains subject to ongoing compliance with financial and other covenants as defined in the respective agreements. Certain financial covenant ratios are subject to change in the occurrence of material acquisitions as defined in the respective agreements. Other covenants include certain limitations on dividend payouts and distributions, limits on certain types of investments outside of the operating partnership's primary business and other customary affirmative and negative covenants.

The following table summarizes existing covenants and their covenant levels related to the unsecured revolving credit facility, term loans, and note purchase agreements, when considering the most restrictive terms:

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Covenant Ratio	Covenant Level	Actual Performance
Total liabilities to total asset value	≤ 60%	37.8%
Unsecured indebtedness to unencumbered asset value	≤ 60%	45.0%
Adjusted EBITDA to fixed charges	≥ 1.5x	3.7x
Secured indebtedness to total asset value	≤ 45%	5.9%
Unencumbered NOI to unsecured interest expense	≥ 2.0x	3.5x

The following table summarizes existing covenants and their covenant levels related to the registered senior notes:

Covenant Ratio	Covenant Level	Actual Performance
Debt to total assets	≤ 60%	38.2%
Total unencumbered assets to unsecured debt	≥ 150%	243.8%
Consolidated income available for debt service to annual debt service charge	≥ 1.5x	3.8x
Secured debt to total assets	≤ 40%	5.9%

The operating partnership was in compliance with its financial covenants as of June 30, 2019.

Repayment Guarantees

Although the rest of the operating partnership's loans are secured and non-recourse, the operating partnership provides limited customary secured debt guarantees for items such as voluntary bankruptcy, fraud, misapplication of payments and environmental liabilities.

The Company guaranteed the operating partnership's unsecured debt.

Interest Expense

The following table represents a reconciliation from gross interest expense to the interest expense line item in the Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gross interest expense ⁽¹⁾	\$ 28,980	\$ 21,514	\$ 56,445	\$ 43,945
Capitalized interest	(3,871)	(3,618)	(8,577)	(7,204)
Amortization of deferred financing costs and loan discounts/premiums	1,443	1,435	3,034	3,093
INTEREST EXPENSE	\$ 26,552	\$ 19,331	\$ 50,902	\$ 39,834

1. Includes interest on the Company's debt and hedging activities and extinguishment costs related to paydowns in the term loans.

9. Derivatives

The Company enters into derivatives in order to hedge interest rate risk. The Company had six interest rate swaps with aggregate notional amounts of \$839.5 million as of June 30, 2019 and December 31, 2018. These derivatives were designated as effective cash flow hedges for accounting purposes.

The Company has agreements with its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

The Company's derivatives are classified as Level 2 and their fair values are derived from estimated values obtained from observable market data for similar instruments.

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The fair market value of derivatives is presented on a gross basis on the Consolidated Balance Sheets. The following table summarizes the Company's derivative instruments as of June 30, 2019 and December 31, 2018:

Underlying Debt Instrument	Number of Hedges	Notional Amount	Effective Date	Maturity Date	Interest Rate Range ⁽¹⁾		Fair Value Assets/(Liabilities)	
					Low	High	June 30, 2019	December 31, 2018
Met Park North	1	\$ 64,500	August 2013	August 2020	3.71%	3.71%	\$ (239)	\$ 350
Term loan A	2	300,000	July 2016	April 2020	2.65%	3.06%	1,118	4,038
Term loan B	2	350,000	April 2015	April 2022	2.96%	3.46%	(1,055)	7,543
Term loan D	1	125,000	June 2016	November 2022	2.63%	3.13%	905	4,756
TOTAL	6	\$ 839,500					\$ 729	\$ 16,687

1. The rate is based on the fixed rate from the interest rate swap and the spread based on the operating partnership's leverage ratio.

In January 2019, the Company entered into a forward interest rate swap designated hedge. In February 2019, it was terminated, which resulted in a cash payment of approximately \$1.6 million that was recorded in accumulated other comprehensive (loss) income on the Consolidated Balance Sheets and will be recognized over the life of the 4.65% registered senior notes entered into in February 2019 as an adjustment to interest expense. The cash payment is included in the payment of loan costs paid, net loan premium paid line item of the Consolidated Statements of Cash Flows.

On January 1, 2018, the Company early adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. As a result of the adoption, the Company is no longer recognizing unrealized gains or losses related to ineffective portions of its derivatives. In 2018, the Company recognized a \$231 thousand cumulative-effect adjustment to other comprehensive income, with a corresponding adjustment to the opening balance of retained earnings (accumulated deficit).

The Company reclassifies into earnings in the same period during which the hedged forecasted transaction affects earnings. As of June 30, 2019, the Company expects \$1.9 million of unrealized gain included in accumulated other comprehensive income will be reclassified as a reduction to interest expense in the next 12 months.

10. U.S. Government Securities

The Company has U.S. Government securities of \$142.8 million and \$146.9 million as of June 30, 2019 and December 31, 2018. The One Westside and 10850 Pico properties acquisition in 2018 included the assumption of debt which was, in-substance, defeased through the purchase of U.S. Government-backed securities. The securities are investments held to maturity and are carried at amortized cost on the Consolidated Balance Sheets. As of June 30, 2019, the Company had \$3.9 million of gross unrealized gains and no gross unrealized losses.

The following table summarizes the carrying value and fair value of the Company's securities by the contractual maturity date June 30, 2019:

	Carrying Value	Fair Value
Due in 1 year	\$ 4,842	\$ 4,874
Due in 1 to 5 years	137,919	141,790
TOTAL	\$ 142,761	\$ 146,664

11. Income Taxes

Hudson Pacific Properties, Inc. has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2010. Provided it continues to qualify for taxation as a REIT, Hudson Pacific Properties, Inc. is generally not subject to corporate level income tax on the earnings distributed currently to its stockholders. The Company has elected, together with certain of its subsidiaries, to treat such subsidiary as a taxable REIT subsidiary ("TRS") for federal income tax purposes.

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The Company's property-owning subsidiaries are limited liability companies and are treated as pass-through entities or disregarded entities (or, in the case of the entities that own the 1455 Market, Hill7 and Ferry Building properties, REITs) for federal income tax purposes. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements for the activities of these entities.

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2019, the Company has not established a liability for uncertain tax positions.

The Company and its TRS file income tax returns with the U.S. federal government and various state and local jurisdictions. The Company and its TRS are no longer subject to tax examinations by tax authorities for years prior to 2014. The Company has assessed its tax positions for all open years, which include 2014 to 2017, and concluded that there are no material uncertainties to be recognized.

12. Future Minimum Rents and Lease Payments

The following table summarizes the future minimum base rents (excluding tenant reimbursements for operating expenses and termination fees related to tenants exercising early termination options) for properties as of June 30, 2019:

Year Ended	Subject to Early Termination		Total ⁽¹⁾
	Non-Cancellable	Options	
Remaining 2019	\$ 279,954	\$ 2,125	\$ 282,079
2020	547,430	15,035	562,465
2021	517,039	34,386	551,425
2022	472,492	39,722	512,214
2023	437,760	38,369	476,129
Thereafter	2,110,308	87,155	2,197,463
TOTAL	\$ 4,364,983	\$ 216,792	\$ 4,581,775

1. Excludes rents under leases at the Company's studio properties with terms of one year or less.

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The following table summarizes the Company's ground lease terms related to properties that are held subject to long-term non-cancellable ground lease obligations as of June 30, 2019:

Property	Expiration Date	Notes
3400 Hillview	10/31/2040	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent until October 31, 2017 is the lesser of 10% of Fair Market Value ("FMV") of the land or \$1.0 million grown at 75% of the cumulative increases in consumer price index ("CPI") from October 1989. Thereafter, minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the minimum annual rent as calculated as of November 1, 2017 plus 75% of subsequent cumulative CPI changes. The minimum annual rent cannot be less than a set amount. Percentage annual rent is gross income multiplied by 24.125%.
Clocktower Square	9/26/2056	The ground rent is minimum annual rent (adjusted every 10 years) plus 25% of adjusted gross income ("AGI"). Minimum rent adjustments add 60% of the average annual participation rent payable over five years. Annual participation is the excess of 25% of AGI over the minimum annual rent for a given lease year.
Del Amo	6/30/2049	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.
Ferry Building	Various	The land on which the building is situated is subject to a ground lease agreement that expires on April 1, 2067. The minimum annual rent (adjusted every 5 years) is the prior year's minimum annual rent plus cumulative increase in CPI with a floor of 10% and a cap of 20%. Additionally, the parking lot is subject to a separate ground lease agreement that expires on April 1, 2023. The minimum annual rent adjusts each year for changes in CPI with a floor of 2% and a cap of 4%. The parking lot is subject to automatic renewals for 10-year periods at market.
Foothill Research Center	6/30/2039	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the previous year's minimum annual rent plus 75% of CPI increase. The minimum annual rent cannot be less than a set amount. Percentage annual rent is gross income multiplied by 24.125%.
3176 Porter	7/31/2040	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the previous year's minimum annual rent plus 75% of CPI increase. Percentage annual rent is Lockheed's base rent multiplied by 24.125%. The minimum annual rent cannot be less than a set amount.
Metro Center	4/29/2054	Every 10 years rent adjusts to 7.233% of FMV of the land (since 2008) and adjusts to reflect the change in CPI from the preceding FMV adjustment date (since 2013). The CPI adjustment has a floor of the previous minimum rent. The Company has an option to extend the ground lease for four additional periods of 11 years each.
Page Mill Center	11/30/2041	The ground rent is minimum annual rent (adjusted on January 1, 2019 and January 1, 2029) plus 25% of AGI, less minimum annual rent. Minimum rent adjustments adds 60% of the average annual participation rent payable over five years. Annual participation is the excess of 25% of AGI over the minimum annual rent for a given lease year.
Page Mill Hill	11/17/2049	The ground rent is minimum annual rent (adjusted every 10 years) plus 60% of the average of the percentage annual rent for the previous 7 lease years. Minimum rent adjustments add 60% of the average annual percentage rent for the previous 7 years.
Palo Alto Square	11/30/2045	The ground rent is minimum annual rent (adjusted every 10 years starting January 1, 2022) plus 25% of AGI less minimum annual rent. The minimum annual rent adjustments add 50% of the average annual percentage rent from the previous 5 years.
Sunset Gower Studios	3/31/2060	Every 7 years rent adjusts to 7.5% of FMV of the land.
Techmart	5/31/2053	Rent subject to a 10% increase every 5 years. The Company has an option to extend the ground lease for two additional periods of 10 years each. This extension option was not included in the calculation of the right of use asset and lease liability.

Contingent rental expense is recorded in the period in which the contingent event becomes probable. The following table summarizes rental expense for ground leases as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
Contingent rental expense	\$	2,977	\$	2,453	\$	5,491	\$	5,548
Minimum rental expense	\$	4,606	\$	4,136	\$	9,209	\$	7,473

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The following table provides information regarding the Company's future minimum lease payments for its ground leases (before the impact of extension options, if applicable) as of June 30, 2019:

Year	Lease Payments ⁽¹⁾
Remaining 2019	\$ 9,211
2020	18,422
2021	18,422
2022	18,422
2023	18,499
Thereafter	501,926
TOTAL	\$ 584,902

1. In situations where ground lease obligation adjustments are based on third-party appraisals of fair market land value, CPI adjustments and/or percentage of gross income that exceeds the minimum annual rent, the future minimum lease amounts above include the lease rental obligations in effect as of June 30, 2019.

13. Fair Value of Financial Instruments

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 require inputs that are both significant to the fair value measurement and unobservable.

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The Company's financial assets and liabilities measured and reported at fair value on a recurring basis include the following as of:

	June 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative assets ⁽¹⁾	\$ —	\$ 2,023	\$ —	\$ 2,023	\$ —	\$ 16,687	\$ —	\$ 16,687
Derivative liabilities ⁽²⁾	\$ —	\$ (1,294)	\$ —	\$ (1,294)	\$ —	\$ —	\$ —	\$ —
Non-real estate investments ⁽¹⁾	\$ —	\$ 4,637	\$ —	\$ 4,637	\$ —	\$ 2,713	\$ —	\$ 2,713

1. Included in the prepaid expenses and other assets, net line item on the Consolidated Balance Sheets.
2. Included in the accounts payable, accrued liabilities and other line item on the Consolidated Balance Sheets.

Other Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of fair value, using Level 1 inputs, because of the short-term nature of these instruments. Fair value for investment in U.S. Government securities are estimates based on Level 1 inputs. Fair values for debt are estimated based on rates currently prevailing for similar instruments of similar maturities using Level 2 inputs.

The table below represents the carrying value and fair value of the Company's investment in securities and debt as of:

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
U.S. Government securities	\$ 142,761	\$ 146,664	\$ 146,880	\$ 147,686
Liabilities				
Unsecured debt ⁽¹⁾⁽²⁾	\$ 2,487,709	\$ 2,527,147	\$ 2,274,352	\$ 2,227,265
Secured debt ⁽¹⁾	\$ 365,099	\$ 360,795	\$ 365,381	\$ 354,109
In-substance defeased debt	\$ 136,636	\$ 136,532	\$ 138,223	\$ 135,894
Joint venture partner debt	\$ 66,136	\$ 68,654	\$ 66,136	\$ 66,136

1. Amounts represent debt excluding net deferred financing costs.
2. The registered senior notes were issued at a discount/premium resulting in a net premium, including amortization, of \$2.7 million and a discount, including amortization, of \$0.6 million at June 30, 2019 and December 31, 2018, respectively.

14. Stock-Based Compensation

The Company has various stock compensation arrangements, which are more fully described in the 2018 Annual Report on Form 10-K. Under the 2010 Incentive Plan, as amended ("2010 Plan"), the Company's board of directors ("Board") has the ability to grant, among other things, restricted stock, restricted stock units, operating partnership performance units and performance-based awards.

The Board awards restricted shares to non-employee Board members on an annual basis as part of such Board members' annual compensation and to newly elected non-employee Board members in accordance with the Non-Employee Director Compensation Program. The time-based awards are generally issued in the second quarter, in conjunction with the director's election to the Board, and the individual share awards vest in equal annual installments over the applicable service vesting period, which is three years.

The Board awards time-based restricted shares or time-based operating partnership performance units to certain employees on an annual basis as part of the employees' annual compensation. These time-based awards are generally issued in the fourth quarter and vest in equal annual installments over the applicable service vesting period, which is generally three years. Additionally, certain awards are subject to a mandatory holding period upon vesting if the grantee is a named executive officer.

In December 2015, the compensation committee of the Board (the "Compensation Committee") awarded a one-time special retention award to certain executives. The grants consist of time-based awards and performance-based awards. The time-

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based awards vest in equal 25% installments over a four-year period, subject to the participant's continued employment. The performance-based awards vest over a four-year period, subject to the achievement of applicable performance goals and the participant's continued employment.

The Compensation Committee annually adopts a Hudson Pacific Properties, Inc. Outperformance Program ("OPP Plan") under the 2010 Plan. With respect to OPP Plan awards granted through 2016, to the extent an award is earned following the completion of a three-year performance period, 50% of the earned award will vest in full at the end of the three-year performance period and 50% of the earned award will vest in equal annual installments over the two years thereafter, subject to the participant's continued employment. OPP Plan awards are settled in common stock and, in the case of certain executives, in operating partnership performance units. Commencing with the 2017 OPP Plan, the two-year post-performance vesting period was replaced with a two-year mandatory holding period upon vesting. In February 2019, the Compensation Committee adopted the 2019 OPP Plan. The 2019 OPP Plan is substantially similar to the 2018 OPP Plan except for (i) the performance period beginning on January 1, 2019 and ending on December 31, 2021 and (ii) the maximum bonus pool is \$28.0 million.

The per unit fair value of the grants from the 2019 OPP Plan was estimated on the date of grant using the following assumptions in the Monte Carlo valuation:

	Assumption
Expected price volatility for the Company	22.00%
Expected price volatility for the particular REIT index	18.00%
Risk-free rate	2.57%
Dividend yield	3.00%

The following table presents the classification and amount recognized for stock-based compensation related to the Company's awards:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Expensed stock compensation ⁽¹⁾	\$ 5,067	\$ 4,289	\$ 10,217	\$ 8,627
Capitalized stock compensation ⁽²⁾	35	288	64	520
TOTAL STOCK COMPENSATION ⁽³⁾	\$ 5,102	\$ 4,577	\$ 10,281	\$ 9,147

1. Amounts are recorded in general and administrative expenses in the Consolidated Statements of Operations.

2. Amounts are recorded in deferred leasing costs and lease intangible assets, net and investment in real estate, at cost in the Consolidated Balance Sheets.

3. Amounts are recorded in additional paid-in capital and non-controlling interest—units in the operating partnership in the Consolidated Balance Sheets.

15. Earnings Per Share

Hudson Pacific Properties, Inc.

The Company calculates basic earnings per share by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding during the period. The Company calculates diluted earnings per share by dividing the diluted net income (loss) available to common stockholders for the period by the weighted average number of common shares and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based restricted stock awards, unvested time-based performance unit awards and unvested restricted stock units ("RSUs") that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method.

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The following table reconciles the numerator and denominator in computing the Company's basic and diluted earnings per share for net income (loss) available to common stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Basic and diluted net income (loss) available to common stockholders	\$ 9,786	\$ 16,202	\$ (29,606)	\$ 64,779
Denominator:				
Basic weighted average common shares outstanding	154,384,586	155,636,636	154,390,340	155,631,375
Effect of dilutive instruments ⁽¹⁾	302,675	953,591	—	932,591
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	154,687,261	156,590,227	154,390,340	156,563,966
Basic earnings (loss) per common share	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.42
Diluted earnings (loss) per common share	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.41

1. The Company includes unvested awards and convertible common and participating units as contingently issuable shares in the computation of diluted earnings per share once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per share calculation.

Hudson Pacific Properties, L.P.

The Company calculates basic earnings per share by dividing the net income (loss) available to common unitholders for the period by the weighted average number of common units outstanding during the period. The Company calculates diluted earnings per share by dividing the diluted net income (loss) available to common unitholders for the period by the weighted average number of common units and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based restricted stock awards, unvested time-based performance unit awards and unvested RSUs that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per unit pursuant to the two-class method.

The following table reconciles the numerator and denominator in computing the Company's basic and diluted earnings per unit for net income (loss) available to common unitholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Basic and diluted net income (loss) available to common unitholders	\$ 9,863	\$ 16,261	\$ (29,714)	\$ 65,015
Denominator:				
Basic weighted average common units outstanding	155,105,359	156,205,681	155,047,979	156,198,825
Effect of dilutive instruments ⁽¹⁾	1,069,645	953,591	—	932,591
DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	\$ 156,175,004	\$ 157,159,272	\$ 155,047,979	\$ 157,131,416
Basic earnings (loss) per common unit	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.42
Diluted earnings (loss) per common unit	\$ 0.06	\$ 0.10	\$ (0.19)	\$ 0.41

1. The operating partnership includes unvested awards as contingently issuable units in the computation of diluted earnings per unit once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per unit calculation.

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16. Redeemable Non-Controlling Interest

Redeemable Preferred Units of the Operating Partnership

As of June 30, 2019 and December 31, 2018, there were 392,598 series A preferred units of partnership interest in the operating partnership, or series A preferred units, issued and outstanding, which are not owned by the Company. On April 16, 2018, 14,468 series A preferred units of partnership interest were redeemed for cash at a redemption price of \$25.00 per share, plus accrued and unpaid dividends to, but not including, the date of redemption.

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 became convertible at the option of the holder into common units or redeemable into cash or, at the Company's election, exchangeable for registered shares of common stock.

Redeemable Non-Controlling Interest in Consolidated Real Estate Entities

On March 1, 2018, the Company entered into a joint venture agreement with Macerich WSP, LLC ("Macerich") to form HPP-MAC WSP, LLC ("HPP-MAC JV"). On August 31, 2018, Macerich contributed Westside Pavilion to the HPP-MAC JV. The Company has a 75% interest in the joint venture that owns the One Westside and 10850 Pico properties. The Company has a put right, after a specified time, to sell its interest at fair market value. Macerich has a put right, after a specified time, to sell its interest at fair market value, which is a redemption right that is not solely within the control of the Company. The put right is not currently redeemable. Therefore, the non-controlling interest related to this joint venture is included as temporary equity. Once the redemption is probable, the carrying amount will be marked to market with the change in value reflected in additional paid-in capital.

On October 9, 2018, the Company entered into a joint venture with Allianz to purchase the Ferry Building property. The Company has a 55% interest in the joint venture that owns the Ferry Building property. The Company has a put right, if certain events occur, to sell its interest at fair market value. Allianz has a put right, if certain events occur, to sell its interest at fair market value, which is a redemption right that is not solely within the control of the Company. The put right is not currently redeemable. Therefore, the non-controlling interest related to this joint venture is included as temporary equity. Once the redemption is probable, the carrying amount will be marked to market with the change in value reflected in additional paid-in capital.

The following table reconciles the beginning and ending balances of redeemable non-controlling interests:

	Series A Redeemable Preferred Units	Consolidated Entities
Balance at December 31, 2018	\$ 9,815	\$ 113,141
Contributions	—	2,941
Distributions	—	(7)
Declared dividend	(306)	—
Net income (loss)	306	(1,158)
BALANCE AT JUNE 30, 2019	\$ 9,815	\$ 114,917

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17. Equity

The table below presents the activity related to Hudson Pacific Properties Inc.'s accumulated other comprehensive income (loss) ("OCI"):

	Derivative Instruments	Currency Translation Adjustments	Total Equity
Balance at December 31, 2018	\$ 17,501	\$ —	\$ 17,501
Unrealized (losses) gains recognized in OCI	(13,801)	1,304	(12,497)
Reclassification adjustment for realized gains ⁽¹⁾	(3,725)	—	(3,725)
Net change in OCI	(17,526)	1,304	(16,222)
BALANCE AT JUNE 30, 2019	\$ (25)	\$ 1,304	\$ 1,279

1. The gains and losses on the Company's derivatives instruments are reported in the interest expense line item on the Consolidated Statements of Operations. Interest expense was \$50.9 million for the six months ended June 30, 2019.

The table below presents the activity related to Hudson Pacific Properties L.P.'s OCI:

	Derivative Instruments	Currency Translation Adjustments	Total Capital
Balance at December 31, 2018	\$ 17,565	\$ —	\$ 17,565
Unrealized (losses) gains recognized in OCI	(13,891)	1,315	(12,576)
Reclassification adjustment for realized gains ⁽¹⁾	(3,748)	—	(3,748)
Net change in OCI	(17,639)	1,315	(16,324)
BALANCE AT JUNE 30, 2019	\$ (74)	\$ 1,315	\$ 1,241

1. The gains and losses on the Company's derivatives instruments are reported in the interest expense line item on the Consolidated Statements of Operations. Interest expense was \$50.9 million for the six months ended June 30, 2019.

Non-Controlling Interests

Common Units in the Operating Partnership

Common units of the operating partnership and shares of common stock of the Company have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of the operating partnership. Investors who own common units have the right to cause the operating partnership to repurchase any or all of their common units for cash equal to the then-current market value of one share of common stock or, at the Company's election, issue shares of the Company's common stock in exchange for common units on a one-for-one basis.

Performance Units in the Operating Partnership

Performance units are partnership interests in the operating partnership. Each performance unit awarded will be deemed equivalent to an award of one share of common stock under the 2010 Plan, reducing the availability for other equity awards on a one-for-one basis. Under the terms of the performance units, the operating partnership will revalue its assets for tax purposes upon the occurrence of certain specified events and any increase in valuation from the time of grant until such event will be allocated first to the holders of performance units to equalize the capital accounts of such holders with the capital accounts of common unitholders. Once vested and having achieved parity with common unitholders, performance units generally are convertible into common units in the operating partnership on a one-for-one basis.

Current Year Activity

The following table summarizes the ownership interest in the operating partnership, excluding unvested restricted units and unvested restricted performance units as of:

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	June 30, 2019	December 31, 2018
Company-owned common units in the operating partnership	154,396,755	154,371,538
Company's ownership interest percentage	99.5 %	99.6 %
Non-controlling units in the operating partnership ⁽¹⁾	720,773	569,045
Non-controlling ownership interest percentage	0.5 %	0.4 %

1. Represents units held by certain of the Company's executive officers, directors and outside investors. As of June 30, 2019, this amount represents both common units and performance units of 550,969 and 169,804, respectively. As of December 31, 2018, this amount represents common units of 569,045.

On January 17, 2019, a common unitholder requested the operating partnership repurchase 18,076 common units and the Company elected, in accordance with the limited partnership agreement of the operating partnership, to settle in cash to satisfy the redemption. On March 11, 2019, 169,804 performance units were granted and vested related to the completion of the 2016 OPP performance period.

Common Stock Activity

The Company has not completed any common stock offerings in 2019.

The Company's at-the-market, or ATM, program permits sales of up to \$125.0 million of common stock. The Company did not utilize the ATM program during the six months ended June 30, 2019. A cumulative total of \$20.1 million has been sold as of June 30, 2019.

Share Repurchase Program

There have been no repurchases in 2019. On March 8, 2018, the Board increased the amount authorized under its share repurchase program to a total of \$250.0 million. A cumulative total of \$50.0 million has been repurchased as of June 30, 2019. The Company may make repurchases under the program at any time in its discretion, subject to market conditions, applicable legal requirements and other factors.

Dividends

The Board declared dividends on a quarterly basis and the Company paid the dividends during the quarters in which the dividends were declared. The following table summarizes dividends declared and paid for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Common stock	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50
Common units	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50
Series A preferred units	\$ 0.3906	\$ 0.3906	\$ 0.7812	\$ 0.7812
Performance units	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50
Payment date	June 27, 2019	June 29, 2018	N/A	N/A
Record date	June 17, 2019	June 19, 2018	N/A	N/A

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, compensation expense and the basis of depreciable assets and estimated useful lives used to compute depreciation.

18. 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) studio properties. The Company evaluates performance based

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

upon net operating income of the combined properties in each segment. General and administrative expenses and interest expense are not included in segment profit as its internal reporting addresses these items on a corporate level. Asset information by segment is not reported because the Company does not use this measure to assess performance or make decisions to allocate resources, therefore, depreciation and amortization expense is not allocated among segments.

The table below presents the operating activity of the Company's reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Office segment				
Office revenues	\$ 179,047	\$ 158,550	\$ 354,905	\$ 315,082
Office expenses	(60,896)	(53,940)	(121,711)	(107,180)
Office segment profit	118,151	104,610	233,194	207,902
Studio segment				
Studio revenues	17,609	16,619	39,140	34,205
Studio expenses	(9,539)	(8,539)	(20,648)	(18,203)
Studio segment profit	8,070	8,080	18,492	16,002
TOTAL SEGMENT PROFIT	\$ 126,221	\$ 112,690	\$ 251,686	\$ 223,904
Segment revenues	\$ 196,656	\$ 175,169	\$ 394,045	\$ 349,287
Segment expenses	(70,435)	(62,479)	(142,359)	(125,383)
TOTAL SEGMENT PROFIT	\$ 126,221	\$ 112,690	\$ 251,686	\$ 223,904

The table below is a reconciliation of the total profit from all segments to net income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total profit from all segments	\$ 126,221	\$ 112,690	\$ 251,686	\$ 223,904
General and administrative	(18,344)	(16,203)	(36,438)	(31,767)
Depreciation and amortization	(69,606)	(60,706)	(138,111)	(121,259)
Loss from unconsolidated real estate investments	(85)	—	(85)	—
Interest expense	(26,552)	(19,331)	(50,902)	(39,834)
Interest income	1,008	66	2,032	75
Transaction-related expenses	—	—	(128)	(118)
Other income	181	319	75	723
Unrealized gain on non-real estate investment	—	928	—	928
Gains on sale of real estate	—	1,928	—	39,602
Impairment loss	—	—	(52,201)	—
NET INCOME (LOSS)	\$ 12,823	\$ 19,691	\$ (24,072)	\$ 72,254

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

19. Related Party Transactions

Employment Agreements

The Company has entered into employment agreements with certain executive officers, effective January 1, 2016, that provide for various severance and change in control benefits and other terms and conditions of employment.

Ferry Building Acquisition from an Affiliate of Blackstone

On October 9, 2018, the Company entered into a joint venture with Allianz to purchase the Ferry Building from certain affiliates of Blackstone for \$291.0 million before prorations, credits and closing costs. At the time of the transaction, Michael Nash, a senior managing director of an affiliate of Blackstone, was a director of the Board. Mr. Nash resigned from the Board on March 14, 2019.

20. 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, the 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. As of June 30, 2019, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Letters of Credit

As of June 30, 2019, the Company has outstanding letters of credit totaling approximately \$2.6 million under the unsecured revolving credit facility. The letters of credit are primarily related to utility company security deposit requirements.

21. Supplemental Cash Flow Information

Supplemental cash flow information is included as follows:

	Six Months Ended June 30,	
	2019	2018
Cash paid for interest, net of capitalized interest	\$ 42,643	\$ 39,042
Non-cash investing and financing activities		
Accounts payable and accrued liabilities for real estate investments	\$ (9,564)	\$ (2,460)

Restricted cash primarily consists of amounts held by lenders to fund reserves such as capital improvements, taxes, insurance, debt service and operating expenditures. The following table provides a reconciliation of cash and cash equivalents and restricted cash at the beginning and end of the periods presented:

	Six Months Ended June 30,	
	2019	2018
Beginning of period:		
Cash and cash equivalents	\$ 53,740	\$ 78,922
Restricted cash	14,451	22,358
TOTAL	\$ 68,191	\$ 101,280
End of period:		
Cash and cash equivalents	\$ 48,172	\$ 57,515
Restricted cash	13,375	8,472
TOTAL	\$ 61,547	\$ 65,987

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Unaudited Consolidated Financial Statements
(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

22. Subsequent Events

On July 24, 2019, the Company sold its Campus Center office property for \$70.3 million (before credits, prorations and closings costs). Proceeds from the sale approximated the carrying value after the impairment charge and \$70.0 million of net proceeds were used to pay down the Company's unsecured revolving credit facility.

On July 30, 2019, the Company sold its Campus Center developable land property for \$78.1 million (before credits, prorations and closings costs), which resulted in a gain on sale. Net proceeds of \$75.0 million were used to pay down the Company's unsecured revolving credit facility.

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

The following discussion relates to our consolidated financial statements and should be read in conjunction with the consolidated financial statements and the related notes, see Part I, Item 1 "Financial Statements of Hudson Pacific Properties, Inc.," "Financial Statements of Hudson Pacific Properties, L.P." and "Notes to Unaudited Consolidated Financial Statements." Statements in this Item 2 contain forward-looking statements. For a discussion of forward-looking statements, important risks related to our business, and related to investing in our securities, including risks that could cause actual results and events to differ materially from results and events refer to the forward-looking statements section in this Item 2.

Forward-looking Statements

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

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

- adverse economic or real estate developments in our target markets;
- general economic conditions;
- defaults on, early terminations of or non-renewal of leases by tenants;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing or maintain an investment grade rating;
- our failure to generate sufficient cash flows to service our outstanding indebtedness and maintain dividend payments;
- lack or insufficient amounts of insurance;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;

- our failure to maintain our status as a REIT;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- financial market and foreign currency fluctuations;
- risks related to acquisitions generally, including the diversion of management's attention from ongoing business operations and the impact on customers, tenants, lenders, operating results and business;
- the inability to successfully integrate acquired properties, realize the anticipated benefits of acquisitions or capitalize on value creation opportunities;
- the impact of changes in the tax laws as a result of recent federal tax reform legislation and uncertainty as to how some of those changes may be applied;
- changes in real estate and zoning laws and increases in real property tax rates; and
- other factors affecting the real estate industry generally.

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

Executive Summary

Through our interest in Hudson Pacific Properties, L.P. (our operating partnership) and its subsidiaries, at June 30, 2019, our consolidated office portfolio consisted of approximately 13.9 million square feet of in-service, redevelopment, development and held for sale properties. Additionally, as of June 30, 2019, our studio and land portfolio consisted of 1.2 million and 3.2 million, respectively, square feet of in-service. Our consolidated portfolio consists of 55 properties located in Northern and Southern California and the Pacific Northwest.

As of June 30, 2019, our consolidated in-service office portfolio was 94.1% leased (including leases not yet commenced). Our same-store studio properties were 92.6% leased for the average percent leased for the 12 months ended June 30, 2019.

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The following table summarizes our portfolio as of June 30, 2019:

In-Service Portfolio	Number of Buildings	Rentable Square Feet (1)	Percent Occupied (2)	Percent Leased (3)	Annualized Base Rent per Square Foot (4)
Office					
Same-store (5)	32	7,886,740	95.1 %	96.0 %	\$ 48.94
Stabilized non-same store (6)	9	2,645,040	96.9 %	97.8 %	\$ 53.12
Total stabilized	41	10,531,780	95.6 %	96.4 %	\$ 50.00
Lease-up (6)(7)	7	1,871,220	70.5 %	80.8 %	\$ 50.52
Total in-service	48	12,403,000	91.8 %	94.1 %	\$ 50.06
Redevelopment (6)	1	584,000		100.0 %	
Development (6)	2	408,227		74.0 %	
Held for sale (6)	1	471,580		— %	
Total office	52	13,866,807			
Studio					
Same-store (8)	3	1,171,707		92.6 %	\$ 39.21
Non-same-store (9)	—	52,696		100.0 %	\$ 40.07
Total studio	3	1,224,403			
Land	—	3,177,726 (10)(11)			
TOTAL	55	18,268,936			

1. Determined by management based upon estimated leasable square feet, which may be less or more than the Building Owners and Managers Association (“BOMA”) rentable area. Square footage may change over time due to re-measurement or re-leasing.
2. Calculated as (i) square footage under commenced leases as of June 30, 2019, divided by (ii) total square feet, expressed as a percentage.
3. Office portfolio is calculated as (i) square footage under commenced leases as of June 30, 2019, divided by (ii) total square feet, expressed as a percentage. Studio portfolio is calculated as (i) average square footage under commenced leases for the 12 months ended June 30, 2019, divided by (ii) total square feet, expressed as a percentage.
4. Calculated as (i) annualized base rent divided by (ii) square footage under commenced leases as of June 30, 2019. Annualized base rent does not reflect tenant reimbursements.
5. Includes office properties owned and included in our stabilized portfolio as of April 1, 2018 and still owned and included in the stabilized portfolio as of June 30, 2019.
6. Included in our non-same-store property group. Related to our Campus Center office property that was sold on July 24, 2019.
7. Includes office properties that have not yet reached 92.0% occupancy since the date they were acquired or placed under redevelopment or development as of June 30, 2019.
8. Includes studio properties owned and included in our portfolio as of January 1, 2018 and still owned and included in our portfolio as of June 30, 2019.
9. Includes 41,496 square feet located at our 6605 Eleanor Avenue and 1034 Seward Street properties and 11,200 square feet located at our 6660 Santa Monica Boulevard property, included as part of Sunset Las Palmas Studios, that have not met the same-store studio threshold.
10. Includes 946,350 square feet of developable land, adjacent to our Campus Center office property, that was sold on July 30, 2019.
11. Includes 538,164 square feet related to the office development Washington 1000, adjacent to the Washington State Convention Center, to which we purchased rights in the first quarter of 2019.

Overview

Acquisitions

On June 5, 2019, we purchased, through a joint venture with Blackstone, the Bentall Centre office properties and retail complex in Vancouver, Canada. We own 20% of this joint venture and serve as the operating partner. This joint venture is an unconsolidated entity, please refer to Part I, Item 1 “Note 4 to our Consolidated Financial Statements—Investment in unconsolidated real estate entity” for details.

We had no acquisitions related to consolidated entities during the six months ended June 30, 2019.

Dispositions

We had no dispositions during the six months ended June 30, 2019.

Held for Sale

As of June 30, 2019, we had one property, Campus Center, that met the criteria to be classified as held for sale. The property was identified as a non-strategic asset to our portfolio. We entered into an agreement on March 28, 2019 to sell our Campus Center property, which includes the office property and developable land, to two separate, unrelated buyers for a combined amount of approximately \$148 million (before certain credits, prorations and closing costs). We recorded \$52.2 million of impairment charges for the three months ended March 31, 2019 related to the Campus Center office property that was sold on July 24, 2019. The Campus Center land property was sold on July 30, 2019.

Redevelopment/Development

The following table summarizes the properties currently under redevelopment and development as well as future redevelopment and developments as of June 30, 2019:

Location	Submarket	Estimated Square Feet ⁽¹⁾	Estimated Completion Date	Estimated Stabilization Date
Redevelopment:				
One Westside	West Los Angeles	584,000	Q1-2022	Q2-2023
Total redevelopment		584,000		
Development:				
EPIC	Hollywood	302,102	Q4-2019	Q3-2021
Harlow	Hollywood	106,125	Q1-2020	Q3-2021
Total development		408,227		
TOTAL REDEVELOPMENT AND DEVELOPMENT		992,227		
Future Redevelopment and development:				
Washington 1000	Denny Triangle	538,164	TBD	TBD
Element LA—Development	West Los Angeles	500,000	TBD	TBD
Sunset Bronson Studios Lot D—Development	Hollywood	19,816	TBD	TBD
Sunset Gower Studios—Development	Hollywood	423,396	TBD	TBD
Sunset Las Palmas Studios—Development	Hollywood	400,000	TBD	TBD
Cloud10	North San Jose	350,000	TBD	TBD
TOTAL FUTURE REDEVELOPMENT AND DEVELOPMENT		2,231,376		

1. Determined by management based upon estimated leasable square feet, which may be less or more than the BOMA rentable area. Square footage may change over time due to re-measurement or re-leasing.

Lease Expirations

The following table summarizes the lease expirations for leases in place as of June 30, 2019 plus available space, for each of the nine full calendar years beginning January 1, 2019 at the properties in our office portfolio. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options.

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Year of Lease Expiration	Expiring Leases	Square Footage of Expiring Leases	Percentage of Office Portfolio Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Office Portfolio Annualized Base Rent	Annualized Base Rent Per Leased Square Foot ⁽²⁾
Vacant	N/A	1,314,314	9.5 %	N/A	N/A	N/A
2019 ⁽³⁾	84	683,597	5.0	\$ 33,058,119	5.6 %	\$ 48.36
2020	150	905,452	6.6	44,634,378	7.6	49.30
2021	135	1,278,398	9.2	58,754,494	10.0	45.96
2022	133	1,259,614	9.1	60,395,352	10.2	47.95
2023	86	1,538,138	11.1	58,294,988	9.9	37.90
2024	93	1,487,257	10.8	71,634,235	12.2	48.17
2025	36	1,173,644	8.5	48,817,140	8.3	41.59
2026	18	333,758	2.4	18,109,269	3.1	54.26
2027	16	455,076	3.3	21,877,687	3.7	48.07
2028	17	555,792	4.0	34,495,313	5.9	62.07
Thereafter	30	1,526,827	11.0	79,108,481	13.4	51.81
Building management use	22	149,812	1.1	—	—	—
Signed leases not commenced ⁽⁴⁾	22	1,166,450	8.4	60,188,877	10.2	51.60
TOTAL/WEIGHTED AVERAGE	842	13,828,129	100.0 %	\$ 589,368,333	100.0 %	\$ 47.10

1. Rent data for our office properties is presented on an annualized basis without regard to cancellation options. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) as of June 30, 2019, by (ii) 12. Annualized base rent does not reflect tenant reimbursements.
2. Annualized base rent per square foot for all lease expiration years is calculated as (i) base rental payments (defined as cash base rents (before abatements)) under commenced leases, divided by (ii) square footage under commenced leases as of June 30, 2019.
3. Excludes 22,553-square-foot management office occupied by Hudson Pacific Properties, Inc. The management office is reflected under building management use in the table above.
4. Annualized base rent per leased square foot and annualized base rent per square foot at expiration for signed leases not commenced reflects uncommenced leases for space not occupied as of June 30, 2019 and is calculated as (i) base rental payments (defined as cash base rents at expiration (before abatements)) under uncommenced leases for vacant space as of June 30, 2019, divided by (ii) square footage under uncommenced leases as of June 30, 2019.

Historical Tenant Improvements and Leasing Commissions

The following table summarizes historical information regarding tenant improvement and leasing commission costs for tenants at our office properties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Renewals ⁽¹⁾				
Number of leases	37	25	53	44
Square feet	181,221	372,629	278,344	675,030
Tenant improvement costs per square foot ⁽²⁾⁽³⁾	\$ 12.75	\$ 9.98	\$ 11.18	\$ 25.36
Leasing commission costs per square foot ⁽²⁾	8.87	9.31	8.54	11.46
Total tenant improvement and leasing commission costs ⁽²⁾	\$ 21.62	\$ 19.29	\$ 19.72	\$ 36.82
New leases ⁽⁴⁾				
Number of leases	33	44	62	80
Square feet	263,506	430,989	1,210,519	684,844
Tenant improvement costs per square foot ⁽²⁾⁽³⁾	\$ 52.73	\$ 37.60	\$ 83.90	\$ 41.07
Leasing commission costs per square foot ⁽²⁾	12.53	13.22	29.00	13.70
Total tenant improvement and leasing commission costs ⁽²⁾	\$ 65.26	\$ 50.82	\$ 112.90	\$ 54.77
TOTAL				
Number of leases	70	69	115	124
Square feet	444,727	803,618	1,488,863	1,359,874
Tenant improvement costs per square foot ⁽²⁾⁽³⁾	\$ 36.44	\$ 24.80	\$ 70.31	\$ 33.27
Leasing commission costs per square foot ⁽²⁾	11.04	11.40	25.17	12.59
TOTAL TENANT IMPROVEMENT AND LEASING COMMISSION COSTS ⁽²⁾	\$ 47.48	\$ 36.20	\$ 95.48	\$ 45.86

1. Excludes retained tenants that have relocated or expanded into new space within our portfolio.

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

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

4. Includes retained tenants that have relocated or expanded into new space within our portfolio.

Financings

During the six months ended June 30, 2019, the outstanding borrowings on the unsecured revolving credit facility decreased by \$215.0 million, net of draws. We use the unsecured revolving credit facility 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.

On February 27, 2019, our operating partnership completed an underwritten public offering of \$350.0 million in senior notes due April 1, 2029. The notes are fully and unconditionally guaranteed by us. The net proceeds from the offering, after deducting the underwriting discount, were approximately \$343.0 million and were used to repay outstanding borrowings under our unsecured revolving credit facility and \$75.0 million of its five-year term loan due November 17, 2020.

On March 1, 2019, we entered into a loan agreement to borrow up to \$235.0 million on a revolving basis, maturing on March 1, 2024. We drew \$5.0 million to pay down the Sunset Gower Studios/Sunset Bronson Studios construction loan that matured on March 4, 2019. The unused fee rate is 0.20%.

On June 14, 2019, our operating partnership completed an underwritten public offering of \$150.0 million in senior notes due April 1, 2029. These notes were issued as additional notes under the indenture pursuant to which our operating partnership previously issued \$350.0 million of 4.65% senior notes due 2029. The notes are fully and unconditionally guaranteed by us. The net proceeds from the offering, after deducting the underwriting discount and commissions, were approximately \$155.3 million, \$150.0 million of which were used by our operating partnership to repay outstanding borrowings under our unsecured revolving credit facility.

Historical Results of Operations

This Quarterly Report on Form 10-Q of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. represents an update to the more detailed and comprehensive disclosures included in the 2018 Annual Report on Form 10-K of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. Accordingly, you should read the following discussion in conjunction with the information included in our 2018 Annual Report on Form 10-K, as well as the unaudited financial statements included in Part I, Item 1 of 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 or Section 21E of the Exchange Act, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the quarter and beyond. See “Forward-looking Statements.”

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 Part I, Item 1 of this Quarterly Report rather than the rounded numbers appearing in this discussion. The dollar amounts included in the tables in this discussion of our results of operations are presented in thousands.

Comparison of the Three Months Ended June 30, 2019 to the Three Months Ended June 30, 2018

Net Operating Income

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

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

- Same-store properties, which includes all of the properties owned and included in our stabilized portfolio as of April 1, 2018 and still owned and included in the stabilized portfolio as of June 30, 2019; and
- Non-same-store properties include:
 - Stabilized non-same-store properties
 - Lease-up properties
 - Development properties
 - Redevelopment properties

- Held for sale properties

The following table reconciles net income to NOI:

	Three Months Ended June 30,		Dollar Change	Percent Change
	2019	2018		
Net income	\$ 12,823	\$ 19,691	\$ (6,868)	(34.9)%
Adjustments:				
Loss from unconsolidated real estate investments	85	—	85	100.0
Interest expense	26,552	19,331	7,221	37.4
Interest income	(1,008)	(66)	(942)	1,427.3
Other income	(181)	(319)	138	(43.3)
Unrealized gain on non-real estate investment	—	(928)	928	(100.0)
Gains on sale of real estate	—	(1,928)	1,928	(100.0)
General and administrative	18,344	16,203	2,141	13.2
Depreciation and amortization	69,606	60,706	8,900	14.7
NOI	\$ 126,221	\$ 112,690	\$ 13,531	12.0 %
Same-store NOI	\$ 91,839	\$ 82,978	\$ 8,861	10.7 %
Non-same-store NOI	34,382	29,712	4,670	15.7
NOI	\$ 126,221	\$ 112,690	\$ 13,531	12.0 %

Rental Components

We adopted ASC 842 using the modified retrospective approach as of January 1, 2019 and elected to apply the transition method of the standard at the beginning of the period of adoption. As such, the prior period amounts presented under ASC 840 were not restated to conform with the 2019 presentation. As we elected the practical expedient in ASC 842, which allows us to avoid separating lease and non-lease rental income, all office rental income earned pursuant to tenant leases in 2019 is reflected as one line, “Rental,” in the 2019 Consolidated Statement of Operations and as a result we do not disclose tenant recoveries as a separate GAAP revenue measure. However, we believe that tenant recoveries are useful to investors as a supplemental measure of our ability to recover operating expenses, property taxes, insurance and other expenses. For our studio leases, we did not elect the lessor practical expedient to combine lease and non-lease components. Therefore, studio rentals includes property tax and insurance recoveries and all other recoveries are included in service revenues and other. The following table presents our revenues in accordance with GAAP:

	Three Months Ended June 30,	
	2019	2018
Revenues		
Office		
Rental	\$ 172,256	\$ 129,732
Tenant recoveries	—	21,960
Service revenues	6,791	6,858
Total office revenues	179,047	158,550
Studio		
Rental	14,521	10,708
Tenant recoveries	—	500
Service revenues and other	3,088	5,411
Total studio revenues	17,609	16,619
TOTAL REVENUES	\$ 196,656	\$ 175,169

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We evaluate rental and tenant recoveries separately. Tenant recoveries are not a measure of revenues as allowed by GAAP and should not be considered an alternative to our GAAP measures included in our Consolidated Statement of Operations. The following table reports the breakdown of the 2019 rental income based on the 2018 presentation:

	Three Months Ended June 30,	
	2019	2018
Revenues		
Office		
Rental	\$ 146,637	\$ 129,732
Tenant recoveries	25,619	21,960
Service revenues	6,791	6,858
Total office revenues	179,047	158,550
Studio		
Rental	13,163	10,708
Tenant recoveries	1,358	500
Service revenues and other	3,088	5,411
Total studio revenues	17,609	16,619
TOTAL REVENUES	\$ 196,656	\$ 175,169

The following table summarizes certain statistics of our same-store office and studio properties:

	Three Months Ended June 30,	
	2019	2018
Same-store office		
Number of properties	32	32
Rentable square feet	7,886,740	7,886,740
Ending % leased	96.0 %	93.4 %
Ending % occupied	95.1 %	92.6 %
Average % occupied for the period	94.1 %	92.7 %
Average annual rental rate per square foot	\$ 48.94	\$ 46.42
Same-store studio		
Number of properties	3	3
Rentable square feet	1,171,707	1,171,707
Average % occupied for the period ⁽¹⁾	92.6 %	88.1 %

1. Percent occupied for same-store studio is the average percent occupied for the 12 months ended.

The following table gives further detail on our NOI:

	Three Months Ended June 30,					
	2019			2018		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Revenues						
Office						
Rental	\$ 95,132	\$ 51,505	\$ 146,637	\$ 87,601	\$ 42,131	\$ 129,732
Tenant recoveries	18,106	7,513	25,619	16,867	5,093	21,960
Service revenues	5,013	1,778	6,791	5,210	1,648	6,858
Total office revenues	118,251	60,796	179,047	109,678	48,872	158,550
Studio						
Rental	12,612	551	13,163	10,708	—	10,708
Tenant recoveries	1,442	(84)	1,358	500	—	500
Service revenues and other	2,911	177	3,088	5,411	—	5,411
Total studio revenues	16,965	644	17,609	16,619	—	16,619
Total revenues	135,216	61,440	196,656	126,297	48,872	175,169
Operating expenses						
Office operating expenses	33,833	27,063	60,896	34,780	19,160	53,940
Studio operating expenses	9,544	(5)	9,539	8,539	—	8,539
Total operating expenses	43,377	27,058	70,435	43,319	19,160	62,479
Office NOI	84,418	33,733	118,151	74,898	29,712	104,610
Studio NOI	7,421	649	8,070	8,080	—	8,080
NOI	\$ 91,839	\$ 34,382	\$ 126,221	\$ 82,978	\$ 29,712	\$ 112,690

The following table gives further detail on our change in NOI:

Three Months Ended June 30, 2019 as compared to Three Months Ended June 30, 2018						
	Same-Store		Non-Same-Store		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenues						
Office						
Rental	\$ 7,531	8.6 %	\$ 9,374	22.2 %	\$ 16,905	13.0 %
Tenant recoveries	1,239	7.3	2,420	47.5	3,659	16.7
Service revenues	(197)	(3.8)	130	7.9	(67)	(1.0)
Total office revenues	8,573	7.8	11,924	24.4	20,497	12.9
Studio						
Rental	1,904	17.8	551	100.0	2,455	22.9
Tenant recoveries	942	188.4	(84)	(100.0)	858	171.6
Service revenues and other	(2,500)	(46.2)	177	100.0	(2,323)	(42.9)
Total studio revenues	346	2.1	644	100.0	990	6.0
Total revenues	8,919	7.1	12,568	25.7	21,487	12.3
Operating expenses						
Office operating expenses	(947)	(2.7)	7,903	41.2	6,956	12.9
Studio operating expenses	1,005	11.8	(5)	(100.0)	1,000	11.7
Total operating expenses	58	0.1	7,898	41.2	7,956	12.7
Office NOI	9,520	12.7	4,021	13.5	13,541	12.9
Studio NOI	(659)	(8.2)	649	100.0	(10)	(0.1)
NOI	\$ 8,861	10.7 %	\$ 4,670	15.7 %	\$ 13,531	12.0 %

NOI increased \$13.5 million, or 12.0%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily resulting from:

- \$8.9 million increase in NOI from our same-store properties driven by:
 - an increase in office NOI of \$9.5 million primarily due to:
 - \$7.5 million increase in rental revenues primarily relating to leases signed at our 1455 Market (Square, Inc. and WeWork Companies Inc.), ICON (Netflix, Inc.), Rincon Center (Twilio Inc.), Concourse (Nutanix, Inc. and VitalConnect) and Towers at Shore Center (Poshmark, Inc.) properties at a higher rate than expiring leases;
 - \$1.2 million increase in tenant recoveries primarily relating to an increase in occupancy at our Concourse and Rincon Center properties and a restoration fee at our Page Mill Center property; and
 - \$0.9 million decrease in operating expenses primarily relating to prior year property tax reassessments for our Rincon Center property, partially offset by prior year tax adjustment for our 1455 Market property and an overall increase in occupancy.
 - a decrease in studio NOI of \$0.7 million primarily due to:
 - \$2.5 million decrease in service revenues and other primarily relating to lower production activity at our studios related to the increase in our tenant mix related to streaming providers (rather than traditional network broadcasters); and
 - \$1.0 million increase in operating expenses primarily relating to increased staffing for security, janitorial and other services, partially offset by lower production activity;
 - partially offset by \$1.9 million increase in rental revenues primarily relating to higher rental rates and an overall increase in occupancy; and
 - \$0.9 million increase in tenant recoveries primarily relating to an increase in operating expenses.
- \$4.7 million increase in NOI from our non-same-store properties driven by:
 - overall increase in office NOI of \$4.0 million primarily due to:
 - \$9.4 million increase in rental revenues primarily relating to:

- our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and
- leases signed at our Palo Alto Square (Orbital Insight, Inc), Gateway (Santa Clara Valley Transportation Authority and NEC Laboratories America, Inc.), MaxWell (WeWork Companies, Inc.) and Metro Plaza (Nutanix, Inc.) properties at a higher rate than expiring leases and higher occupancy due to lease-up of our CUE (Netflix, Inc.) property.
- \$2.4 million increase in tenant recoveries primarily relating to:
 - our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and
 - an increase in occupancy at our Palo Alto Square property.
- partially offset by \$7.9 million increase in operating expenses primarily relating to:
 - our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and
 - an increase in costs associated with recently completed development properties.
- an increase in studio NOI of \$0.6 million resulting from our acquisition of 6605 Eleanor Avenue (June 2018), 1034 Seward Street (June 2018) and 6660 Santa Monica (October 2018) properties.

Other Expenses (Income)

Interest Expense

The following table presents a reconciliation from the gross interest expense to the amount on the interest expense line item in the Consolidated Statements of Operations:

	Three Months Ended June 30,			
	2019	2018	Dollar Change	Percent Change
Gross interest expense	\$ 28,980	\$ 21,514	\$ 7,466	34.7 %
Capitalized interest	(3,871)	(3,618)	(253)	7.0
Amortization of deferred financing costs and loan discounts/premiums	1,443	1,435	8	0.6
TOTAL	\$ 26,552	\$ 19,331	\$ 7,221	37.4 %

Gross interest expense increased by \$7.5 million, or 34.7%, to \$29.0 million for the three months ended June 30, 2019 compared to \$21.5 million for the three months ended June 30, 2018. The increase was primarily driven by assumed debt associated with One Westside and 10850 Pico (August 2018) properties and joint venture partner debt related to our Ferry Building (October 2018) property and our 4.65% registered senior notes (February and June 2019) at higher interest rate than debt repaid with the proceeds.

Capitalized interest increased by \$0.3 million, or 7.0%, to \$3.9 million for the three months ended June 30, 2019 compared to \$3.6 million for the three months ended June 30, 2018. The increase was primarily driven by our One Westside redevelopment property, partially offset by recently completed development properties.

Gains on Sale of Real Estate

We generated no gains on sale of real estate for three months ended June 30, 2019 compared to \$1.9 million during the three months ended June 30, 2018, which resulted from the sale of our 9300 Wilshire (April 2018) property.

General and Administrative Expenses

General and administrative expenses include wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel and automobile expenses, telecommunications and computer-related expenses and other miscellaneous items. General and administrative expenses increased \$2.1 million, or 13.2%, to \$18.3 million for the three months ended June 30, 2019 compared to \$16.2 million for the three months ended June 30, 2018. The change was primarily attributable to the adoption of the 2019 Hudson Pacific Properties, Inc. Outperformance Program and an increase in staffing to meet operational needs. Additionally, we adopted ASC 842 on January 1, 2019 which resulted in more payroll being expensed rather than capitalized to deferred leasing costs. The increase was partially offset by a decrease in shareholder relations costs.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$8.9 million, or 14.7%, to \$69.6 million for the three months ended June 30, 2019 compared to \$60.7 million for the three months ended June 30, 2018. The increase was primarily related to our acquisition of the Ferry Building (October 2018) and recently completed development properties. The increase was partially offset by the sale of our Peninsula Office Park (July 2018) property.

Comparison of the Six Months Ended June 30, 2019 to the Six Months Ended June 30, 2018

Net Operating Income

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

- Same-store properties, which includes all of the properties owned and included in our stabilized portfolio as of January 1, 2018 and still owned and included in the stabilized portfolio as of June 30, 2019; and
- Non-same-store properties include:
 - Stabilized non-same-store properties
 - Lease-up properties
 - Development properties
 - Redevelopment properties
 - Held for sale properties

The following table reconciles net (loss) income to NOI:

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	Six Months Ended June 30, 2019		Dollar Change	Percent Change
	2019	2018		
Net (loss) income	\$ (24,072)	\$ 72,254	\$ (96,326)	(133.3)%
Adjustments:				
Loss from unconsolidated real estate investments	85	—	85	100.0
Interest expense	50,902	39,834	11,068	27.8
Interest income	(2,032)	(75)	(1,957)	2,609.3
Transaction-related expenses	128	118	10	8.5
Other income	(75)	(723)	648	(89.6)
Unrealized gain on non-real estate investment	—	(928)	928	100.0
Gains on sale of real estate	—	(39,602)	39,602	100.0
Impairment loss	52,201	—	52,201	100.0
General and administrative	36,438	31,767	4,671	14.7
Depreciation and amortization	138,111	121,259	16,852	13.9
NOI	\$ 251,686	\$ 223,904	\$ 27,782	12.4 %
Same-store NOI	\$ 180,133	\$ 164,123	\$ 16,010	9.8 %
Non-same-store NOI	71,553	59,781	11,772	19.7
NOI	\$ 251,686	\$ 223,904	\$ 27,782	12.4 %

Rental Components

The following table presents our revenues in accordance with GAAP:

	Six Months Ended June 30,	
	2019	2018
Revenues		
Office		
Rental	\$ 342,453	\$ 259,814
Tenant recoveries	—	42,864
Service revenues	12,452	12,404
Total office revenues	354,905	315,082
Studio		
Rental	26,915	21,091
Tenant recoveries	—	854
Service revenues and other	12,225	12,260
Total studio revenues	39,140	34,205
TOTAL REVENUES	\$ 394,045	\$ 349,287

We evaluate rental and tenant recoveries separately. Tenant recoveries are not a measure of revenues as allowed by GAAP and should not be considered an alternative to our GAAP measures included in our Consolidated Statement of Operations. The following table reports the breakdown of the 2019 rental income based on the 2018 presentation:

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	Six Months Ended June 30,	
	2019	2018
Revenues		
Office		
Rental	\$ 292,097	\$ 259,814
Tenant recoveries	50,356	42,864
Service revenues	12,452	12,404
Total office revenues	354,905	315,082
Studio		
Rental	23,977	21,091
Tenant recoveries	2,938	854
Service revenues and other	12,225	12,260
Total studio revenues	39,140	34,205
TOTAL REVENUES	\$ 394,045	\$ 349,287

The following table summarizes certain statistics of our same-store office and studio properties:

	Six Months Ended June 30,	
	2019	2018
Same-store office		
Number of properties	31	31
Rentable square feet	7,842,480	7,842,480
Ending % leased	95.9 %	93.4 %
Ending % occupied	95.1 %	92.6 %
Average % occupied for the period	93.5 %	92.8 %
Average annual rental rate per square foot	\$ 48.82	\$ 46.30
Same-store studio		
Number of properties	3	3
Rentable square feet	1,171,707	1,171,707
Average % occupied for the period ⁽¹⁾	92.6 %	88.1 %

1. Percent occupied for same-store studio is the average percent occupied for the 12 months ended.

The following table gives further detail on our NOI:

	Six Months Ended June 30,					
	2019			2018		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Revenues						
Office						
Rental	\$ 187,378	\$ 104,719	\$ 292,097	\$ 173,551	\$ 86,263	\$ 259,814
Tenant recoveries	35,247	15,109	50,356	33,305	9,559	42,864
Service revenues	9,204	3,248	12,452	9,314	3,090	12,404
Total office revenues	231,829	123,076	354,905	216,170	98,912	315,082
Studio						
Rental	22,948	1,029	23,977	21,091	—	21,091
Tenant recoveries	2,669	269	2,938	854	—	854
Service revenues and other	12,259	(34)	12,225	12,260	—	12,260
Total studio revenues	37,876	1,264	39,140	34,205	—	34,205
Total revenues	269,705	124,340	394,045	250,375	98,912	349,287
Operating expenses						
Office operating expenses	69,045	52,666	121,711	68,049	39,131	107,180
Studio operating expenses	20,527	121	20,648	18,203	—	18,203
Total operating expenses	89,572	52,787	142,359	86,252	39,131	125,383
Office NOI	162,784	70,410	233,194	148,121	59,781	207,902
Studio NOI	17,349	1,143	18,492	16,002	—	16,002
NOI	\$ 180,133	\$ 71,553	\$ 251,686	\$ 164,123	\$ 59,781	\$ 223,904

The following table gives further detail on our change in NOI:

Six Months Ended June 30, 2019 as compared to Six Months Ended June 30, 2018						
	Same-Store		Non-Same-Store		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenues						
Office						
Rental	\$ 13,827	8.0 %	\$ 18,456	21.4 %	\$ 32,283	12.4 %
Tenant recoveries	1,942	5.8	5,550	58.1	7,492	17.5
Service revenues	(110)	(1.2)	158	5.1	48	0.4
Total office revenues	15,659	7.2	24,164	24.4	39,823	12.6
Studio						
Rental	1,857	8.8	1,029	100.0	2,886	13.7
Tenant recoveries	1,815	212.5	269	100.0	2,084	244.0
Service revenues and other	(1)	—	(34)	(100.0)	(35)	(0.3)
Total studio revenues	3,671	10.7	1,264	100.0	4,935	14.4
Total revenues	19,330	7.7	25,428	25.7	44,758	12.8
Operating expenses						
Office operating expenses	996	1.5	13,535	34.6	14,531	13.6
Studio operating expenses	2,324	12.8	121	100.0	2,445	13.4
Total operating expenses	3,320	3.8	13,656	34.9	16,976	13.5
Office NOI	14,663	9.9	10,629	17.8	25,292	12.2
Studio NOI	1,347	8.4	1,143	100.0	2,490	15.6
NOI	\$ 16,010	9.8 %	\$ 11,772	19.7 %	\$ 27,782	12.4 %

NOI increased \$27.8 million, or 12.4%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily resulting from:

- \$16.0 million increase in NOI from our same-store properties driven by:
 - an increase in office NOI of \$14.7 million primarily due to:
 - \$13.8 million increase in rental revenues primarily relating to leases signed at our 1455 Market (Square, Inc. and WeWork Companies Inc.), ICON (Netflix, Inc.), Rincon Center (Twilio, Inc.), Concourse (Nutanix, Inc. and VitalConnect) and Towers at Shore Center (Poshmark, Inc.) properties at a higher rate than expiring leases; and
 - \$1.9 million increase in tenant recoveries primarily relating to an increase in occupancy at our Rincon Center and Concourse properties and a restoration fee at our Page Mill Center property;
 - partially offset by \$1.0 million increase in operating expenses primarily relating to an overall increase in occupancy and prior year tax adjustment for our 1455 Market property, partially offset by prior year property tax reassessments for our Rincon Center property.
 - an increase in studio NOI of \$1.3 million primarily due to:
 - \$1.9 million increase in rental revenues primarily relating to an overall increase in occupancy and higher rental rates at our studios; and
 - \$1.8 million increase in tenant recoveries primarily relating to an increase in operating expenses;
 - partially offset by \$2.3 million increase in operating expenses relating to staffing for security, janitorial and other services.
- \$11.8 million increase in NOI from our non-same-store properties driven by:
 - overall increase in office NOI of \$10.6 million primarily due to:
 - \$18.5 million increase in rental revenues primarily relating to:
 - our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our Embarcadero Place (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and

- leases signed at our Gateway (Lumenis, Inc., Santa Clara Valley Transportation Authority and NEC Laboratories America, Inc.), Palo Alto Square (Orbital Insight, Inc.), Metro Plaza (Nutanix, Inc.) and MaxWell (WeWork Companies, Inc.) properties at a higher rate than expiring leases, higher occupancy due to lease-up of our CUE (Netflix, Inc.) and 450 Alaskan (Nestle USA, Inc. and Regus) properties.
- \$5.6 million increase in tenant recoveries primarily relating to:
 - our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our Embarcadero Place (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and
 - an increase in occupancy at our Palo Alto Square and Metro Center properties and an increase in operating expenses.
- partially offset by \$13.5 million increase in operating expenses primarily relating to:
 - our acquisition of 10850 Pico (August 2018) and Ferry Building (October 2018) properties, partially offset by the sale of our Embarcadero Place (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties; and
 - an increase in costs associated with recently completed development properties.
- an increase in studio NOI of \$1.1 million resulting from our acquisition of 6605 Eleanor Avenue (June 2018), 1034 Seward Street (June 2018) and 6660 Santa Monica (October 2018) properties.

Other Expenses (Income)

Interest Expense

The following table presents a reconciliation from the gross interest expense to the amount on the interest expense line item in the Consolidated Statements of Operations:

	Six Months Ended June 30,			
	2019	2018	Dollar Change	Percent Change
Gross interest expense	\$ 56,445	\$ 43,945	\$ 12,500	28.4 %
Capitalized interest	(8,577)	(7,204)	(1,373)	19.1
Amortization of deferred financing costs and loan discounts/premiums	3,034	3,093	(59)	(1.9)
TOTAL	\$ 50,902	\$ 39,834	\$ 11,068	27.8 %

Gross interest expense increased by \$12.5 million, or 28.4%, to \$56.4 million for the six months ended June 30, 2019 compared to \$43.9 million for the six months ended June 30, 2018. The increase was primarily driven by assumed debt associated with One Westside and 10850 Pico (August 2018) properties and joint venture partner debt related to our Ferry Building (October 2018) property and our 4.65% registered senior notes (February and June 2019) at higher interest rate than debt repaid with the proceeds.

Capitalized interest increased \$1.4 million, or 19.1%, to \$8.6 million for the six months ended June 30, 2019 compared to \$7.2 million for the six months ended June 30, 2018. The increase was primarily driven by our One Westside redevelopment property and our EPIC and Harlow development properties, partially offset by recently completed development properties.

Gains on Sale of Real Estate

We generated no gains on sale of real estate for six months ended June 30, 2019 compared to \$39.6 million during the six months ended June 30, 2018, which resulted from the sale of our Embarcadero Place (January 2018), 2600 Campus Drive (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties.

General and Administrative Expenses

General and administrative expenses include wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel and automobile expenses, telecommunications and computer-related expenses and other miscellaneous items. General and administrative expenses increased \$4.7 million, or 14.7%, to \$36.4

million for the six months ended June 30, 2019 compared to \$31.8 million for the six months ended June 30, 2018. The change was primarily attributable to the adoption of the 2019 Hudson Pacific Properties, Inc. Outperformance Program and an increase in staffing to meet operational needs. Additionally, we adopted ASC 842 on January 1, 2019 which resulted in more payroll being expensed rather than capitalized to deferred leasing costs. The increase was partially offset by a decrease in shareholder relations costs.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$16.9 million, or 13.9%, to \$138.1 million for the six months ended June 30, 2019 compared to \$121.3 million for the six months ended June 30, 2018. The increase was primarily related to our acquisition of the Ferry Building (October 2018) and recently completed development properties. The increase was partially offset by the sale of our Embarcadero Place (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties.

Impairment Loss

We recorded \$52.2 million of impairment charges related to our Campus Center office property that was held for sale as of June 30, 2019. Our estimated fair value was based on the sale price. We did not recognize impairment charges during the six months ended June 30, 2018.

Liquidity and Capital Resources

We have remained capitalized since our initial public offering through public offerings, private placements and continuous offerings under our ATM program. We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital, strategic acquisitions, capital expenditures, tenant improvements, leasing costs, dividends and distributions, share repurchases and repayments of outstanding debt financing will include:

- cash on hand, cash reserves and net cash provided by operations;
- proceeds from additional equity securities;
- our ATM program;
- borrowings under the operating partnership's unsecured revolving credit facility and Sunset Bronson Studios/ICON/CUE revolving credit facility; and
- proceeds from additional secured, unsecured debt financings or offerings.

Liquidity Sources

We had \$48.2 million of cash and cash equivalents at June 30, 2019. Our principal source of operating cash flow is related to leasing and operating the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution requirements.

Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about us.

We have an ATM program that allows us to sell up to \$125.0 million of common stock, \$20.1 million of which has been sold through June 30, 2019. Any future sales will depend on several factors, including, but not limited to, market conditions, the trading price of our common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under this program.

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As of June 30, 2019, we had total borrowing capacity of \$600.0 million under our unsecured revolving credit facility, \$185.0 million of which had been drawn. As of June 30, 2019, we had total borrowing capacity of \$235.0 million secured by our Sunset Bronson Studios/ICON/CUE properties, \$5.0 million of which had been drawn.

Our ability to incur additional debt will depend 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. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase.

The following table sets forth our ratio of debt to total consolidated market capitalization (counting series A preferred units as debt) as of June 30, 2019:

	June 30, 2019	
Unsecured and secured debt ⁽¹⁾	\$	2,850,099
Series A preferred units		9,815
Total consolidated debt		2,859,914
Common equity capitalization ⁽²⁾		5,248,057
TOTAL CONSOLIDATED MARKET CAPITALIZATION	\$	8,107,971
Total consolidated debt/total consolidated market capitalization		35.3 %

1. Excludes in-substance defeased debt, joint venture partner debt and unamortized deferred financing costs and loan discounts/premiums.

2. Common equity capitalization represents the shares of common stock (including unvested restricted shares), OP units outstanding, restricted performance units and dilutive shares multiplied by the closing price of our stock, as reported by the NYSE, as of June 30, 2019.

Outstanding Indebtedness

The following table sets forth information as of June 30, 2019 and December 31, 2018 with respect to our outstanding indebtedness (excluding unamortized deferred financing costs and loan discounts/premiums):

	June 30, 2019		December 31, 2018	
Unsecured debt	\$	2,485,000	\$	2,275,000
Secured debt	\$	365,099	\$	365,381
In-substance defeased debt	\$	136,636	\$	138,223
Joint venture partner debt	\$	66,136	\$	66,136

The operating partnership was in compliance with its financial covenants as of June 30, 2019.

Liquidity Uses

Contractual Obligations

During the six months ended June 30, 2019, there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our 2018 Annual Report on Form 10-K. See Part I, Item 1 “Note 7 to our Consolidated Financial Statements—Debt,” for information regarding our minimum future principal payments due on our outstanding debt. See Part I, Item 1 “Note 11 to our Consolidated Financial Statements—Future Minimum Rents and Lease Payments” for information regarding our future minimum ground lease payments. See Part I, Item 1 “Note 7 to our Consolidated Financial Statements—Prepaid Expenses and Other Assets, net” for additional contingencies.

Cash Flows

A comparison of our cash flow activity is as follows:

	Six Months Ended June 30,				
	2019	2018			
Net cash provided by operating activities	\$ 145,716	\$ 102,519	\$ 43,197		42.1 %
Net cash (used in) provided by investing activities	\$ (270,036)	\$ 7,502	\$ (277,538)		(3,699.5)%
Net cash provided by (used in) financing activities	\$ 117,676	\$ (145,314)	\$ 262,990		(181.0)%

Cash and cash equivalents and restricted cash were \$61.5 million and \$68.2 million at June 30, 2019 and December 31, 2018, respectively.

Operating Activities

Net cash provided by operating activities increased by \$43.2 million, or 42.1%, to \$145.7 million for the six months ended June 30, 2019 compared to \$102.5 million for the six months ended June 30, 2018. The change resulted primarily from higher cash NOI related to our recent acquisitions, 10850 Pico (August 2018) and Ferry Building (October 2018) properties, and commencement of leases at Rincon Center (Twilio, Inc.), Palo Alto Square (Orbital Insight, Inc), Gateway (Lumenis, Inc. and Santa Clara Valley Transportation Authority) properties, partially offset by lower cash rents due to the sale of our Embarcadero Place (January 2018), 2180 Sand Hill (March 2018), 9300 Wilshire (April 2018) and Peninsula Office Park (July 2018) properties.

Investing Activities

Net cash used in investing activities increased by \$277.5 million, or 3,699.5%, to \$270.0 million for the six months ended June 30, 2019 compared to net cash provided by investing activities of \$7.5 million for the six months ended June 30, 2018. The increase resulted primarily from no sales of real estate properties in 2019 compared to \$250.2 million of proceeds from sales in 2018 and a \$64.4 million contribution made to our unconsolidated entities in 2019. The increase was partially offset by lower cash used to acquire real estate.

Financing Activities

Net cash provided by financing activities increased by \$263.0 million, or 181.0%, to \$117.7 million for the six months ended June 30, 2019 compared to net cash used in financing activities of \$145.3 million for the six months ended June 30, 2018. The change resulted primarily from an increase in proceeds from debt, partially offset by increase in paydowns of debt.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

Our discussion and analysis of our historical financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements in conformity with GAAP requires us to make estimates of certain items and judgments as to certain future events, for example with respect to the assignment of the purchase price of an acquired property among land, buildings, improvements, equipment and any related intangible assets and liabilities, or the effect of a property tax reassessment of our properties. These determinations, even though inherently subjective and prone to change, affect the reported amounts of our assets, liabilities, revenues and expenses. While we believe that our estimates are based on reasonable assumptions and judgments at the time they are made, some of our assumptions, estimates and judgments will inevitably prove to be incorrect. As a result, actual outcomes will likely differ from our accruals and those differences—positive or negative—could be material. Some of our accruals are subject to adjustment, as we believe appropriate based on revised estimates and reconciliation to the actual results when available.

Effective January 1, 2019, we adopted ASC 842 which resulted in changes to our critical accounting policy relating to lease accounting. Refer to Part I, Item 1 “Note 2 to our Consolidated Financial Statements—Summary of Significant Accounting Policies,” for information regarding our updated policies as a result of the adoption of ASC 842.

Non-GAAP Supplemental Financial Measure: Funds From Operations

We calculate FFO in accordance with the White Paper issued in December 2018 on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). The White Paper defines FFO as net income or loss calculated in accordance with GAAP, excluding gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), adjusting for consolidated and unconsolidated joint ventures. The calculation of FFO includes amortization of deferred revenue related to tenant-funded tenant improvements and excludes the depreciation of the related tenant improvement assets. In the December 2018 White Paper, NAREIT, provided an option to include value changes in mark to market equity securities in the calculation of FFO. We elected this option, retroactively during the fourth quarter of 2018.

We believe that FFO is a useful supplemental measure of our operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of our activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly, our FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our competitors and a more appropriate basis on which to make decisions involving operating, financing and investing activities than the required GAAP presentations alone would provide. We use FFO per share to calculate annual cash bonuses for certain employees.

However, FFO should not be viewed as an alternative measure of our operating performance because it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs and could materially impact our results from operations.

The following table presents a reconciliation of net income (loss) to FFO:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 12,823	\$ 19,691	\$ (24,072)	\$ 72,254
Adjustments:				
Depreciation and amortization—Consolidated	69,606	60,706	138,111	121,259
Depreciation and amortization—Corporate-related	(530)	(489)	(1,053)	(973)
Depreciation and amortization—Company’s share from unconsolidated real estate investment	563	—	563	—
Gains on sale of real estate	—	(1,928)	—	(39,602)
Impairment loss	—	—	52,201	—
Unrealized gain on non-real estate investment	—	(928)	—	(928)
FFO attributable to non-controlling interests	(6,831)	(5,316)	(13,569)	(10,647)
FFO attributable to preferred units	(153)	(153)	(306)	(312)
FFO TO COMMON STOCKHOLDERS AND UNITHOLDERS	\$ 75,478	\$ 71,583	\$ 151,875	\$ 141,051

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about our market risk is disclosed in Part II, Item 7A, of our 2018 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes for the six months ended June 30, 2019 to the information provided in Part II, Item 7A, of our 2018 Annual Report on Form 10-K.

Foreign currency exchange rate risk

We have exposure to foreign currency exchange rate risk related to our unconsolidated real estate entity operating in Canada. The unconsolidated real estate entity's functional currency is the local currency. Any gains or losses resulting from the translation of Canadian dollars to U.S. dollars are classified on our Balance Sheet as a separate component of other comprehensive income (loss) and are excluded from net income (loss).

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures (Hudson Pacific Properties, Inc.)

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

As required by Rule 13a-15(b) under the Exchange Act, Hudson Pacific Properties, Inc. carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of 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 Hudson Pacific Properties, Inc.'s disclosure controls and procedures were effective in providing a reasonable level of assurance that information Hudson Pacific Properties, Inc. is required to disclose in reports that Hudson Pacific Properties, Inc. files under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Disclosure Controls and Procedures (Hudson Pacific Properties, L.P.)

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

As required by Rule 13a-15(b) under the Exchange Act, Hudson Pacific Properties, L.P. carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.), of the effectiveness of the design and operation of the disclosure controls and procedures as of the end of the period covered by this report.

Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.) concluded, as of that time, that Hudson Pacific Properties, L.P.'s disclosure controls and procedures were effective in providing a reasonable level of assurance that information Hudson Pacific Properties, L.P. is required to disclose in reports that Hudson Pacific Properties, L.P. files under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.), as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting (Hudson Pacific Properties, Inc.)

There have been no changes that occurred during the second quarter of the year covered by this report in Hudson Pacific Properties, Inc.'s internal control over financial reporting identified in connection with the evaluation referenced above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting (Hudson Pacific Properties, L.P.)

There have been no changes that occurred during the second quarter of the year covered by this report in Hudson Pacific Properties, L.P.'s internal control over financial reporting identified in connection with the evaluation referenced above 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 a party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or that, individually or in the aggregate, would be expected to have a material adverse effect on our business, financial condition, results of operations or cash flows if determined adversely to us.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled “Risk Factors” in our 2018 Annual Report on Form 10-K. Please review the Risk Factors set forth in our 2018 Annual Report on Form 10-K.

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

(a) Recent Sales of Unregistered Securities:

During the second quarter of 2019, our operating partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the second quarter of 2019, we issued an aggregate of 23,174 shares of its common stock in connection with restricted stock awards for no cash consideration, out of which no shares of common stock were forfeited to us in connection with restricted stock awards for a net issuance of 23,174 shares of common stock. For each share of common stock issued by us in connection with such an award, our operating partnership issued a restricted common unit to us as provided in our operating partnership’s partnership agreement. During the second quarter of 2019, our operating partnership issued an aggregate of 23,174 common units to us.

All other issuances of unregistered equity securities of our operating partnership during the second quarter of 2019 have previously been disclosed in filings with the SEC. For all issuances of units to us, our operating partnership relied on our status as a publicly traded NYSE-listed company with \$7.49 billion in total consolidated assets and as our operating partnership’s majority owner and sole general partner as the basis for the exemption under Section 4(a)(2) of the Securities Act.

(b) Use of Proceeds from Registered Securities: None

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers: None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporated by Reference			
		Form	File No.	Exhibit No.	Filing Date
3.1	Articles of Amendment and Restatement of Hudson Pacific Properties, Inc.	S-11/A	333-164916	3.1	May 12, 2010
3.2	Second Amended and Restated Bylaws of Hudson Pacific Properties, Inc.	8-K	001-34789	3.1	January 12, 2015
3.3	Fourth Amended and Restated Agreement of Limited Partnership of Hudson Pacific Properties, L.P.	10-K	001-34789	10.1	February 26, 2016
3.4	Certificate of Limited Partnership of Hudson Pacific Properties, L.P.	10-Q	001-34789	3.4	November 4, 2016
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
31.3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, L.P.				
31.4	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Hudson Pacific Properties, L.P.				
32.1	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
32.2	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, L.P.				
101	The following financial information from Hudson Pacific Properties, Inc.'s and Hudson Pacific Properties, L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) Consolidated Statements of Equity (unaudited), (v) Consolidated Statements of Capital (unaudited), (vi) Consolidated Statements of Cash Flows (unaudited) and (vii) Notes to Unaudited Consolidated Financial Statements*				

* Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.

Date: August 1, 2019

HUDSON PACIFIC PROPERTIES, INC.

/S/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer (Principal Executive Officer)

Date: August 1, 2019

HUDSON PACIFIC PROPERTIES, INC.

/S/ MARK LAMMAS

Mark Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer
(Principal Financial Officer)

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.

Date: August 1, 2019

HUDSON PACIFIC PROPERTIES, L.P.

/S/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer (Principal Executive Officer)

Date: August 1, 2019

HUDSON PACIFIC PROPERTIES, L.P.

/S/ MARK LAMMAS

Mark Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer
(Principal Financial Officer)

CERTIFICATION

I, Victor J. Coleman, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

CERTIFICATION

I, Mark Lammas, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ MARK LAMMAS

Mark Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer

CERTIFICATION

I, Victor J. Coleman, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, L.P.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

CERTIFICATION

I, Mark Lammas, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, L.P.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ MARK LAMMAS

Mark Lammas

Chief Operating Officer, Chief Financial Officer and Treasurer

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Victor J. Coleman, Chief Executive Officer, and Mark Lammas, Chief Operating Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the "Company"), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) the Quarterly Report on Form 10-Q for the period ended June 30, 2019 of the Company (the "Report") fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 1, 2019

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

Date: August 1, 2019

/s/ MARK LAMMAS

Mark Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Victor J. Coleman, Chief Executive Officer, and Mark Lammas, Chief Operating Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. in its capacity as sole general partner of Hudson Pacific Properties, L.P. (the “Company”), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) the Quarterly Report on Form 10-Q for the period ended June 30, 2019 of the Company (the “Report”) fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 1, 2019

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer
Hudson Pacific Properties, Inc., sole general partner of Hudson Pacific Properties,
L.P.

Date: August 1, 2019

/s/ MARK LAMMAS

Mark Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer
Hudson Pacific Properties, Inc., sole general partner of Hudson Pacific Properties,
L.P.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.