Douglas Emmett Inc
Form 10-K
February 25, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
Commission file number: 1-33106

(Exact name of registrant as specified in its charter)

MARYLAND	(20-3073047)
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

808 Wilshire Boulevard, 2nd Floor
Santa Monica, California 90401
(310) 255-7700
(Address, including Zip Code and Telephone Number, including Area Code, of Registrant's principal executive offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes [x] or No [ ]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act.	Yes [ ] or No [x]
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	Yes [x] or No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K	[x]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):	Large Accelerated Filer [x] Accelerated Filer [ ] Non-Accelerated Filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

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

The aggregate market value of the common stock, $0.01 par value, held by non-affiliates of the registrant, as of June 30, 2008, was $2.4 billion.

The registrant had 121,976,841 shares of its common stock, $0.01 par value, outstanding as of February 17, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be issued in conjunction with the registrant's annual meeting of shareholders to be held in 2009 ("Proxy Statement") are incorporated by reference in Part III of this Report on Form 10-K (this "Report"). The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year ended December 31, 2008.

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Forward Looking Statements.

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), as amended. You can find many (but not all) of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “would,” “may” or other similar expressions in this Report. We claim the protection of the saf harbor contained in the Private Securities Litigation Reform Act of 1995. We caution investors that any forward-looking statements presented in this Report, or those which we may make orally or in writing from time to time, are based on the beliefs of, assumptions made by, and information currently available to us. Such statements are based on assumptions and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following: adverse economic or real estate developments in Southern California and Honolulu; decreased rental rates or increased tenant incentive and vacancy rates; defaults on, early termination of, or non-renewal of leases by tenants; increased interest rates and operating costs; failure to generate sufficient cash flows to service our outstanding indebtedness; difficulties in raising capital for our institutional fund; difficulties in identifying properties to acquire and completing acquisitions; failure to successfully operate acquired properties and operations; failure to maintain our status as a Real Estate Investment Trust (REIT) under the Internal Revenue Code of 1986, as amended(the Internal Revenue Code); possible adverse changes in rent control laws and regulations; environmental uncertainties; risks related to natural disasters; lack or insufficient amount of insurance; inability to successfully expand into new markets and submarkets; risks associated with property development; conflicts of interest with our officers; changes in real estate; zoning laws and increases in real property tax rates; and the consequences of any future terrorist attacks. For further discussion of these and other factors, see “Item 1A. Risk Factors” of this Report.

This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

PART I.
Item 1. Business
Overview

Douglas Emmett, Inc. is a fully integrated, self-administered and self-managed Real Estate Investment Trust (REIT) and one of the largest owners and operators of high-quality office and multifamily properties located in premier submarkets in California and Hawaii. Our properties, which include approximately 13.3 million square feet of Class A office space and 2,868 apartment units, are concentrated in ten submarkets – Brentwood, Olympic Corridor, Century City, Santa Monica, Beverly Hills, Westwood, Sherman Oaks/Encino, Warner Center/Woodland Hills, Burbank and Honolulu. We focus on owning and acquiring a substantial share of top-tier office properties and premier multifamily communities in neighborhoods that possess significant supply constraints, high-end executive housing and key lifestyle amenities. We maintain a web site at www.douglasemmett.com.

We believe that we distinguish ourselves from other owners and operators of office and multifamily properties through the following competitive strengths and strategies:

Concentration of High Quality Office Assets and Multifamily Portfolio in Premier Submarkets. We own and operate office and multifamily properties within submarkets that are supply constrained, have high barriers to entry, offer key lifestyle amenities, are close to high-end executive housing, and typically exhibit strong economic characteristics such as population and job growth and a diverse economic base.

Disciplined Strategy of Developing Substantial Market Share. Our significant market presence can provide us with extensive local transactional market information, enable us to leverage our pricing power in lease and vendor negotiations, and enhance our ability to identify and seize emerging investment opportunities.

Diverse Tenant Base. Our markets attract a diverse base of office tenants that operate a variety of legal, medical, financial and other professional businesses.

Proactive Asset and Property Management. With few exceptions, we provide our own, fully integrated property management and leasing for our office and multifamily properties and our own tenant improvement construction services for our office properties. Our property management group oversees day-to-day property management of both our office and multifamily portfolios, allowing us to benefit from the operational efficiencies permitted by our submarket concentration. Our in-house leasing agents and legal specialists allow us to manage and lease a large property portfolio with a diverse group of smaller tenants.

Office and Multifamily Acquisition Strategy. We intend to increase our market share in our existing submarkets of Los Angeles County and Honolulu, and may selectively enter into other submarkets with similar characteristics where we believe we can gain significant market share.

In October 2008, we completed the initial closing of our newly formed institutional fund, Douglas Emmett Fund X, LLC (Fund X). Fund X is the first fund formed by us since our IPO, when the nine institutional funds previously formed by our predecessor were consolidated with us. As of the date of its initial closing, Fund X had obtained equity commitments totaling $300 million, of which we committed $150 million and certain of our officers committed $2.25 million on the same terms as the other investors. Fund X contemplates a fund raising period until July 2009 and an investment period of up to four years from the initial closing, followed by a ten-year value creation period. With limited exceptions, Fund X will be our exclusive investment vehicle during its investment period, using the same underwriting and leverage principles and focusing primarily on the same markets as we have. For further information, see Note 19 to our consolidated financial statements in Item 8 of this Report.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism, earthquakes and floods, are insured subject to limitations involving substantial self-insurance portions and significant deductibles and co-payments for such events. In addition, most of our properties are located in Southern California, an area subject to an increased risk of earthquakes. While we presently carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. We may reduce or discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. In addition, if certain of our properties were destroyed, we might not be able to rebuild them due to current zoning and land use regulations. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases.

Competition

We compete with a number of developers, owners and operators of office and commercial real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may face pressure to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders may be adversely affected.

In addition, all of our multifamily properties are located in developed areas that include a number of other multifamily properties, as well as single-family homes, condominiums and other residential properties. The number of competitive multifamily and other residential properties in a particular area could have a material adverse effect on our ability to lease units and on our rental rates.

Taxation of Douglas Emmett, Inc.

We believe that we qualify, and intend to continue to qualify, for taxation as a REIT under the Internal Revenue Code, although we cannot assure that this has or will happen. See Item 1A. Risk Factors of this Report. The following summary is qualified in its entirety by the applicable Internal Revenue Code provisions, rules and regulations promulgated thereunder, and administrative and judicial interpretations thereof.

If we qualify for taxation as a REIT, we will generally not be required to pay federal corporate income taxes on the portion of our net income that is currently distributed to stockholders. This treatment substantially eliminates the "double taxation" (i.e., at the corporate and stockholder levels) that generally results from investment in a corporation. However, we will be required to pay federal income tax under certain circumstances.

The Internal Revenue Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (iii) which would be taxable, but for Sections 856 through 860 of the Internal Revenue Code, as a domestic corporation; (iv) which is neither a financial institution nor an insurance company subject to certain provisions of the Internal Revenue Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) of which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, actually or constructively, by five or fewer individuals; and (vii) which meets certain other tests, described below, regarding the amount of its distributions and the nature of its income and assets. The Internal Revenue Code provides that conditions (i) to (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

There are presently two gross income requirements. First, at least 75% of our gross income (excluding gross income from "prohibited transactions" as defined below) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property or from certain types of temporary investment income. Second, at least 95% of our gross income (excluding gross income from prohibited transactions and qualifying hedges) for each taxable year must be derived from income that qualifies under the 75% test and from other dividends, interest and gain from the sale or other disposition of stock or securities. A "prohibited transaction" is a sale or other disposition of property (other than foreclosure property) held for sale to customers in the ordinary course of business.

At the close of each quarter of our taxable year, we must also satisfy four tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets including shares of stock of other REITs, certain other stock or debt instruments purchased with the proceeds of a stock offering or long term public debt offering by us (but only for the one-year period after such offering), cash, cash items and government securities. Second, not more than 25% of our total assets may be represented by securities other than those in the 75% asset class. Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets and we may not own more than 10% of the vote or value of the securities of a non-REIT corporation, other than certain debt securities and interests in taxable REIT subsidiaries or qualified REIT subsidiaries, each as defined below. Fourth, not more than 20% of the value of our total assets may be represented by securities of one or more taxable REIT subsidiaries.

We own interests in various partnerships and limited liability companies. In the case of a REIT that is a partner in a partnership or a member of a limited liability company that is treated as a partnership under the Internal Revenue Code, Treasury Regulations provide that for purposes of the REIT income and asset tests, the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company (determined in accordance with its capital interest in the entity), subject to special rules related to the 10% asset test, and will be deemed to be entitled to the income of the partnership or limited liability company attributable to such share. The ownership of an interest in a partnership or limited liability company by a REIT may involve special tax risks, including the challenge by the Internal Revenue Service (IRS) of the allocations of income and expense items of the partnership or limited liability company, which would affect the computation of taxable income of the REIT, and the status of the partnership or limited liability company as a partnership (as opposed to an association taxable as a corporation) for federal income tax purposes.

We also own interests in a number of subsidiaries which are intended to be treated as qualified REIT subsidiaries (each a QRS). The Internal Revenue Code provides that such subsidiaries will be ignored for federal income tax purposes and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as our assets, liabilities and items of income. If any partnership, limited liability company, or subsidiary in which we own an interest were treated as a regular corporation (and not as a partnership, subsidiary REIT, QRS or taxable REIT subsidiary, as the case may be) for federal income tax purposes, we would likely fail to satisfy the REIT asset tests described above and would therefore fail to qualify as a REIT, unless certain relief provisions apply. We believe that each of the partnerships, limited liability companies, and subsidiaries (other than taxable REIT subsidiaries) in which we own an interest will be treated for tax purposes as a partnership, disregarded entity (in the case of a 100% owned partnership or limited liability company), REIT or QRS, as applicable, although no assurance can be given that the IRS will not successfully challenge the status of any such organization.

As of December 31, 2008, we owned interests in Douglas Emmett Builders (DEB) and we have elected, jointly with DEB, for DEB to be treated as a taxable REIT subsidiary. A REIT may own any percentage of the voting stock and value of the securities of a corporation which jointly elects with the REIT to be a taxable REIT subsidiary, provided certain requirements are met. A taxable REIT subsidiary generally may engage in any business, including the provision of customary or noncustomary services to tenants of its parent REIT and of others, except a taxable REIT subsidiary may not manage or operate a hotel or healthcare facility. A taxable REIT subsidiary is treated as a regular corporation and is subject to federal income tax and applicable state income and franchise taxes at regular corporate rates. In addition, a 100% tax may be imposed on a REIT if its rental, service or other agreements with its taxable REIT subsidiary, or the taxable REIT subsidiary's agreements with the REIT's tenants, are not on arm's-length terms.

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "real estate investment trust taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the net income, if any (after tax), from foreclosure property, minus (B) the sum of certain items of non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year, if paid on or before the first regular dividend payment date after such declaration and if we so elect and specify the dollar amount in our tax return. To the extent that we do not distribute all of our net long-term capital gain or distribute at least 90%, but less than 100%, of our REIT taxable income, we will be required to pay tax thereon at regular corporate tax rates. Furthermore, if we should fail to distribute during each calendar year at least the sum of (i) 85% of our ordinary income for such year, (ii) 95% of our capital gain income for such year, and (iii) any undistributed taxable income from prior periods, we would be required to pay a 4% excise tax on the excess of such required distributions over the amounts actually distributed.

If we fail to qualify for taxation as a REIT in any taxable year, and certain relief provisions do not apply, we will be required to pay tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to our stockholders in any year in which we fail to qualify will not be deductible by us nor will such distributions be required to be made. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to the statutory relief. Failure to qualify for even one year could substantially reduce distributions to stockholders and could result in our incurring substantial indebtedness (to the extent borrowings are feasible) or liquidating substantial investments in order to pay the resulting taxes.

We and our stockholders may be required to pay state or local tax in various state or local jurisdictions, including those in which we or they transact business or reside. The state and local tax treatment of us and our stockholders may not conform to the federal income tax consequences discussed above. We may also be subject to certain taxes applicable to REITs, including taxes in lieu of disqualification as a REIT, on undistributed income, on income from prohibited transactions and on built-in gains from the sale of certain assets acquired from C corporations in tax-free transactions during a specified time period.

Fund X owns its properties through an entity which is intended to also qualify as a REIT, and its failure to so qualify could have similar impacts on us.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including for example regulations relating to common areas, fire and safety requirements, various environmental laws, the Americans with Disabilities Act of 1990 (ADA) and rent control laws. Various environmental laws impose liability for release, disposal or exposure to various hazardous materials, including for example asbestos-containing materials, a substance known to be present in a number of our buildings. Such laws could impose liability on us even if we neither knew about nor was responsible for the contamination. Under the ADA, we must meet federal requirements related to access and use by disabled persons to the extent that our properties are “public accommodations”. The costs of our on-going efforts to comply with these laws are substantial. Moreover, as we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance with applicable laws, we may be liable for investigation and remediation costs, penalties, and/or damages, which could be substantial and could adversely affect our ability to sell or rent our property or to borrow using such property as collateral.

The City of Los Angeles and Santa Monica have enacted rent control legislation, and portions of the Honolulu multifamily market are subject to low and moderate-income housing regulations. Such laws and regulations limit our ability to increase rents, evict tenants or recover increases in our operating expenses and could make it more difficult for us to dispose of properties in certain circumstances. In addition, any failure to comply with low and moderate-income housing regulations could result in the loss of certain tax benefits and the forfeiture of rent payments. Although under current California law we are able to increase rents to market rates once a tenant vacates a rent-controlled unit, any subsequent increases in rental rates will remain limited by Los Angeles and Santa Monica rent control regulations.

For more information about the potential impacts of laws and regulations, see Item 1A Risk Factors of this Report.

Employees

As of December 31, 2008, we employed more than 500 people. We believe that our relationships with our employees are good.

Corporate Structure

We were formed as a Maryland corporation on June 28, 2005 to continue and expand the operations of Douglas Emmett Realty Advisors (DERA), our predecessor, and its nine institutional funds. All of our assets are directly or indirectly held by our operating partnership, which was formed as a Delaware limited partnership on July 25, 2005. Our interest in our operating partnership entitles us to share in cash distributions, profits and losses of our operating partnership in proportion to our percentage ownership. As the sole stockholder of the general partner of our operating partnership, under the partnership agreement of our operating partnership we generally have the exclusive power to manage and conduct its business, subject to certain limited approval and voting rights of the other limited partners.

Segments

We operate in two business segments: Office Properties and Multifamily Properties. Information related to our business segments for 2008, 2007 and 2006 is set forth in Note 17 to our consolidated financial statements in Item 8 of this Report.

Principal Executive Offices

Our principal executive offices are located in the building we own at 808 Wilshire Boulevard, Santa Monica, California 90401 (telephone 310-255-7700). We believe that our current facilities are adequate for our present and future operations.

Available Information

We make available free of charge on our website at www.douglasemmett.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments thereto, as soon as reasonably practicable after we file such reports with, or furnish them to, the Securities and Exchange Commission (SEC). None of the information on or hyperlinked from our website is incorporated into this Report.

Item 1A. Risk Factors

The following section includes the most significant factors that may adversely affect our business and operations. This is not an exhaustive list, and additional factors could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we 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. This discussion of risk factors includes many forward-looking statements. For cautions about relying on such forward-looking statements, please refer to the section entitled "Forward Looking Statements" at the beginning of this Report immediately prior to Item 1.

Risks Related to Our Properties and Our Business

All of our properties are located in Los Angeles County, California and Honolulu, Hawaii, and we are dependent on the Southern California and Honolulu economies and are susceptible to adverse local regulations and natural disasters in those areas. Because all of our properties are concentrated in Los Angeles County, California and Honolulu, Hawaii, we are exposed to greater economic risks than if we owned a more geographically dispersed portfolio. Further, within Los Angeles County, our properties are concentrated in certain submarkets, exposing us to risks associated with those specific areas. We are susceptible to adverse developments in the Los Angeles County, Southern California and Honolulu economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors) as well as natural disasters that occur in these areas (such as earthquakes, floods and other events). In addition, the State of California is also regarded as more litigious and more highly regulated and taxed than many states, which may reduce demand for office space in California. Any adverse developments in the economy or real estate market in Los Angeles County, Southern California in general, or Honolulu, or any decrease in demand for office space resulting from the California or Honolulu regulatory or business environment could adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders. We cannot assure any level of growth in the Los Angeles County, Southern California or Honolulu economies or of our company.

Our operating performance is subject to risks associated with the real estate industry. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for dividends, as well as the value of our properties. These events include, but are not limited to:

- adverse changes in international, national or local economic and demographic conditions, such as the current global economic downturn;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly- traded REITs and institutional investment funds;

reductions in the level of demand for commercial space and residential units, and changes in the relative popularity of properties;

increases in the supply of office space and multifamily units;

fluctuations in interest rates and the availability of credit, such as the pronounced tightening of credit markets that occurred in the fourth quarter of 2008, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;

increases in expenses, including, without limitation, insurance costs, labor costs (the unionization of our employees and our subcontractors' employees that provide services to our buildings could substantially increase our operating costs), energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, and we may be restricted in passing on these increases to our tenants;

the effects of rent controls, stabilization laws and other laws or covenants regulating rental rates; and

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA.

In addition, periods of economic slowdown or recession, such as the current global economic downturn, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. If we cannot operate our properties to meet our financial expectations, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected. There can be no assurance that we can achieve our return objectives.

We have a substantial amount of indebtedness, which may affect our ability to pay dividends, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations. As of December 31, 2008, our total consolidated indebtedness was approximately $3.67 billion, excluding loan premiums, and we may incur significant additional debt for various purposes, including, without limitation, to fund future acquisition and development activities and operational needs. In addition, we had approximately $320.7 million remaining for use under our $370 million senior secured revolving credit facility.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the distributions currently contemplated or necessary to maintain our REIT qualification. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, especially in periods like the present when credit is harder to obtain, could have significant other adverse consequences, including the following:

our cash flow may be insufficient to meet our required principal and interest payments;

we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet operational needs;

we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

we may not meet the criteria that would allow us to exercise one or both of the one-year extensions on our existing revolving credit facility, which is scheduled to mature on October 30, 2009, or the availability of borrowings under the facility may be reduced upon extension;

we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations;

we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements, these agreements may not effectively hedge interest rate fluctuation risk, and, upon the expiration of any hedge agreements we do have, we will be exposed to then-existing market rates of interest and future interest rate volatility with respect to indebtedness that is currently hedged;

we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases; and our default under any of our indebtedness with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code.

The current global financial crisis may adversely affect our business and performance. Our operations and performance depend on general economic conditions. The United States economy has recently experienced a financial downturn, with some financial and economic analysts predicting that the world economy may be entering into a prolonged economic downturn characterized by high unemployment, limited availability of credit and decreased consumer and business spending.

This downturn has had, and may continue to have, an unprecedented negative impact on the global credit markets. Credit has tightened significantly in the last several months. If this continues or worsens, we might not be able to obtain mortgage loans to purchase additional properties or successfully refinance our properties as loans become due. Further, even if we are able to obtain the financing we need, it may be on terms that are not favorable to us, with increased financing costs and restrictive covenants, including restricting our ability to pay dividends and our institutional fund's ability to make distributions to its members.

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

Overall, these factors have resulted in uncertainty in the real estate markets. As a result, the valuation of real-estate related assets has been volatile and is likely to continue to be volatile in the future. This volatility in the markets may make it more difficult for us to obtain adequate financing or realize gains on our investments, which could have an adverse effect on our business and results of operations.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time. As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Los Angeles County or Honolulu real estate market, a general economic downturn, such as the current global economic downturn, and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize our asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance. Our business operations in Southern California and Honolulu, Hawaii are susceptible to, and could be significantly affected by, adverse weather conditions and natural disasters such as earthquakes, tsunamis, hurricanes, volcanoes, wind, floods, landslides and fires. These adverse weather conditions and natural disasters could cause significant damage to the properties in our portfolio, the risk of which is enhanced by the concentration of our properties' locations. Our insurance may not be adequate to cover business interruption or losses resulting from adverse weather or natural disasters. In addition, our insurance policies include substantial self-insurance portions and significant deductibles and co-payments for such events, and we are subject to the availability of insurance in the United States and the pricing thereof. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. We may discontinue earthquake or any other insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the risk of loss.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by certain environmental conditions, such as mold, asbestos, riots or war. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims.

If we experience a loss that is uninsured or which exceeds policy limits, we could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

In addition, many of our properties could not be rebuilt to their existing height or size at their existing location under current land-use laws and policies. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications and otherwise may have to upgrade such property to meet current code requirements.

Terrorism and other factors affecting demand for our properties could harm our operating results. The strength and profitability of our business depends on demand for and the value of our properties. Possible future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war may have a negative impact on our operations, even if they are not directed at our properties. In addition, the terrorist attacks of September 11, 2001 have substantially affected the availability and price of insurance coverage for certain types of damages or occurrences, and our insurance policies for terrorism include large deductibles and co-payments. The lack of sufficient insurance for these types of acts could expose us to significant losses and could have a negative impact on our operations.

We face intense competition, which may decrease or prevent increases of the occupancy and rental rates of our properties. We compete with a number of developers, owners and operators of office and multifamily real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants, and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders may be adversely affected.

In addition, all of our multifamily properties are located in developed areas that include a significant number of other multifamily properties, as well as single-family homes, condominiums and other residential properties. The number of competitive multifamily and other residential properties in a particular area could have a material adverse effect on our ability to lease units and on our rental rates.

We may be unable to renew leases or lease vacant space. As of December 31, 2008, leases representing approximately 13.4% of the square footage of the properties in our office portfolio will expire in 2009, and an additional 6.9% of the square footage of the properties in our office portfolio was available for lease. In addition, as of December 31, 2008, approximately 0.9% of the units in our multifamily portfolio were available for lease, and substantially all of the leases in our multifamily portfolio are renewable on an annual basis at the tenant's option and, if not renewed or terminated, automatically convert to month-to-month terms. We cannot assure you that leases will be renewed or that our properties will be re-leased at rental rates equal to or above our existing rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. Accordingly, portions of our office and multifamily properties may remain vacant for extended periods of time. In addition, some existing leases currently provide tenants with options to renew the terms of their leases at rates that are less than the current market rate or to terminate their leases prior to the expiration date thereof.

Furthermore, as part of our business strategy, we have focused and intend to continue to focus on securing smaller-sized companies as tenants for our office portfolios. Smaller tenants may present greater credit risks and be more susceptible to economic downturns than larger tenants, and may be more likely to cancel or elect not to renew their leases. In addition, we intend to actively pursue opportunities for what we believe to be well-located and high quality buildings that may be in a transitional phase due to current or impending vacancies. We cannot assure you that any such vacancies will be filled following a property acquisition, or that any new tenancies will be established at or above-market rates. If the rental rates for our properties decrease or other tenant incentives increase, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders would be adversely affected.

Real estate investments are generally illiquid. Our real estate investments are relatively difficult to sell quickly. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinance of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the current economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Furthermore, certain properties may be adversely affected by the contractual rights, such as rights of first offer.

Because we own real property, we are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities. Environmental laws regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under various provisions of these laws, an owner or operator of real estate is or may be liable for costs related to soil or groundwater contamination on, in, or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site. Such laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. The presence of, or contamination resulting from, any of these substances, or the failure to properly remediate them, may adversely affect our ability to sell or rent our property or to borrow using such property as collateral. In addition, persons exposed to hazardous or toxic substances may sue for personal injury damages. For example, some laws impose liability for release of or exposure to asbestos-containing materials, a substance known to be present in a number of our buildings. In other cases, some of our properties have been (or may have been) impacted by contamination from past operations or from off-site sources. As a result, in connection with our current or former ownership, operation, management and development of real properties, we may be potentially liable for investigation and cleanup costs, penalties, and damages under environmental laws.

Although most of our properties have been subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify certain liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with the property. Unless required by applicable laws or regulations, we may not further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments.

We cannot assure you that these or other environmental studies identified all potential environmental liabilities, or that we will not incur material environmental liabilities in the future. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

We may incur significant costs complying with laws, regulations and covenants that are applicable to our properties. The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Such laws and regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements. There can be no assurance that existing laws and regulations will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our failure to obtain required permits, licenses and zoning relief or to comply with applicable laws could have a material adverse effect on our business, financial condition and results of operations.

Rent control or rent stabilization legislation and other regulatory restrictions may limit our ability to increase rents and pass through new or increased operating costs to our tenants. Certain states and municipalities have adopted laws and regulations imposing restrictions on the timing or amount of rent increases or have imposed regulations relating to low- and moderate-income housing. Currently, neither California nor Hawaii have state mandated rent control, but various municipalities within Southern California, such as the City of Los Angeles and Santa Monica, have enacted rent control legislation. All but one of the properties in our Los Angeles County multifamily portfolio are affected by these laws and regulations. In addition, we have agreed to provide low- and moderate-income housing in many of the units in our Honolulu multifamily portfolio in exchange for certain tax benefits. We presently expect to continue operating and acquiring properties in areas that either are subject to these types of laws or regulations or where legislation with respect to such laws or regulations may be enacted in the future. Such laws and regulations limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses and could make it more difficult for us to dispose of properties in certain circumstances. Similarly, compliance procedures associated with rent control statutes and low- and moderate-income housing regulations could have a negative impact on our operating costs, and any failure to comply with low- and moderate-income housing regulations could result in the loss of certain tax benefits and the forfeiture of rent payments. In addition, such low- and moderate-income housing regulations require us to rent a certain number of units at below-market rents, which has a negative impact on our ability to increase cash flow from our properties subject to such regulations. Furthermore, such regulations may negatively impact our ability to attract higher-paying tenants to such properties.

We may be unable to complete acquisitions that would grow our business, and even if consummated, we may fail to successfully integrate and operate acquired properties. Our planned growth strategy includes the disciplined acquisition of properties as opportunities arise. Our ability to acquire properties on favorable terms and successfully integrate and operate them is subject to the following significant risks:

we may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, publicly-traded REITs and investment funds;

we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

competition from other potential acquirers may significantly increase the purchase price of a desired property;

we may be unable to generate sufficient cash from operations, or obtain the necessary debt financing, equity financing, or private equity contributions to consummate an acquisition or, if obtainable, financing may not be on favorable terms;

our cash flow may be insufficient to meet our required principal and interest payments;

we may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;

agreements for the acquisition of office properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and we may spend significant time and money on potential acquisitions that we do not consummate;

the process of acquiring or pursuing the acquisition of a new property may divert the attention of our senior management team from our existing business operations;

we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot complete property acquisitions on favorable terms, or operate acquired properties to meet our goals or expectations, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected.

We may be unable to successfully expand our operations into new markets. If the opportunity arises, we may explore acquisitions of properties in new markets. Each of the risks applicable to our ability to acquire and successfully integrate and operate properties in our current markets are also applicable to our ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, we will not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could adversely affect our ability to expand into those markets. We may be unable to build a significant market share or achieve a desired return on our investments in new markets. If we are unsuccessful in expanding into new markets, it could adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders.

We are exposed to risks associated with property development. We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to certain risks, including, without limitation:

- the availability and pricing of financing on favorable terms or at all;
- the availability and timely receipt of zoning and other regulatory approvals; and
- the cost and timely completion of construction (including risks beyond our control, such as weather or labor conditions, or material shortages).

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders.

If we default on the leases to which some of our properties are subject, our business could be adversely affected. We have leasehold interests in certain of our properties. If we default under the terms of these leases, we may be liable for damages and could lose our leasehold interest in the property or our options to purchase the fee interest in such properties. If any of these events were to occur, our business and results of operations would be adversely affected.

The cash available for distribution to stockholders may not be sufficient to pay dividends at expected levels, nor can we assure you of our ability to make distributions in the future. We may elect to distribute the minimum amount to remain compliant with REIT requirements while retaining excess capital for future operations. We may use borrowed funds to make distributions. Our annual distributions may exceed estimated cash available from operations. While we intend to fund the difference out of excess cash or borrowings under our senior secured revolving credit facility, our inability to make, or election to not make, the expected distributions could result in a decrease in the market price of our common stock.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows. Even as a REIT for federal income tax purposes, we are required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. In California, under current law reassessment occurs primarily as a result of a “change in ownership”. The impact of a potential reassessment may take a considerable amount of time, during which the property taxing authorities make a determination of the occurrence of a “change of ownership”, as well as the actual reassessed value. Therefore, the amount of property taxes we pay could increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be impacted, and our ability to pay expected dividends to our stockholders could be adversely affected.

Risks Related to Our Organization and Structure

Tax consequences to holders of operating partnership units upon a sale or refinancing of our properties may cause the interests of our executive officers to differ from the interests of other stockholders. As a result of the unrealized built-in gain attributable to the contributed property at the time of contribution, some holders of operating partnership units, including our principals, may suffer different and more adverse tax consequences than holders of our common stock upon the sale or refinancing of the properties owned by our operating partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all.

Our executive officers will have significant influence over our affairs. At December 31, 2008, our executive officers owned approximately 8% of our outstanding common stock, or approximately 27% assuming that they convert all of their interests in our operating partnership and exercise all of their options. As a result, our executive officers, to the extent they vote their shares in a similar manner, will have influence over our affairs and could exercise such influence in a manner that is not in the best interests of our other stockholders, including by attempting to delay, defer or prevent a change of control transaction that might otherwise be in the best interests of our stockholders. If our executive officers exercises their redemption rights with respect to their operating partnership units and we issue common stock in exchange for those units, our executive officers' influence over our affairs would increase substantially.

Our growth depends on external sources of capital which are outside of our control. In order to qualify as a REIT, we are required under the Internal Revenue Code to distribute annually at least 90% of our "real estate investment trust" taxable income, determined without regard to the dividends paid deduction and by excluding any net capital gain. To the extent that we do not distribute all of our net long-term capital gain or distribute at least 90%, of our REIT taxable income, we will be required to pay tax thereon at regular corporate tax rates. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain financing on favorable terms or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

general market conditions;

the market's perception of our growth potential;

our current debt levels;

our current and expected future earnings;

our cash flow and cash dividends; and

the market price per share of our common stock.

In recent months, the credit markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or pay dividends to our stockholders necessary to maintain our qualification as a REIT.

Our charter, the partnership agreement of our operating partnership and Maryland law contain provisions that may delay or prevent a change of control transaction.

Our charter contains a 5.0% ownership limit. Our charter, subject to certain exceptions, contains restrictions on ownership that limit, and authorizes our directors to take such actions as are necessary and desirable to limit, any person to actual or constructive ownership of no more than 5.0% in value of the outstanding shares of our stock and no more than 5.0% of the value or number, whichever is more restrictive, of the outstanding shares of our common stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose ownership, direct or indirect, of more than 5.0% of the value or number of our outstanding shares of our common stock could jeopardize our status as a REIT. The ownership limit contained in our charter and the restrictions on ownership of our common stock may delay or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our board of directors may create and issue a class or series of preferred stock without stockholder approval. Our board of directors is empowered under our charter to amend our charter to increase or decrease the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue, to designate and issue from time to time one or more classes or series of preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock without stockholder approval. Our board of directors may determine the relative rights, preferences and privileges of any class or series of preferred stock issued. As a result, we may issue series or classes of preferred stock with preferences, dividends, powers and rights, voting or otherwise, senior to the rights of holders of our common stock. The issuance of preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

Certain provisions in the partnership agreement for our operating partnership may delay or prevent unsolicited acquisitions of us. Provisions in the partnership agreement for our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;

- transfer restrictions on our operating partnership units;

the ability of the general partner in some cases to amend the partnership agreement without the consent of the limited partners; and

the right of the limited partners to consent to transfers of the general partnership interest and mergers under specified circumstances.

Any potential change of control transaction may be further limited as a result of provisions of the partnership unit designation for certain long-term incentive units or LTIP units, which require us to preserve the rights of LTIP unit holders and may restrict us from amending the partnership agreement for our operating partnership in a manner that would have an adverse effect on the rights of LTIP unit holders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

"business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and special stockholder voting requirements on these combinations; and

"control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have elected to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our board of directors, and in the case of the control share provisions of the MGCL, pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to repeal the foregoing opt-outs from the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Our charter, bylaws, the partnership agreement for our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Under their employment agreements, certain of our executive officers will have the right to terminate their employment and receive severance if there is a change of control. In connection with our IPO, we entered into employment agreements with Jordan L. Kaplan, Kenneth M. Panzer and William Kamer. These employment agreements provide that each executive may terminate his employment under certain conditions, including after a change of control, and receive severance based on two or three times (depending on the officer) his annual total of salary, bonus and incentive compensation such as LTIP units, options or out performance grants plus a "gross up" for any excise taxes under Section 280G of the Internal Revenue Code. In addition, these executive officers would not be restricted from competing with us after their departure.

Our fiduciary duties as sole stockholder of the general partner of our operating partnership could create conflicts of interest. We, as the sole stockholder of the general partner of our operating partnership, have fiduciary duties to the other limited partners in our operating partnership, the discharge of which may conflict with the interests of our stockholders. The limited partners of our operating partnership have agreed that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as general partner of our operating partnership, to such limited partners, we are under no obligation to give priority to the interests of such limited partners. In addition, those persons holding operating partnership units will have the right to vote on certain amendments to the operating partnership agreement (which require approval by a majority in interest of the limited partners, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we are unable to modify the rights of limited partners to receive distributions as set forth in the operating partnership agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders.

The loss of any member of our executive officers or certain other key senior personnel could significantly harm our business. Our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our executive officers, including Dan A. Emmett, Jordan L. Kaplan, Kenneth M. Panzer and William Kamer. If we lose the services of any member of our executive officers, our business may be significantly impaired. In addition, many of our executives have strong industry reputations, which aid us in identifying acquisition and borrowing opportunities, having such opportunities brought to us, and negotiating with tenants and sellers of properties. The loss of the services of these key personnel could materially and adversely affect our operations because of diminished relationships with lenders, existing and prospective tenants, property sellers and industry personnel.

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

Our board of directors may change significant corporate policies without stockholder approval. Our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our stockholders. In addition, the board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to our stockholders.

Compensation awards to our management may not be tied to or correspond with our improved financial results or share price. The compensation committee of our board of directors is responsible for overseeing our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive compensation and equity-based compensation plans. Our compensation committee has significant discretion in structuring compensation packages and may make compensation decisions based on any number of factors. As a result, compensation awards may not be tied to or correspond with improved financial results at our company or the share price of our common stock.

Tax Risks Related to Ownership of REIT Shares

Our failure to qualify as a REIT would result in higher taxes and reduce cash available for dividends. We currently operate and have operated commencing with our taxable year ended December 31, 2006 in a manner that is intended to allow us to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. To qualify as a REIT, we must satisfy certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. For example, to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources; at least 75% of the value of our total assets must be represented by certain real estate assets including shares of stock of other REITs, certain other stock or debt instruments purchased with the proceeds of a stock offering or long term public debt offering by us (but only for the one-year period after such offering), cash, cash items and government securities; and we must make distributions to our stockholders aggregating annually at least 90% of our REIT taxable income, excluding capital gains. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. The fact that we hold most of our assets through the operating partnership further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT Although we believe that we have been organized and have operated in a manner that is intended to allow us to qualify for taxation as a REIT, we can give no assurance that we have qualified or will continue to qualify as a REIT for tax purposes. We have not requested and do not plan to request a ruling from the IRS regarding our qualification as a REIT.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our common stock. Unless entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as dividend income to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the relief provisions under the Internal Revenue Code in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of $50,000 or more for each such failure.

Fund X owns its properties through an entity which is intended to also qualify as a REIT, and its failure to so qualify could have similar impacts on us.

Even if we qualify as a REIT, we will be required to pay some taxes. Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business.

The tax imposed on REITs engaging in "prohibited transactions" will limit our ability to engage in transactions which would be treated as sales for federal income tax purposes. A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property but including any property held in inventory primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as inventory held for sale to customers in the ordinary course of our business, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties.

In addition, any net taxable income earned directly by our taxable REIT subsidiary, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiary, will be subject to federal and possibly state corporate income tax. We have elected to treat DEB as a taxable REIT subsidiary, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% tax on some payments that it receives or on some deductions taken by its taxable REIT subsidiaries if the economic arrangements between the REIT, the REIT's tenants, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities treat REITs the same as they are treated for federal income tax purposes. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our stockholders.

REIT distribution requirements could adversely affect our liquidity. We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order to qualify as a REIT. To the extent that we do not distribute all of our net long-term capital gain or distribute at least 90%, of our REIT taxable income, we will be required to pay tax thereon at regular corporate tax rates. We intend to make distributions to our stockholders to comply with the requirements of the Internal Revenue Code for REITs and to minimize or eliminate our corporate income tax obligation. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the distribution requirements of the Internal Revenue Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to sell assets in adverse market conditions, borrow on unfavorable terms, or distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our existing portfolio of office properties is located in the Brentwood, Olympic Corridor, Century City, Beverly Hills, Santa Monica, Westwood, Sherman Oaks/Encino, Warner Center/Woodland Hills and Burbank submarkets of Los Angeles County, California, and in Honolulu, Hawaii. Presented below is an overview of certain information regarding our existing office portfolio as of December 31, 2008:

Office Portfolio (1) by Submarket	Number of Properties	Rentable Square Feet (2)	Percent of Total
West Los Angeles			
Brentwood	13	1,390,768	10.4%
Olympic Corridor	5	1,096,079	8.2
Century City	3	915,980	6.9
Santa Monica	8	969,971	7.3
Beverly Hills	6	1,343,094	10.1
Westwood	2	396,807	3.0
San Fernando Valley			
Sherman Oaks/Encino	11	3,180,954	23.9
Warner Center/Woodland Hills	3	2,855,864	21.4
Tri-Cities			
Burbank	1	420,949	3.1
Honolulu	3	757,636	5.7
Total	55	13,328,102	100.0%

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

(2) Based on Building Owners and Managers Association (BOMA) 1996 remeasurement. Total consists of 12,242,179 leased square feet, 923,081 available square feet, 76,251 building management use square feet, and 86,591 square feet of BOMA 1996 adjustment on leased space.

The following table presents our office portfolio occupancy and in-place rents as of December 31, 2008:

Office Portfolio (1) by Submarket	Percent Leased (2)	Annualized Rent (3)	Annualized Rent Per Leased Square Foot (4)
West Los Angeles			
Brentwood	95.8%	$ 50,139,136	$ 38.06
Olympic Corridor	94.6	32,551,780	32.14
Century City	98.2	32,133,272	36.14
Santa Monica (5)	93.2	44,236,506	49.86
Beverly Hills	91.9	46,009,751	38.36
Westwood	94.9	13,611,481	36.59
San Fernando Valley			
Sherman Oaks/Encino	93.6	89,929,729	31.07
Warner Center/Woodland Hills	89.0	71,516,533	28.71
Tri-Cities			
Burbank	100.0	13,383,871	31.79

Honolulu	89.8	22,706,974	34.05
Total / Weighted Average	93.1%	$ 416,219,033	$ 34.26

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.
(2) Includes 91,775 square feet with respect to signed leases not yet commenced.
(3) Represents annualized monthly cash base rent (i.e., excludes tenant reimbursements, parking and other revenue) under leases commenced as of December 31, 2008 (excluding 91,775 square feet with respect to signed leases not yet commenced). The amount reflects total cash rent before abatements. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.
(4) Represents annualized rent divided by leased square feet (excluding 91,775 square feet with respect to signed leases not commenced) as set forth in note (2) above for the total.
(5) Includes $1,287,232 of annualized rent attributable to our corporate headquarters at our Lincoln/Wilshire property.

The following table presents our submarket office concentration as of December 31, 2008:

Office Portfolio (1) by Submarket	Douglas Emmett Rentable Square Feet (2)	Submarket Rentable Square Feet (3)	Douglas Emmett Market Share
West Los Angeles			
Brentwood	1,390,768	3,356,126	41.4%
Olympic Corridor	1,096,079	3,022,969	36.3
Century City	915,980	10,064,599	9.1
Santa Monica	969,971	8,700,348	11.1
Beverly Hills	1,343,094	7,445,875	18.0
Westwood	396,807	4,408,094	9.0
San Fernando Valley			
Sherman Oaks/Encino	3,180,954	5,721,621	55.6
Warner Center/Woodland Hills	2,855,864	7,429,172	38.4
Tri-Cities			
Burbank	420,949	5,929,318	7.1
Subtotal/Weighted Average Los Angeles County	12,570,466	56,078,122	22.4
Honolulu	757,636	5,197,904	14.6
Total	13,328,102	61,276,026	21.8%

Source: CB Richard Ellis (other than Douglas Emmett data).

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.
(2) Based on BOMA 1996 remeasurement. Total consists of 12,242,179 leased square feet (includes 91,775 square feet with respect to signed leases not commenced), 923,081 available square feet, 76,251 building management use square feet, and 86,591 square feet of BOMA 1996 adjustment on leased space.
(3) Represents competitive office space in our nine Los Angeles County submarkets and Honolulu submarket per CB Richard Ellis.

Tenant Diversification

Our office portfolio is currently leased to approximately 2,000 tenants in a variety of industries, including entertainment, real estate, technology, legal and financial services. The following table sets forth information regarding tenants with greater than 1.0% of portfolio annualized rent in our office portfolio as of December 31, 2008:

Office Portfolio(1) Tenant:	Number of Leases	Number of Properties	Lease Expiration(2)	Total Leased Square Feet	Percent of Rentable Square Feet	Annualized Rent(3)	Percent of Annualized Rent
Time Warner(4)	4	4	2010-2019	642,845	4.8%	$21,256,817	5.1%
AIG (Sun America Life Insurance)	1	1	2013	182,010	1.4	5,704,276	1.3
The Endeavor Agency, LLC	2	1	2019	113,878	0.9	4,972,648	1.2
Metrocities Mortgage, LLC(5)	2	2	2010-2015	138,040	1.0	4,101,901	1.0
Bank of America(6)	11	8	2009 - 2013	112,925	0.8	4,039,137	1.0
Total (7)	20	16		1,189,698	8.9%	$40,074,779	9.6%

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

(2) Expiration dates are per leases and do not assume exercise of renewal, extension or termination options. For tenants with multiple leases, expirations are shown as a range.

(3) Represents annualized monthly cash rent under leases commenced as of December 31, 2008. The amount reflects total cash rent before abatements. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.

(4) Includes a 62,000 square foot lease expiring in June 2010, a 10,000 square foot lease expiring in October 2013, a 150,000 square foot lease expiring in April 2016, and a 421,000 square foot lease expiring in September 2019.

(5) Includes a 8,000 square foot lease expiring in September 2010 and a 130,000 square foot lease expiring in February 2015.

(6) Includes a 5,000 square foot lease expiring in September 2009, a 9,000 square foot lease expiring in September 2010, a 7,000 square foot lease expiring in December 2010, two leases totaling 19,000 square feet expiring in January 2011, a 2,000 square foot lease expiring in May 2011, a 16,000 square foot lease expiring in July 2011, a 41,000 square foot lease expiring in January 2012, a 6,000 square foot lease expiring in May 2012, and a 8,000 square foot lease expiring in July 2013.

(7) Excludes 177,000 square feet occupied by Health Net. Out of total square feet, 126,000 square feet expire in December 2014 and 51,000 square feet expired at the end of December 31, 2008.

Industry Diversification

The following table sets forth information relating to tenant diversification by industry in our office portfolio based on annualized rent as of December 31, 2008:

Industry	Number of Leases (1)	Annualized Rent as a Percent of Total

Legal	353	15.9%
Financial Services	270	14.7
Entertainment	120	11.3
Real Estate	165	9.1
Health Services	297	9.0
Accounting & Consulting	213	8.4
Insurance	85	7.6
Retail	163	7.0
Technology	70	3.9
Advertising	57	3.3
Public Administration	29	1.8
Educational Services	10	0.7
Other	266	7.3
Total	2,098	100.0%

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

Lease Distribution

The following table sets forth information relating to the distribution of leases in our office portfolio, based on rentable square feet leased as of December 31, 2008:

Square Feet Under Lease (1)	Number of Leases	Leases as a Percent of Total	Rentable Square Feet (2)	Square Feet as a Percent of Total	Annualized Rent(3) (4)	Annualized Rent as a Percent of Total
2,500 or less	1,033	49.2%	1,413,098	10.6%	$51,154,968	12.3%
2,501-10,000	783	37.3	3,809,780	28.6	131,241,752	31.5
10,001-20,000	188	9.0	2,637,920	19.8	88,723,238	21.3
20,001-40,000	65	3.1	1,784,910	13.4	60,924,562	14.6
40,001-100,000	22	1.1	1,247,281	9.4	44,736,346	10.8
Greater than 100,000	7	0.3	1,257,415	9.4	39,438,167	9.5
Subtotal	2,098	100.0%	12,150,404	91.2%	$416,219,033	100.0%
Available	-	-	923,081	6.9	-	-
BOMA Adjustment(5)	-	-	86,591	0.6	-	-
Building Management Use	-	-	76,251	0.6	-	-
Signed leases not commenced	-	-	91,775	0.7	-	-
Total	2,098	100.0%	13,328,102	100.0%	$416,219,033	100.0%

(1) Based on BOMA 1996 remeasurement. Total consists of 12,242,179 leased square feet (includes 91,775 square feet with respect to signed leases not commenced), 923,081 available square feet, 76,251 building management use square feet, and 86,591 square feet of BOMA 1996 adjustment on leased space.

(2) Average tenant size is approximately 5,800 square feet. Median is approximately 2,500 square feet.

(3) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

(4) Represents annualized monthly cash base rent (i.e., excludes tenant reimbursements, parking and other revenue) under leases commenced as of December 31, 2008 (excluding 91,775 square feet with respect to signed leases not yet commenced). The amount reflects total cash rent before abatements. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.

(5) Represents square footage adjustments for leases that do not reflect BOMA 1996 remeasurement.

Lease Expirations

The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2008, plus available space, for each of the ten years beginning January 1, 2009 and thereafter in our office portfolio (Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and no early termination rights):

Year of Lease(1) Expiration	Number of Leases Expiring	Rentable Square Feet	Expiring Square Feet as a Percent of Total	Annualized Rent(2) (3)	Annualized Rent as a Percent of Total	Annualized Rent Per Leased Square Foot(4)	Annualized Rent Per Leased Square Foot at Expiration(5)
2009	459	1,779,677	13.4%	$ 57,697,675	13.9%	$ 32.42	$ 32.76
2010	424	1,764,955	13.2	59,400,755	14.3	33.66	34.97
2011	391	1,767,625	13.3	61,155,401	14.7	34.60	37.27
2012	292	1,546,975	11.6	52,106,515	12.5	33.68	37.72
2013	257	1,658,473	12.4	60,385,850	14.5	36.41	42.25
2014	121	962,824	7.2	31,550,518	7.6	32.77	41.14
2015	57	650,171	4.9	21,176,002	5.1	32.57	41.19
2016	30	615,805	4.6	20,131,321	4.8	32.69	39.46
2017	28	321,680	2.4	11,020,923	2.7	34.26	47.59
2018	28	289,460	2.2	13,511,401	3.2	46.68	65.37
2019	6	622,359	4.7	21,371,681	5.1	34.34	44.04
Thereafter	5	170,400	1.3	6,710,991	1.6	39.38	55.15
Available	-	923,081	6.9	-	-	-	-
BOMA Adjustment(6)	-	86,591	0.6	-	-	-	-
Building Management Use	-	76,251	0.6	-	-	-	-
Signed leases not commenced	-	91,775	0.7	-	-	-	-
Total/Weighted Average	2,098	13,328,102	100.0%	$ 416,219,033	100.0%	$ 34.26	$ 39.18

(1) Based on BOMA 1996 remeasurement. Total consists of 12,242,179 leased square feet (includes 91,775 square feet with respect to signed leases not commenced), 923,081 available square feet, 76,251 building management use square feet, and 86,591 square feet of BOMA 1996 adjustment on leased space.

(2) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

(3) Represents annualized monthly cash base rent (i.e., excludes tenant reimbursements, parking and other revenue) under leases commenced as of December 31, 2008 (excluding 91,775 square feet with respect to signed leases not yet commenced). The amount reflects total cash rent before abatements. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.

(4) Represents annualized rent divided by leased square feet.

(5) Represents annualized rent at expiration divided by leased square feet.
(6) Represents the square footage adjustments for leases that do not reflect BOMA 1996 remeasurement.

Multifamily Portfolio

The following table presents an overview of our multifamily portfolio, including occupancy and in-place rents, as of December 31, 2008:

Submarket	Number of Properties	Number of Units	Percent of Total
West Los Angeles			
Brentwood	5	950	33%
Santa Monica	2	820	29
Honolulu	2	1,098	38
Total	9	2,868	100%

Submarket	Percent Leased	Annualized Rent (1)	Monthly Rent Per Leased Unit
West Los Angeles			
Brentwood	99.5%	$24,096,283	$2,125
Santa Monica (2)	98.7	20,501,004	2,112
Honolulu	99.0	18,273,968	1,401
Total / Weighted Average	99.1%	$62,871,255	$1,844

(1) Represents December 2008 multifamily rental income annualized.

(2) Excludes 10,013 square feet of ancillary retail space, which generates $293,022 of annualized rent as of December 31, 2008.

Historical Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs for tenants at the properties in our office portfolio through December 31, 2008:

	Year Ended December 31,		
	2008(1)	2007	2006
Renewals(2)			
Number of leases	252	247	252
Square feet	1,075,281	905,306	908,982
Tenant improvement costs per square foot(3) (5)	$ 4.07	$ 5.21	$ 7.28
Leasing commission costs per square foot(3)	7.60	7.39	5.86
Total tenant improvement and leasing commission costs(3)	$ 11.67	$ 12.60	$ 13.14
New leases(4)			
Number of leases	172	225	239
Square feet	586,574	890,962	840,994
Tenant improvement costs per square foot(3) (5)	$ 10.96	$ 14.38	$ 16.29
Leasing commission costs per square foot(3)	8.55	9.44	7.45
Total tenant improvement and leasing commission costs(3)	$ 19.51	$ 23.82	23.74
Total			
Number of leases	424	472	491
Square Feet	1,661,855	1,796,268	1,749,976
Tenant improvement costs per square foot(3) (5)	$ 6.50	$ 9.75	$ 11.61
Leasing commission costs per square foot(3)	7.94	8.41	6.63
Total tenant improvement and leasing commission costs(3)	$ 14.44	$ 18.16	$ 18.24

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

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

(3) 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.

(4) Does not include retained tenants that have relocated or expanded into new space within our portfolio.

(5) 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.

Historical Capital Expenditures

The following table sets forth certain information regarding historical recurring capital expenditures at the properties in our office portfolio through December 31, 2008:

	Office Year Ended December 31,		
	2008	2007	2006
Recurring capital expenditures	$5,457,340	$5,331,325	$5,812,721
Total square feet(1)	11,810,609	11,666,107	11,554,829
Recurring capital expenditures per square foot	$ 0.46	$ 0.46	$ 0.50

(1) Excludes square footage attributable to acquired properties with only non-recurring capital expenditures in the respective period.

The following table sets forth certain information regarding historical recurring capital expenditures at the properties in our multifamily portfolio through December 31, 2008:

	Multifamily Year Ended December 31,		
	2008	2007	2006
Recurring capital expenditures	$1,570,154	$1,348,063	$1,950,713
Total units	2,868	2,868	2,868
Recurring capital expenditures per unit	$ 547	$ 470	$ 680

Our multifamily portfolio contains a large number of units that, due to Santa Monica rent control laws, have had only insignificant rent increases since 1979. Historically, when a tenant has vacated one of these units, we have spent between $15,000 and $30,000 per unit, depending on apartment size, to bring the unit up to our standards. We have characterized these expenditures as non-recurring capital expenditures. Our make-ready costs associated with the turnover of our other units are included in recurring capital expenditures.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II.

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

Market for Common Stock; Dividends

Our common stock is traded on the New York Stock Exchange under the symbol "DEI". On February 17, 2009, the reported closing sale price per share of our common stock on the New York Stock Exchange was $8.53. The following table shows our dividends, and the high and low sales prices for our common stock as reported by the New York Stock Exchange, for the periods indicated:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year Ended 2008				
Dividend	$ 0.1875	$ 0.1875	$ 0.1875	$ 0.1875
Common Stock Price				
High	23.39	24.81	24.97	22.45
Low	20.28	21.64	20.06	8.26
Fiscal Year Ended 2007				
Dividend	$ 0.175	$ 0.175	$ 0.175	$ 0.175
Common Stock Price				
High	29.01	27.15	25.75	27.44
Low	24.99	24.74	22.81	22.61

Holders of Record

We had 22 holders of record of our common stock on February 17, 2009. Certain shares of the Company are held in "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Dividend Policy

We typically pay dividends to common stockholders quarterly at the discretion of the Board of Directors. Dividend amounts depend on our available cash flow, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Directors deems relevant.

Sales of Unregistered Securities

None.

Repurchases of Equity Securities

None.

Performance Graph

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

The following graph compares the cumulative total stockholder return on the Common Stock of Douglas Emmett Inc. from October 24, 2006 to December 31, 2008 with the cumulative total return of the Standard & Poor’s 500 Index and an appropriate “peer group” index (assuming the investment of $100 in our Common Stock and in each of the indexes on October 30, 2006 and that all dividends were reinvested into additional shares of common stock at the frequency with which dividends are paid on the common stock during the applicable fiscal year). The total return performance shown in this graph is not necessarily indicative of and is not intended to suggest future total return performance.

	Period Ending					
Index	10/24/06	12/31/06	06/30/07	12/31/07	06/30/08	12/31/08
Douglas Emmett, Inc.	100.00	112.95	106.57	98.85	97.71	59.45
S&P 500	100.00	103.39	110.59	109.07	96.08	68.72
NAREIT Equity	100.00	109.47	103.02	92.29	88.97	57.47

Source: SNL Financial LC

Item 6. Selected Financial Data

The following table sets forth summary financial and operating data on a historical basis for our "predecessor" prior to our IPO and Douglas Emmett, Inc. subsequent to our IPO. Our "predecessor" owned 42 office properties, the fee interest in two parcels of land leased to third parties under long-term ground leases and six multifamily properties prior to the IPO/formation transactions. We have not presented historical financial information for Douglas Emmett, Inc. for periods prior to October 31, 2006 because we believe that a discussion of the results of Douglas Emmett, Inc. would not be meaningful since it was not involved in any significant activity prior to that date.

You should read the following summary financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation", and the other financial statements included elsewhere in this Report.

The summary historical consolidated financial and operating data as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 have been derived from our audited historical consolidated financial statements subsequent to our IPO and those of our predecessor prior to our IPO.

	Douglas Emmett, Inc.			The Predecessor		
	Year Ending 12/31/08	Year Ending 12/31/07	10/31/06 to 12/31/06	01/01/06 to 10/30/06	Year Ending 12/31/05	Year Ending 12/31/04
Statement of Operations Data:						
Total office revenues	$ 537,377	$ 468,569	$ 77,566	$ 300,939	$ 348,566	$ 286,638
Total multifamily revenues	70,717	71,059	11,374	45,729	45,222	33,793
Total revenues	608,094	539,628	88,940	346,668	393,788	320,431
Operating income (loss)	154,234	141,232	(3,417)	113,784	138,935	106,853
Loss from continuing operations	(27,993)	(13,008)	(20,591)	(16,362)	(16,520)	(56,765)
Per Share Data:						
Loss per share - basic and diluted	$ (0.23)	$ (0.12)	$ (0.18)	$ (251,723)	$ (254,154)	$ (870,631)
Weighted average common shares outstanding - basic and diluted	120,725,928	112,645,587	115,005,860	65	65	65
Dividends declared per common share	$ 0.75	$ 0.70	$ 0.12	$ -	$ -	$ -

	Douglas Emmett, Inc.			The Predecessor	
	2008	2007	2006	2005	2004
Balance Sheet Data (as of December 31)					
Total assets	$ 6,760,804	$ 6,189,968	$ 6,200,118	$ 2,904,647	$ 2,585,697
Secured notes payable	3,692,785	3,105,677	2,789,702	2,223,500	1,982,655
Other Data:	64 (1)	57	55	47	45

Number of properties (as of December 31)

(1) All properties are 100% owned by our operating partnership except (i) the Honolulu Club (78,000 square feet) in which we held a 66.7% interest, and (ii) 6 properties in Fund X totaling 1.4 million square feet in which we held a 50% interest of the common equity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward Looking Statements.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes many forward-looking statements. For cautions about relying on such forward looking statements, please refer to the section entitled "Forward Looking Statements" at the beginning of this Report immediately prior to "Item 1".

Executive Summary
Through our interest in Douglas Emmett Properties, LP (our operating partnership) and its subsidiaries, at December 31, 2008 our office portfolio consisted of 55 properties with approximately 13.3 million rentable square feet, and our multifamily portfolio consisted of nine properties with a total of 2,868 units. As of December 31, 2008, our office portfolio was 93.1% leased, and our multifamily properties were 99.1% leased. Our office portfolio contributed approximately 86.9% of our annualized rent as of December 31, 2008, while our multifamily portfolio contributed the remaining 13.1%. As of December 31, 2008, our Los Angeles County office and multifamily portfolio contributed approximately 91.4% of our annualized rent, and our Honolulu, Hawaii office and multifamily portfolio contributed the remaining 8.6%. Our properties are concentrated in nine premier Los Angeles County submarkets—Brentwood, Olympic Corridor, Century City, Santa Monica, Beverly Hills, Westwood, Sherman Oaks/Encino, Warner Center/Woodland Hills and Burbank—as well as in Honolulu, Hawaii.

Acquisitions, Dispositions, Repositionings and Financings.
Acquisitions. During 2008, we completed the following acquisition transactions:

In March 2008, we acquired a 1.4 million square foot office portfolio consisting of six Class A buildings, all located in our core Los Angeles submarkets – Santa Monica, Beverly Hills, Sherman Oaks/Encino and Warner Center/Woodland Hills – for a contract price of approximately $610 million. As described below, we have contributed these six properties to Fund X. See Note 19 to our consolidated financial statements in Item 8 of this Report.

In February 2008, we acquired a two-thirds interest in a 78,298 square-foot office building located in Honolulu, Hawaii. As part of the same transaction, we also acquired all of the assets of The Honolulu Club, a private membership athletic and social club, which is located in the building. The aggregate contract price was approximately $18 million and the purchase was made through a consolidated joint venture with our local partner. In May 2008, the operations of the athletic club were sold to a third party for a nominal cost. Simultaneously, the acquirer leased from us the space occupied by the athletic club. The results of operations and loss on sale of the assets of the athletic club were not material.

In December 2008, we acquired the five-sixths that we did not already own of the fee title to the land underlying one of our existing office properties in the Westwood submarket, for a fixed contract price of $7.8 million. With the completion of this acquisition, we now own 100% of the fee interest and 100% of the leasehold interest.

Repositionings. We generally select a property for repositioning at the time we purchase it. We often strategically purchase properties with large vacancies or expected near-term lease roll-over and use our knowledge of the property and submarket to determine the optimal use and tenant mix. A repositioning can consist of a range of improvements to a property. A repositioning may involve a complete structural renovation of a building to significantly upgrade the character of the property, or it may involve targeted remodeling of common areas and tenant spaces to make the property more attractive to certain identified tenants. Because each repositioning effort is unique and determined based on the property, tenants and overall trends in the general market and specific submarket, the results are varying degrees of depressed rental revenue and occupancy levels for the affected property, which impacts our results and, accordingly, comparisons of our performance from period to period. The repositioning process generally occurs over the course of months or even years. During 2008, we had on-going repositioning efforts on three of our office properties representing 13 buildings and approximately 3.1 million rentable square feet. Repositioning properties exclude acquisition properties where the plan for improvement is implemented as part of the acquisition.

Financings. During 2008, we completed the following financing transactions:

In October 2008, we completed the initial closing of $300 million of equity commitments for our newly formed institutional fund, Douglas Emmett Fund X, LLC, of which we committed $150 million. In connection with the initial closing, we contributed to Fund X the six office properties which we acquired in March 2008 as well as the related $365 million loan. Fund X contemplates a fund raising period until July 2009 and an investment period of up to four years from the initial closing, followed by a ten-year value creation period. With limited exceptions, Fund X will be our exclusive investment vehicle during its investment period, using the same underwriting and leverage principles and focusing primarily on the same markets as we have. See Note 19 to our consolidated financial statements in Item 8 of this Report.

In August 2008, we obtained a non-recourse $365 million term loan secured by the six-property portfolio that we acquired in March 2008 as described above and in Note 3 to our consolidated financial statements in Item 8 of this Report. This loan bears interest at a floating rate equal to one-month LIBOR plus 165 basis points, however we have entered into interest rate swap contracts that effectively fix the interest at 5.515% (based on an actual/360-day basis) until September 4, 2012. This loan facility matures on August 18, 2013. This long-term loan replaces the $380 million bridge loan obtained in March 2008 in connection with the property acquisition.

In March 2008, we obtained a non-recourse $340 million term loan secured by four of our previously unencumbered office properties. This loan bears interest at a floating rate equal to one-month LIBOR plus 150 basis points, however we have entered into interest rate swap contracts that effectively fix the interest rate at 4.77% (based on an actual/360-day basis) until January 2, 2013. This loan facility matures on April 1, 2015. Proceeds from this loan were utilized to repay our secured revolving credit facility and for general corporate purposes.

In February 2008, the joint venture in which we have a two-thirds interest obtained an $18 million loan that financed our February 2008 acquisition described above and in Note 3 to our consolidated financial statements in Item 8 of this Report. This loan has an interest rate of one-month LIBOR plus 125 basis points and a two-year term with a one-year extension.

Basis of Presentation

For the periods subsequent to October 31, 2006, the financial statements presented are the consolidated financial statements of Douglas Emmett, Inc. and its subsidiaries including our operating partnership. Douglas Emmett, Inc. did not have any meaningful operating activity until the consummation of our IPO and the related acquisition of our predecessor and certain other entities in October 2006. For a detailed description of this transaction and our resulting organization, see Note 1 to our consolidated financial statements included in this Report. The financial statements for the periods prior to October 31, 2006 are the consolidated financial statements of our predecessor. They include the accounts of DERA and certain institutional funds, but do not include the accounts of other entities which were acquired at the time of our IPO. Because the 2006 period reflects significant differences in the ongoing economic impact resulting from our IPO/formation transactions, the results are in many cases not directly comparable to 2007 or 2008 and we urge readers to be even more than usually cautious in using them to predict future results. As a result of these facts, investors are urged to exercise caution in using these past results as an indicator for our future performance.

Critical Accounting Policies

Our discussion and analysis of the historical financial condition and results of operations of Douglas Emmett, Inc. and our predecessor are based upon their respective consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these 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 allocation of the purchase price of 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 in connection with the IPO. These determinations, even though inherently subjective and subject 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.

Investment in Real Estate. Acquisitions of properties and other business combinations are accounted for utilizing the purchase method and, accordingly, the results of operations of acquired properties are included in our results of operations from the respective dates of acquisition. Estimates of future cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, buildings and improvements, equipment and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, acquired above- and below-market leases and tenant relationships. Initial valuations are subject to change until such information is finalized no later than 12 months from the acquisition date. Each of these estimates requires a great deal of judgment, and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations because if we were to allocate more value to land there would be no depreciation with respect to such amount. If we were to allocate more value to the buildings as opposed to allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the remaining terms of the leases.

The fair values of tangible assets are determined on an ‘‘as-if-vacant’’ basis. The ‘‘as-if-vacant’’ fair value is allocated to land, where applicable, buildings, tenant improvements and equipment based on comparable sales and other relevant information obtained in connection with the acquisition of the property.

The estimated fair value of acquired in-place at-market leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and we include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which is generally six months.

Above-market and below-market in-place lease values are recorded as an asset or liability based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received or paid pursuant to the in-place tenant or ground leases, respectively, and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease.

Expenditures for repairs and maintenance are expensed to operations as incurred. Significant betterments are capitalized. Interest, insurance and property tax costs incurred during the period of construction of real estate facilities are capitalized. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

The values allocated to land, buildings, site improvements, tenant improvements, and in-place leases are depreciated on a straight-line basis using an estimated life of 40 years for buildings, 15 years for site improvements, a portfolio average term of existing leases for in-place lease values and the respective remaining lease terms for tenant improvements and leasing costs. The values of above- and below-market tenant leases are amortized over the remaining life of the related lease and recorded as either an increase (for below-market tenant leases) or a decrease (for above-market tenant leases) to rental income. The value of above- and below-market ground leases are amortized over the remaining life of the related lease and recorded as either an increase (for below-market ground leases) or a decrease (for above-market ground leases) to office rental operating expense. The amortization of acquired in-place leases is recorded as an adjustment to depreciation and amortization in the consolidated statements of operations. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

Impairment of Long-Lived Assets. We assess whether there has been impairment in the value of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the undiscounted future cash flows expected to be generated by the asset. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material.

Income Taxes. As a REIT, we are permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the corporate level. REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

Revenue Recognition. Revenue and gain is recognized in accordance with Staff Accounting Bulletin No. 104 of the Securities and Exchange Commission, Revenue Recognition in Financial Statements (SAB 104), as amended. SAB 104 requires that four basic criteria must be met before revenue can be recognized: persuasive evidence of an arrangement exists; the delivery has occurred or services rendered; the fee is fixed and determinable; and collectibility is reasonably assured. All leases are classified as operating leases. For all lease terms exceeding one year, rental income is recognized on a straight-line basis over the terms of the leases. Deferred rent receivables represent rental revenue recognized on a straight-line basis in excess of billed rents. Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenues in the period the applicable costs are incurred. In addition, we record a capital asset for leasehold improvements constructed by us that are reimbursed by tenants, with the offsetting side of this accounting entry recorded to deferred revenue which is included in accounts payable and accrued expenses. The deferred revenue is amortized as additional rental revenue over the life of the related lease. Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Recoveries from tenants for real estate taxes, common area maintenance and other recoverable costs are recognized in the period that the expenses are incurred. Lease termination fees, which are included in rental income in the accompanying consolidated statements of operations, are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

We recognize gains on sales of real estate pursuant to the provisions of Statement of Financial Accounting Standards (FAS) No. 66, Accounting for Sales of Real Estate (FAS 66). The specific timing of a sale is measured against various criteria in FAS 66 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances.

Monitoring of Rents and Other Receivables. We maintain an allowance for estimated losses that may result from the inability of tenants to make required payments. If a tenant fails to make contractual payments beyond any allowance, we may recognize bad debt expense in future periods equal to the amount of unpaid rent and deferred rent. We generally do not require collateral or other security from our tenants, other than security deposits or letters of credit. If our estimates of collectibility differ from the cash received, the timing and amount of our reported revenue could be impacted.

Stock-Based Compensation. We have awarded stock-based compensation to certain key employees and members of our Board of Directors in the form of stock options and long-term incentive plan units (LTIP units). These awards are accounted for under FAS No. 123R (revised 2004), Share-Based Payment (FAS 123R), which was effective beginning January 1, 2006. We had no stock-based compensation awards outstanding prior to our IPO in October 2006. This pronouncement requires that we estimate the fair value of the awards and recognize this value over the requisite vesting period. We utilize a Black-Scholes model to calculate the fair value of options, which uses assumptions related to the stock, including volatility and dividend yield, as well as assumptions related to the stock award itself, such as the expected term and estimated forfeiture rate. Option valuation models require the input of somewhat subjective assumptions for which we have relied on observations of both historical trends and implied estimates as determined by independent third parties. For LTIP units, the fair value is based on the market value of our common stock on the date of grant and a discount for post-vesting restrictions estimated by a third-party consultant.

Financial Instruments. The estimated fair values of financial instruments are determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair values. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

Interest Rate Agreements. We manage our interest rate risk associated with borrowings by obtaining interest rate swap and interest rate cap contracts. No other derivative instruments are used. We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of our stockholders' equity account. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Results of Operations

The comparability of our results of operations between 2008, 2007 and 2006 is affected by our acquisition and repositioning activities in all years presented. This includes the acquisition of four office properties, three multifamily properties and the fee interest in one parcel of land that we lease to a third-party under a long-term ground lease that we acquired from our non-predecessor entities at the time of our IPO. This also includes nine office properties, one multifamily property and the remaining fee interest in one parcel of land that we acquired from unaffiliated entities subsequent to our IPO. As a consequence, our results are not comparable from period to period due to the varying timing of individual property acquisitions, the impact of the IPO/formation transactions and lease up or increased vacancy resulting from repositioning activities.

Our repositioning efforts have also impacted our operating results, and we expect that to continue. In our office portfolio, our repositioning properties include Warner Center Towers, The Trillium and Bishop Place for all periods presented. In addition, Harbor Court, Sherman Oaks Galleria and 9601 Wilshire were repositioning properties in 2006. Our acquisition properties in our office portfolio include Brentwood Court, Brentwood Medical Plaza, Brentwood San Vicente Medical and San Vicente Plaza, which were acquired at the time of our IPO, as well as Century Park West and Cornerstone Plaza, which were acquired in 2007. During 2008, we acquired the Honolulu Club and a portfolio of six properties as described in Note 3 to the consolidated financial statements in Item 8 of this Report. As of December 31, 2008, the repositioning and acquisition properties represented 48.9% of our total office portfolio based on rentable square feet. In addition, during the three years we acquired four properties in our multifamily portfolio: Royal Kunia in March 2006 and Barrington/Kiowa, Barry and Kiowa at the time of our IPO. As of December 31, 2008, our multifamily acquisitions represented 18.4% of the total units in our multifamily portfolio. During the periods discussed, we had no multifamily repositioning properties.

As discussed under “Basis of Presentation”, our results of operations for 2006 contain the consolidated results of Douglas Emmett, Inc. and its subsidiaries, including our operating partnership, for the period from October 31, 2006 through December 31, 2006. The results of operations for the period January 1, 2006 through October 30, 2006 consist of our predecessor, which includes the accounts of DERA and the institutional funds. In our analysis below, we have combined the results for the year ended December 31, 2006 to compare to our consolidated results for 2007.

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

Revenue

Office Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries and parking and other income. Total office portfolio revenue increased by $68.8 million, or 14.7%, to $537.4 million for 2008 compared to $468.6 million for 2007 for the reasons described below.

Rental Revenue. Rental revenue includes rental revenues from our office properties, percentage rent on the retail space contained within office properties, and lease termination income. Total office rental revenue increased by $56.6 million, or 15.0%, to $433.5 million for 2008 compared to $376.9 million for 2007. The increase is due to $45.9 million of incremental rent from the nine properties we acquired subsequent to the beginning of 2007, as well as increases in average rental rates for new and renewal leases across our existing office portfolio.

Parking and Other Income. Total office parking and other income increased by $10.1 million, or 16.5%, to $71.5 million for 2008 compared to $61.4 million for 2007. The increase is primarily due to incremental revenues of $6.7 million from the nine properties we acquired subsequent to the beginning of 2007, as well as increases in parking rates implemented across the portfolio and increases in ground rent income.

Multifamily Revenue

Total Multifamily Revenue. Total multifamily revenue consists of rent, parking income and other income. Total multifamily revenue decreased by $0.3 million, or 0.5%, to $70.7 million for 2008 compared to $71.1 million for 2007. The decrease is primarily due to $3.1 million in amortization of below-market leases for certain multifamily units initially recorded at the time of our IPO and formation that were fully amortized during the second quarter of 2008, thus causing a decline when comparing 2007 to 2008. This decrease was partially offset by an increase of $2.2 million resulting from increased occupancy and an increase in rents charged to both new and existing tenants, including increases for select Santa Monica multifamily units. These units were under leases signed prior to a 1999 change in California Law that allows landlords to reset rents to market rates when a tenant moves out. Therefore, a portion of the multifamily increase was due to the rollover to market rents of several of these rent-controlled units, or “Pre-1999 Units”, since January 1, 2007.

Operating Expenses

Office Rental Expenses. Total office rental expenses increased by $17.5 million, or 11.8%, to $166.1 million for 2008 compared to $148.6 million for 2007. The increase is primarily due to $21.0 million of incremental operating expenses from the nine properties we acquired subsequent to the beginning of 2007. The increase was offset by a net reduction in various operating expenses in our existing portfolio, consisting primarily of lower property tax accruals offset by higher utility expenses.

Depreciation and Amortization. Depreciation and amortization expense increased $38.4 million, or 18.3%, to $248.0 million for 2008 compared to $209.6 million for 2007. The increase was primarily due to incremental depreciation and amortization of $28.0 million from the nine properties we acquired subsequent to the beginning of 2007, as well as the finalization of the purchase price allocation and related lives of real estate assets combined at the time of our IPO/formation transactions.

Non-Operating Income and Expenses

Interest and Other Income. Interest and other income of $0.7 million in 2007 consisted of interest income earned on the investment of excess cash. In 2008, interest and other income of $3.6 million consisted primarily of interest income and the allocation of operating results related to our institutional fund, Douglas Emmett Fund X, LLC, as well as miscellaneous income from the temporary operation of the Honolulu Athletic Club during 2008. See Note 3 and Note 19 to our consolidated financial statements in Item 8 of this Report.

Interest Expense. Interest expense increased $33.1 million, or 20.6%, to $193.7 million for 2008 compared to $160.6 million for 2007. The increase for the comparable periods was primarily due to an increase in outstanding borrowings during 2008 to fund property acquisitions, including the six properties acquired in March 2008 that were contributed to Fund X in October 2008, and for general corporate purposes. See Note 19 to our consolidated financial statements in Item 8 of the Report.

Comparison of year ended December 31, 2007 to year ended December 31, 2006

Revenue

Office Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries and parking and other income. Total office portfolio revenue increased by $90.1 million, or 23.8%, to $468.6 million for 2007 compared to $378.5 million for 2006 for the reasons described below.

Rental Revenue. Rental revenue includes rental revenues from our office properties, percentage rent on the retail space contained within office properties, and lease termination income. Total office rental revenue increased by $61.8 million, or 19.6%, to $376.9 million for 2007 compared to $315.1 million for 2006. This increase is primarily due to incremental rent from the four properties we acquired at the time of our IPO in October 2006, the two additional properties we acquired in the second and fourth quarters of 2007 as described above, and gains in occupancy at our repositioning properties. Rent also increased for the remainder of our office portfolio that was not acquired or repositioned during the periods presented, primarily due to gains in occupancy and increases in average rental rates for new and renewal leases signed since January 1, 2006. In addition, we recognized approximately $25.7 million of incremental rent related to the amortization of net below-market rents that resulted from the mark to market adjustments to our leases that we recorded in connection with our IPO.

Tenant Recoveries. Total office tenant recoveries increased by $9.6 million, or 46.6%, to $30.3 million for 2007 compared to $20.6 million for 2006 primarily due to incremental recoveries from the four properties acquired in the fourth quarter of 2006, and the two additional properties we acquired in 2007. The overall increase is also attributable to increases in tenant recoveries at our repositioning properties resulting from increases in occupancy, as well as an increase in recoverable scheduled services, payroll expense and property taxes as described in office rental expenses below.

Parking and Other Income. Total office parking and other income increased by $18.6 million, or 43.5%, to $61.4 million for 2007 compared to $42.8 million for 2006. This increase was primarily due to gains in occupancy in our repositioning and acquisition properties and parking rate increases implemented in July 2006 and July 2007 across the portfolio.

Multifamily Revenue

Total Multifamily Revenue. Total multifamily revenue consists of rent, parking income and other income. Total multifamily revenue increased by $14.0 million, or 24.4%, to $71.1 million for 2007 compared to $57.1 million for 2006, primarily due to the three multifamily property acquisitions in our IPO/formation transactions, as well as Villas at Royal Kunia, which we acquired in March 2006. In addition, a significant number of our Santa Monica multifamily units were under leases signed prior to a 1999 change in California Law that allows landlords to reset rents to market rates when a tenant moves out. A portion of the multifamily increase was due to the rollover to market rents of several of these rent-controlled units, or “Pre-1999 Units”, since January 1, 2006. The remainder of the increase was primarily due to increases in rents charged to other existing and new tenants. In addition, we recognized approximately $6.4 million of incremental rent related to the amortization of net below-market rents that resulted from the mark to market adjustments to our leases that we recorded in connection with our IPO.

Operating Expenses

Office Rental Expenses. Total office rental expense increased $17.7 million, or 13.5%, to $148.6 million for 2007 compared to $130.9 for 2006. Expenses increased due to higher levels of scheduled services, payroll expense and property tax expense, reflecting both additional properties acquired at and after our IPO, as well as higher costs at existing properties between comparative periods. The increased expense was offset by lower operating expenses in 2007 that resulted from the elimination of fees for property management services, which were provided by Douglas, Emmett and Company (DECO) in 2006 prior to the acquisition and consolidation of DECO in the IPO/formation transactions.

General and Administrative Expenses. General and administrative expenses for 2007 decreased $26.6 million to $21.5 million for 2007, compared to $48.1 million for 2006. The level of general and administrative expenses for 2006 was primarily attributable to one-time non-cash compensation costs at the time of our IPO totaling approximately $27.7 million and the payment by our predecessor of $13.2 million in one-time discretionary cash bonuses prior to the consummation of our IPO. There were no such costs during 2007, however, these savings were partially offset by publicly-traded REIT-related costs subsequent to our IPO, including legal and audit fees, directors and officers insurance and costs related to our compliance with section 404 of Sarbanes-Oxley.

Depreciation and Amortization. Depreciation and amortization expense increased $81.6 million, or 63.8%, to $209.6 million for 2007 compared to $128.0 million for 2006. The increase was primarily due to depreciation of the higher cost basis for each existing property in our portfolio as a result of recording these real estate assets at market value in connection with our IPO and formation transactions, as well as incremental depreciation related to the ten office and multifamily properties we acquired as described above.

Non-Operating Income and Expenses

Gain on Investments in Interest Rate Contracts, Net. We recognized a net gain of $6.8 million on investments in interest rate contracts in 2006 due to changes in the fair market value of our in-place interest rate swap contracts during the ten-month period of 2006 prior to our IPO/formation transactions. In conjunction with our IPO, we entered into a series of interest rate swaps that effectively offset any future changes in the fair value of our predecessor’s existing interest rate contracts. Therefore, no comparable gain or loss was recognized during 2007.

Interest Expense. Interest expense increased $38.5 million, or 31.5%, to $160.6 million for 2007 compared to $122.2 million for 2006. The increase was primarily due to an increase in our average outstanding debt related to the $545 million borrowed in the fourth quarter of 2006 to fund a portion of the formation transactions related to our IPO and an additional $150 million borrowed during the second quarter of 2007 to fund repurchase of our equity and the purchase of our new property in Century City. The remaining increase in interest expense was primarily due to borrowings outstanding under our corporate revolver during 2007 to fund additional repurchases of our equity and the purchase of our new property in the Olympic Corridor.

Deficit Distributions to Minority Partners, Net. Deficit distributions to minority partners, net, was a $10.6 million net distribution for 2006. The expense was primarily due to cash distributions to limited partners exceeding the carrying amount of minority interest in the institutional funds included in our predecessor. This category was not applicable subsequent to our IPO and therefore no such amount was recorded in 2007.

Minority Interests. Minority interest income totaling $5.7 million was recognized for 2007 compared to minority expense of $25.9 million expense for 2006. The amount in 2006 represents the limited partners’ ownership interest in our predecessor, including a preferred minority investor. The amount in 2007 represents the portion of results attributable to minority ownership interests in our operating partnership.

Liquidity and Capital Resources

Available Borrowings, Cash Balances and Capital Resources

In October 2008, we completed the initial closing of Fund X. As of the date of its initial closing, Fund X had obtained equity commitments totaling $300 million, of which we committed $150 million and certain of our officers committed $2.25 million on the same terms as the other investors. Fund X contemplates a fund raising period until July 2009 and an investment period of up to four years from the initial closing, followed by a ten-year value creation period. With limited exceptions, Fund X will be our exclusive investment vehicle during its investment period, using the same underwriting and leverage principles and focusing primarily on the same markets as we have. See Note 3 to our consolidated financial statements in Item 8 of this Report for further description of the acquisition and Note 6 to our consolidated financial statements in Item 8 of this Report for further description of the debt.

We had total indebtedness of $3.7 billion at December 31, 2008, excluding a loan premium representing the mark-to-market adjustment on variable rate debt assumed from our predecessor. Our debt increased $592 million from December 31, 2007 primarily as a result of acquisitions as discussed in Note 3 to our consolidated financial statements in Item 8 of this Report. See Note 6 to our consolidated financial statements in Item 8 of this Report for further description of the debt.

We have a revolving credit facility with a group of banks led by Bank of America, N.A. and Banc of America Securities LLC totaling $370 million. At December 31, 2008, there was approximately $320.7 million available to us under this credit facility. This revolving credit facility bears interest at a rate per annum equal to either LIBOR plus 70 basis points or Federal Funds Rate plus 95 basis points if the amount outstanding is $262.5 million or less. However, if the amount outstanding is greater than $262.5 million, the credit facility bears interest at a rate per annum equal to either LIBOR plus 80 basis points or Federal Funds Rate plus 105 basis points The facility is scheduled to mature on October 30, 2009 but has two one-year extensions available to us. In the current economic environment and credit market, there is a chance that we may not meet the criteria necessary to utilize the extensions, or the availability under the facility may be reduced upon extension. We have used our revolving credit facility for general corporate purposes, including acquisition funding, redevelopment and repositioning opportunities, tenant improvements and capital expenditures, share equivalent repurchases, recapitalizations and working capital.

We have historically financed our capital needs through short-term lines of credit and long-term secured mortgages of which have been at floating rates. To mitigate the impact of fluctuations in short-term interest rates on our cash flow from operations, we generally enter into interest rate swap or interest rate cap agreements. At December 31, 2008, 98% of our debt was effectively fixed at an overall rate of 5.14% (on an actual / 360-day basis) by virtue of interest rate swap and interest rate cap agreements in place at the end of the reporting period. See Notes 6 and 8 to our consolidated financial statements in Item 8 of this Report.

At December 31, 2008, our total borrowings under secured loans represented 64.3% of our total market capitalization of $5.7 billion. Total market capitalization includes our consolidated debt and the value of common stock and operating partnership units each based on our common stock closing price at December 31, 2008 on the New York Stock Exchange of $13.06 per share.

The nature of our business, and the requirements imposed by REIT rules that we distribute a substantial majority of our income on an annual basis, will cause us to have substantial liquidity needs over both the short term and the long term. In 2008 we declared an annual dividend of $0.75 per share, paid quarterly following the end of each quarter.

We expect to meet our short-term liquidity requirements generally through cash provided by operations and, if necessary, by drawing upon our senior secured revolving credit facility. We anticipate that cash provided by operations and borrowings under our senior secured revolving credit facility will be sufficient to meet our liquidity requirements for at least the next 12 months.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, redevelopment and repositioning of properties, non-recurring capital expenditures, and repayment of indebtedness at maturity. We do not expect that we will have sufficient funds on hand to cover all of these long-term cash requirements. We will seek to satisfy these needs through cash flow from commitments to Fund X, operations, long-term secured and unsecured indebtedness, the issuance of debt and equity securities, including units in our operating partnership, property dispositions and joint venture transactions. We have historically financed our operations, acquisitions and development, through the use of our revolving credit facility or other short term acquisition lines of credit, which we subsequently repay with long-term secured floating rate mortgage debt. To mitigate the impact of fluctuations in short-term interest rates on our cash flow from operations, we generally enter into interest rate swap or interest rate cap agreements at the time we enter into term borrowings.

Commitments

The following table sets forth our principal obligations and commitments, excluding periodic interest payments, as of December 31, 2008:

		Payment due by period (in thousands)			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
Long-term debt obligations(1)	$ 3,672,300	$ 49,300	$ 18,000	$ 3,053,080	$ 551,920
Minimum lease payments	7,426	707	1,466	1,466	3,787
Purchase commitments related to capital expenditures associated with tenant improvements and repositioning and other purchase obligations	1,153	1,153	-	-	-
Total	$ 3,680,879	$ 51,160	$ 19,466	$ 3,054,546	$ 555,707

(1) Includes $18 million of debt carried by the Honolulu Club joint venture in which we held a 66.7% interest and $365 million of debt carried by Fund X in which we held a 50% interest of the common equity.

Off-Balance Sheet Arrangements

At December 31, 2008, we did not have any off balance sheet financing arrangements.

Cash Flows

Cash and cash equivalents were $8.7 million and $5.8 million, respectively, at December 31, 2008 and 2007.

Net cash provided by operating activities increased $28.0 million to $182.8 million for 2008 compared to $154.8 million for 2007. The increase in 2007 reflects higher net cash flow from existing properties that generated improved results, as well as incremental cash flow from acquired properties.

Net cash used in investing activities increased $511.8 million to $684.6 million for 2008 compared to $172.8 million for 2007. The increase was primarily due to a higher level of spending on property acquisitions in the 2008 period compared to the 2007 period.

Net cash provided by financing activities increased $485.3 million to $504.6 million for 2008 compared to $19.3 million for 2007. The comparative difference was primarily due to the increased level of borrowings associated with property acquisitions in 2008 as compared to the use of funds primarily for equity repurchases in 2007.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. In conjunction with our IPO, we entered into two new series of interest rate swap and interest rate cap contracts. The first series effectively offset all future changes in fair value from our existing interest rate swap and interest rate cap contracts, and the second series effectively replaced the existing interest rate contracts and qualified for cash flow hedge accounting under FAS No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133), as amended and interpreted. We only enter into contracts with major financial institutions based on their credit rating and other factors. For a description of our interest rate contracts, please see Note 8 to our consolidated financial statements contained in this Report.

As of December 31, 2008, approximately 98% (or $3.61 billion) of our total outstanding debt of $3.67 billion, excluding loan premiums, was subject to floating interest rates which were effectively fixed by virtue of interest rate contracts. The remaining $67.3 million, including $18 million of debt held by a consolidated joint venture in which we own a two-thirds interest, bears interest at a floating rate and was not mitigated by interest rate contracts. Based on the level of variable rate debt outstanding at December 31, 2008, by virtue of the mitigating effect of our interest rate contracts, a 50 basis point change in LIBOR would result in an annual impact to earnings of approximately $337.

As of December 31, 2007, approximately 94% (or $2.90 billion) of our total outstanding debt of $3.08 billion, excluding loan premiums, was subject to floating interest rates which were effectively fixed by virtue of interest rate contracts. The remaining $180.5 million bears interest at a floating rate and was not mitigated by interest rate contracts. Based on the level of variable rate debt outstanding at December 31, 2007, by virtue of the mitigating effect of our interest rate contracts, a 50 basis point change in LIBOR would result in an annual impact to earnings of approximately $900.

We calculate interest sensitivity by computing the amount of floating rate debt not mitigated by interest rate contracts by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of our floating rate debt.

Item 8. Financial Statements and Supplementary Data

All information required by this item is listed in the Index to Financial Statements in Part IV, Item 15(a)(1).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2008, the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2008 our disclosure controls and procedures were effective at the reasonable assurance level such that the information relating to us and our consolidated subsidiaries required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm thereon appear at pages F-1 and F-3, respectively, and are incorporated herein by reference.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors, executive officers and corporate governance is incorporated by reference to the information set forth under the caption "Directors and Executive Officers" in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our year ended December 31, 2008.

We have adopted a Code of Business Conduct and Ethics for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, which is a "code of ethics" as defined by applicable rules of the SEC. The purpose of the code is to ensure that our business is conducted in a consistently legal and ethical matter. We have posted the text of the code on our website at www.douglasemmett.com. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our Chief Executive Officer, Chief Financial officer or Principal Accounting Officer, we will disclose the nature of any such amendment or waiver to the code, its effective date and to whom it applies, on our website or in a report on Form 8-K filed with the SEC. We will provide a copy of our code or our Annual Report on Form 10-K free of charge to any person upon request by writing to us at the following address: Douglas Emmett, Inc., 808 Wilshire Blvd., Santa Monica, California 90401, Attn: Corporate Secretary.

Item 11. Executive Compensation

Information regarding executive compensation is incorporated by reference to the information set forth under the caption "Compensation of Directors and Executive Officers" in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our year ended December 31, 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plan

The following table provides information as of December 31, 2008 with respect to shares of our common stock that may be issued under our existing stock incentive plan (in thousands, except price per option):

Plan Category	Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares of common stock remaining available for future issuance under equity compensation plans (excluding shares reflected In column (a))
Equity compensation Plans approved by stockholders	8,057	$21.26	7,088

For a description of our 2006 Omnibus Stock Incentive Plan, please see Note 13 to our consolidated financial statements included in this Report. We did not have any other equity compensation plans as of December 31, 2008.

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Voting Securities of Principal Stockholders and Management" in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our year ended December 31, 2008.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions is incorporated by reference to the information set forth under the caption “Certain Transactions” in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our year ended December 31, 2008.

Item 14. Principal Accountant Fees and Services

Information regarding accounting fees and disclosures is incorporated by reference to the information set forth under the caption “Fees Paid to Independent Auditors” in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our year ended December 31, 2008.

PART IV.

Item 15. Exhibits and Financial Statement Schedules

(a) and (c) Financial Statements and Financial Statement Schedule

Index to Financial Statements.

1. The following financial statements of the Company and the Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm, are included in Part IV of this Report on the pages indicated:

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

(b) Exhibits

3.1 Articles of Amendment and Restatement of Douglas Emmett, Inc. (6)

3.2 Amended and Restated Bylaws of Douglas Emmett, Inc. (6)