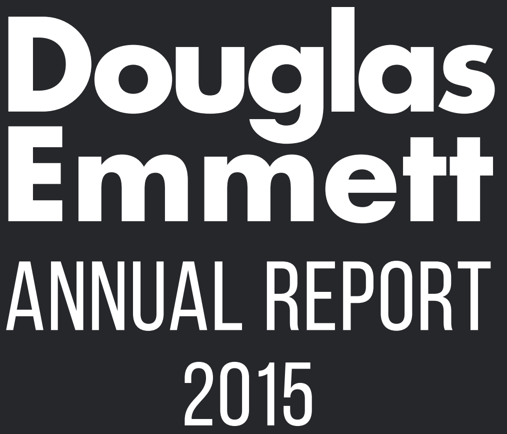
Douglas
Emmett
ANNUAL REPORT
2015

Dear Fellow Shareholders,

I am happy to report that 2015 was another record year for both FFO and AFFO. Compared to 2014, we grew our FFO per share by 6% to $1.63, and our AFFO per share by 7% to $1.30. In fact, we have grown our AFFO by 83% since 2007 (our first full year as a public company).

Fundamentals continue to be strong in our markets. At the end of 2015, unemployment in West Los Angeles had dropped to 4.9%, while Honolulu unemployment was only 2.7%. We are posting strong rental rate increases, with office properties in our core Los Angeles submarkets on the West Side and Sherman Oaks/Encino fully leased at 96% as of year-end. Despite this, new office development in our markets remains severely constrained by restrictive zoning laws and well-organized community groups, with no significant new construction on the horizon.

We also had an active 2015 in capital markets. We significantly extended our loan maturities while reducing our average interest rates, closing over $1.1 billion in loans at an average interest rate of only 2.8% per annum. In March, we acquired an office building in Sherman Oaks/Encino, adding to our already dominant market position in that submarket. Most significantly, in December we agreed to buy a 1,725,000 square foot office portfolio consisting of four Class “A” office buildings in Westwood for approximately $1.34 billion, or $777 per square foot. We closed that purchase in February 2016 through a joint venture we formed with institutional partners led by Qatar Investment Authority.

Our balance sheet remains strong, with no material debt maturities during 2016 or 2017. We increased our dividend to an annualized $0.88 per share while maintaining one of the best dividend coverage ratios in our peer group.

Looking forward, we continue to believe in the disciplined business strategy that has served us well through all phases of the economic cycle. Of course, our buildings enjoy supply constrained markets supported by many of the United States’ most competitive industries. We also continue to enjoy the competitive advantages of having the only fully integrated operating platform in our markets.

I am excited about our company. As I do every year, I promise that the Douglas Emmett Team will continue to be committed to the high standards that have been our hallmark for over 40 years.

Sincerely,

Jordan L. Kaplan
President & CEO

DOUGLAS EMMETT, INC.

ANNUAL REPORT

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Glossary

Abbreviations used in this document:

ASC	Accounting Standards Codification
ASU	Accounting Standards Updates
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Code	Internal Revenue Code of 1986, as amended
COO	Chief Operating Officer
DEI	Douglas Emmett, Inc.
EPS	Earnings Per Share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFO	Funds from Operations
Fund X	Douglas Emmett Fund X, LLC
Funds	Unconsolidated institutional real estate funds
GAAP	Generally Accepted Accounting Principles (United States)
LIBOR	London Interbank Offered Rate
LTIP Units	Long-Term Incentive Plan Units
NAREIT	National Association of Real Estate Investment Trusts
NYSE	New York Stock Exchange
OP Units	Operating Partnership Units
Operating Partnership	Douglas Emmett Properties, LP
Partnership X	Douglas Emmett Partnership X, LP
PCAOB	Public Company Accounting Oversight Board (United States)
REIT	Real Estate Investment Trust
Report	Annual Report
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
S&P 500	Standard & Poor's 500 Index
TRS	Taxable REIT subsidiary(ies)
US	United States

Defined terms used in this document:

Annualized rent — Annualized cash base rent (excludes tenant reimbursements, parking income, lost rent recovered from insurance and other revenue) before abatements under leases commenced as of the reporting date. For our triple net Burbank and Honolulu office properties, annualized rent is calculated by adding expense reimbursements to base rent.

Forward Looking Statements

This Report contains forward-looking statements within the meaning of the Section 27A of the Securities Act and Section 21E of the Exchange Act. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "could," "may," "future" or other similar expressions in this Report. We claim the protection of the safe 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 that we may make orally or in writing from time to time, are based on our beliefs and assumptions, as well as information currently available to us. 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 when relying on previously reported forward-looking statements, which were based on 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, Hawaii;
- a general downturn in the economy, such as the global financial crisis that commenced in 2008;
- 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 Funds;
- difficulties in identifying properties to acquire and completing acquisitions;
- failure to successfully operate acquired properties;
- failure to maintain our status as a REIT under federal tax laws;
- possible adverse changes in rent control laws and regulations;
- environmental uncertainties;
- risks related to natural disasters;
- lack or insufficient amount of insurance, or changes to the cost of maintaining existing insurance coverage;
- 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;
- the negative results of litigation or governmental proceedings;
- the consequences of any possible terrorist attacks or wars; and
- the consequences of any possible cyber attacks or intrusions.

For further discussion of these and other factors, see "Item 1A. Risk Factors" in our 2015 Annual Report on Form 10-K.

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.

Business description

Douglas Emmett, Inc. is a fully integrated, self-administered and self-managed REIT. We are one of the largest owners and operators of high-quality office and multifamily properties located in premier submarkets in California and Hawaii. We focus on owning, acquiring, developing and managing 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 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.

Through our interest in our Operating Partnership and its subsidiaries, including our investments in our Funds, we own or partially own, acquire, develop and manage real estate, consisting primarily of office and multifamily properties. At December 31, 2015, we owned a consolidated portfolio of fifty-four office properties (including ancillary retail space) totaling approximately 13.7 million rentable square feet of space and 10 multifamily properties containing 3,336 apartment units, as well as the fee interests in two parcels of land subject to ground leases. Alongside our consolidated portfolio, we also manage and own equity interests in our Funds which, at December 31, 2015, owned eight additional office properties totaling approximately 1.8 million square feet of space. We manage these eight properties alongside our consolidated portfolio, and we therefore present our office portfolio statistics on a total portfolio basis, with a combined sixty-two Class A office properties totaling approximately 15.5 million square feet. Our properties are located in the Beverly Hills, Brentwood, Burbank, Century City, Olympic Corridor, Santa Monica, Sherman Oaks/Encino, Warner Center/Woodland Hills and Westwood submarkets of Los Angeles County, California, and in Honolulu, Hawaii.

We employ a focused business strategy that we have developed and implemented over the last four decades:

- **Concentration of High Quality Office and Multifamily Assets in Premier Submarkets.** First we select submarkets that are supply constrained, with high barriers to entry, key lifestyle amenities, proximity to high-end executive housing and a strong, diverse economic base. Virtually no entitled Class A office space is currently under construction in any of our targeted submarkets. Our submarkets are dominated by small, affluent tenants, whose rent is very small relative to their revenues and often not the paramount factor in their leasing decisions. In addition, our diverse base of office tenants operate in a variety of businesses, including among others legal, financial services, entertainment, real estate, health services, accounting and consulting, retail, insurance and technology, reducing our dependence on any one industry. In 2013, 2014 and 2015, no tenant accounted for more than 10% of our total revenues.
- **Disciplined Strategy of Acquiring Substantial Market Share.** Once we select a submarket, we follow a disciplined strategy of gaining substantial market share to provide us with extensive local transactional market information, pricing power in lease and vendor negotiations and an enhanced ability to identify and negotiate investment opportunities. As a result, we average approximately a 24% share of the Class A office space in our submarkets.
- **Proactive Asset and Property Management.** Our fully integrated focused operating platform provides the unsurpassed tenant service demanded in our submarkets, with in-house leasing, proactive asset and property management and internal design and construction services. We believe this provides a key competitive advantage in managing our office portfolio, which at December 31, 2015 included 2,674 office leases with a median size of approximately 2,500 square feet, and our multifamily portfolio, which at December 31, 2015 included 3,336 apartment units. 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, closing an average of approximately three office leases each business day. Finally, our in-house construction company allows us to compress the time required for building out many smaller spaces, so that we can reduce the resulting structural vacancy.

Available Information

All reports that we will file with the SEC will be available on the SEC website at www.sec.gov. We make available 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 SEC. None of the information on or hyperlinked from our website is incorporated into this Report.

For more information, please contact:

Stuart McElhinney, Vice President, Investor Relations
(310) 255-7751
smcelhinney@douglasemmett.com

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 NYSE under the symbol "DEI". On December 31, 2015, the reported closing price of our common stock was $31.18. The following table presents our dividends declared, and the high and low prices for our common stock as reported by the NYSE:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Dividend declared	$ 0.21	$ 0.21	$ 0.21	$ 0.22
Common Stock Price				
High	$ 30.53	$ 30.92	$ 31.04	$ 32.32
Low	$ 27.41	$ 26.67	$ 26.86	$ 28.31
2014				
Dividend declared	$ 0.20	$ 0.20	$ 0.20	$ 0.21
Common Stock Price				
High	$ 27.80	$ 29.37	$ 29.56	$ 29.42
Low	$ 23.10	$ 26.15	$ 25.46	$ 25.47

Holders of Record

We had 21 holders of record of our common stock on February 12, 2016. Certain of our shares 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 quarterly dividends to common stockholders at the discretion of the Board of Directors. Dividend amounts depend upon our available cash flows, financial condition and capital requirements, annual distribution requirements under the REIT provisions of the Code, and such other factors as the Board of Directors deems relevant.

Sales of Unregistered Securities

On February 12, 2015, our Operating Partnership issued 34,412 OP Units valued at $1.0 million to the owner of the land under one of our office buildings as partial consideration for the contribution of that land (subject to a mortgage) to our Operating Partnership. Each OP Unit is exchangeable into one share of our common stock (or its cash equivalent at our option). This issuance did not involve underwriters, underwriting discounts or commissions or any public offering. We believe that this issuance was exempt from the registration requirements of the Securities Act under Rule 506 of Regulation D promulgated under the Securities Act and Section 4(2) of the Securities Act as a transaction by an issuer not involving any public offering. There was no advertising, general promotion or other marketing undertaken in connection with the issuance. The contributor represented and warranted that (i) it acquired the units for investment purposes only and not for the purpose of further distribution; (ii) that it had sufficient knowledge and experience in financial and business matters and the ability to bear the economic risk of its investment, and (iii) that the units were taken for investment purposes and not with a view to resale in violation of applicable securities laws.

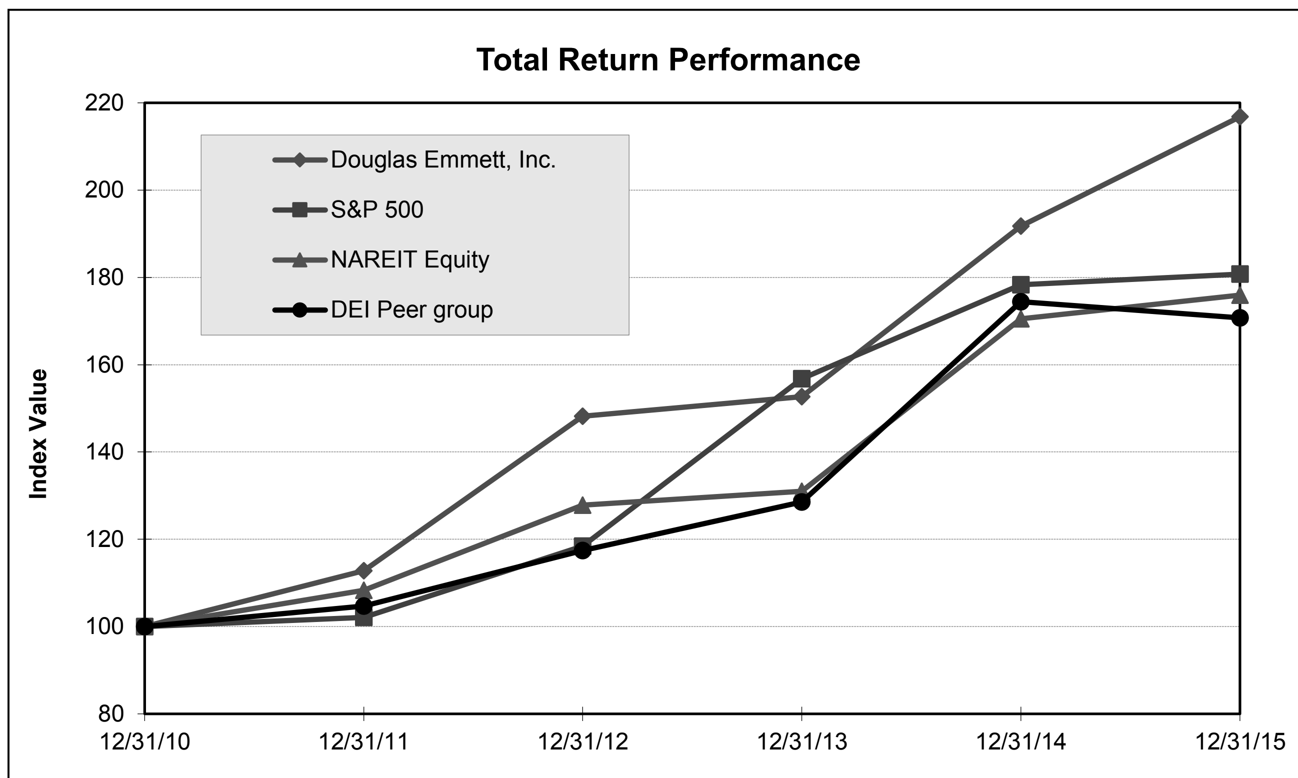
Repurchases of Equity Securities

None.

Performance Graph

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

The graph below compares the cumulative total return on our common stock from December 31, 2010 to December 31, 2015 with the cumulative total return of the S&P 500, NAREIT Equity and an appropriate "peer group" index (assuming a $100 investment in our common stock and in each of the indexes on December 31, 2010, 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 presented in this graph is not necessarily indicative of, and is not intended to suggest, the total future return performance.



	Period Ending					
Index	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**	**12/31/15**
DEI	100.00	112.83	148.19	152.70	191.77	216.80
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75
NAREIT Equity[(1)]	100.00	108.29	127.85	131.01	170.49	175.94
Peer group[(2)]	100.00	104.74	117.41	128.56	174.43	170.72

(1) FTSE NAREIT Equity REITs index.

(2) Consists of Boston Properties, Inc. (BXP), Kilroy Realty Corporation (KRC), SL Green Realty Corp. (SLG), Vornado Trust (VNO) and Hudson Pacific Properties, Inc (HPP).

Selected Financial Data

The table below presents selected consolidated financial and operating data on an historical basis, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included elsewhere in this Report. Where necessary, prior period data has been reclassified to conform to the current period presentation.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Consolidated Statement of Operations Data (in thousands):					
Total office revenues	$ 540,975	$ 519,405	$ 514,583	$ 505,259	$ 505,060
Total multifamily revenues	94,799	80,117	76,936	73,723	70,260
Total revenues	635,774	599,522	591,519	578,982	575,320
Operating income	189,527	167,854	178,691	175,810	152,474
Net income attributable to common stockholders	58,384	44,621	45,311	22,942	1,451
Per Share Data:					
Net income attributable to common stockholders per share - basic	$ 0.398	$ 0.309	$ 0.317	$ 0.163	$ 0.011
Net income attributable to common stockholders per share - diluted	$ 0.386	$ 0.300	$ 0.309	$ 0.161	$ 0.011
Weighted average common shares outstanding (in thousands):					
Basic	146,089	144,013	142,556	139,791	126,187
Diluted	150,604	148,121	145,844	142,278	127,599
Dividends declared per common share	$ 0.85	$ 0.81	$ 0.74	$ 0.63	$ 0.49

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data (in thousands):					
Total assets	$ 6,066,161	$ 5,938,973	$ 5,830,044	$ 6,084,445	$ 6,210,154
Secured notes payable and revolving credit facility, net	3,611,276	3,419,667	3,223,395	3,421,778	3,602,708
Property Data:					
Number of consolidated properties[1]	64	63	61	59	59

(1) All properties are wholly-owned by our Operating Partnership, except for one property owned by a consolidated joint venture in which we held a two-thirds interest. These properties do not include the properties owned by our Funds.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Business description

Douglas Emmett, Inc. is a fully integrated, self-administered and self-managed REIT. We are one of the largest owners and operators of high-quality office and multifamily properties in Los Angeles County, California and in Honolulu, Hawaii. We focus on owning, acquiring, developing and managing 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.

Portfolio summary

Through our interest in our Operating Partnership and its subsidiaries, including our Funds, we own or partially own, acquire, develop and manage real estate, consisting primarily of office and multifamily properties. As of December 31, 2015, our portfolio consisted of the following:

	Consolidated	Total Portfolio(1)
Office		
Class A Properties(2)	54	62
Rentable square feet (in thousands)	13,692	15,516
Leased rate	92.6%	92.9%
Occupied rate	91.0%	91.2%
Multifamily		
Properties	10	10
Units	3,336	3,336
Leased rate	99.0%	99.0%
Occupied rate	98.0%	98.0%

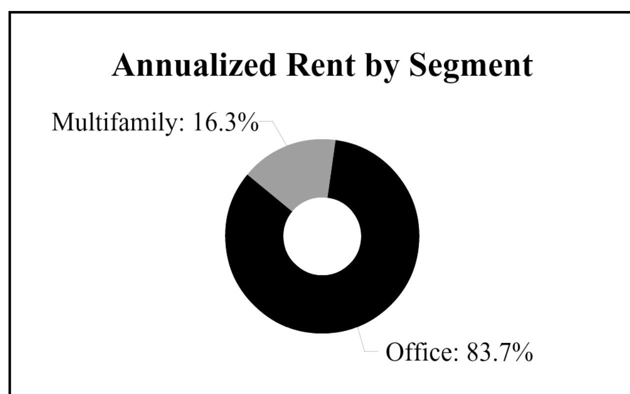
(1) Our Total Portfolio consists of our consolidated properties and our Funds' properties. We own a weighted average of 60.0% of our Funds (based on square footage). See Note 5 to our consolidated financial statements included elsewhere in this Report for more information regarding our Funds.

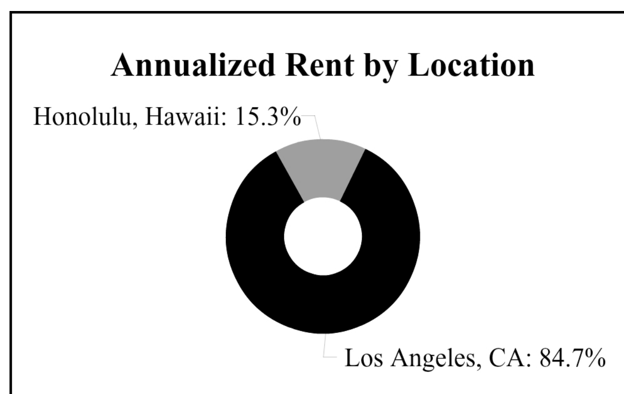
(2) Office portfolio includes ancillary retail space.

Our consolidated portfolio also included two parcels of land which are ground leased to the owner of a Class A office building.

Annualized rent

Annualized rent from our consolidated portfolio was derived as follows as of December 31, 2015:





Financings, Acquisitions, Dispositions, Developments and Repositionings

Financings

During 2015, on a consolidated basis, and excluding the activity on our revolving credit facility, we borrowed a total of $1.14 billion and repaid loans totaling $0.76 billion. See Note 7 to our consolidated financial statements included elsewhere in this Report for more detail regarding our debt.

On January 21, 2016 a consolidated joint venture in which we own a two thirds interest extended the maturity of a $15.7 million loan to March 1, 2017.

Acquisitions and Dispositions

During 2015, we purchased a 227,000 square foot Class A multi-tenant office property located in Encino, California for $92.4 million and the fee interest in the land under one of our office buildings for the equivalent of $27.5 million. See Note 3 to our consolidated financial statements included elsewhere in this Report for more detail regarding our acquisitions.

On December 21, 2015, we entered into a contract under which a joint venture which we will manage is expected to pay $1.34 billion, or approximately $779 per square foot, for a portfolio of four Class A office properties totaling 1.7 million square feet in our Westwood submarket. Subject to typical closing conditions, we expect the acquisition to close in the first quarter of 2016.

Developments

We are developing two multifamily projects, one in Brentwood, Los Angeles, and one in Honolulu, Hawaii. Each development is on land which we already own:

- We are planning the construction of an additional 500 apartments at our Moanalua Hillside Apartments in Honolulu. We expect construction will take approximately 18 months and cost approximately $120 million. Hawaii offers some incentive programs to encourage the type of workhouse housing that we are going to build, and we are in the process of applying for those program incentives before proceeding further with construction.
- In Los Angeles, we are seeking to build a high-rise apartment project with 376 residential units. Because development in our markets, particularly West Los Angeles, remains a long and uncertain process, we do not expect to break ground in Los Angeles before late 2017, even if the entitlement process is successful. We expect the cost of this development to be approximately $120 million to $140 million.

Repositionings

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 reposition the property for the optimal use and tenant mix. The work we undertake to reposition a building typically takes months or even years, and could involve a range of improvements from a complete structural renovation to a targeted remodeling of selected spaces. We generally select a property for repositioning at the time we purchase it, although repositioning efforts can also occur at properties that we already own. During the repositioning, the affected property may display depressed rental revenue and occupancy levels which impacts our results and, therefore, comparisons of our performance from period to period.

In addition to our development projects described above under "Developments", during 2015, we were repositioning two properties (i) a 79,000 square foot office property in Honolulu, Hawaii, in which we own a two-thirds interest and (ii) a 413,000 square foot office property in Brentwood, Los Angeles, which included 35,000 square foot of retail space on which we expect to develop a high-rise apartment project as described above.

Results of Operations and Basis of Presentation

The accompanying consolidated financial statements as of December 31, 2015 and 2014 and for the three years ended December 31, 2015, 2014 and 2013 are the consolidated financial statements of Douglas Emmett, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in our consolidated financial statements. The comparability of our results of operations during this period was affected by a number of acquisitions in 2015, 2014 and 2013 , as well as additional interests that we acquired in our Funds in 2013. See Notes 3 and 5 to our consolidated financial statements included elsewhere in this Report.

Non-GAAP Supplemental Financial Measure: Consolidated FFO

Usefulness to Investors

Many investors use FFO as one performance yardstick to compare the operating performance of REITs. FFO represents net income (loss), computed in accordance with GAAP, excluding gains (or losses) from sales of depreciable operating property, impairments of depreciable operating property and investments, real estate depreciation and amortization (other than amortization of deferred financing costs), and after the same adjustments for unconsolidated partnerships and joint ventures. We calculate FFO in accordance with the standards established by NAREIT. Like any metric, FFO has limitations as a measure of our performance, because it excludes depreciation and amortization, and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to the FFO of other REITs. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of cash available to fund our cash needs, including our ability to pay dividends. FFO should not be used as a supplement to or a substitute measure for cash flow from operating activities computed in accordance with GAAP.

Comparison of Results

Our FFO increased by $18.9 million, or 7.0%, to $289.9 million for 2015 compared to $271.0 million for 2014. The increase was primarily due to (i) an increase in operating income from our office portfolio due to acquisitions and higher occupancy and rental rates for properties that we owned throughout both periods, (ii) an increase in operating income from our multifamily portfolio due to an acquisition and higher rental rates for properties that we owned throughout both periods and (iii) an increase in our share of the FFO of our unconsolidated funds, partially offset by (iv) an increase in general and administrative expenses due to increased employee compensation and (v) an increase in interest expense due to higher debt balances and loan costs.

Our FFO increased by $11.0 million, or 4.2%, to $271.0 million for 2014 compared to $260.1 million for 2013. The increase was primarily due to (i) increased operating income from our multifamily portfolio due to higher rental rates, (ii) additional operating income from our office properties that we acquired in 2013 and 2014, (iii) an increase in our share of the FFO of our unconsolidated funds, (iv) insurance recoveries related to property damage, and (v) a decrease in interest expense as a result of lower debt balances.

Reconciliation to GAAP

The table below (in thousands) reconciles our FFO (which include the FFO attributable to noncontrolling interests) to net income attributable to common stockholders computed in accordance with GAAP:

	Year Ended December 31,		
	2015	2014	2013
Net income attributable to common stockholders	$ 58,384	$ 44,621	$ 45,311
Depreciation and amortization of real estate assets	205,333	202,512	191,351
Net income attributable to noncontrolling interests	10,371	8,233	7,526
Adjustments attributable to consolidated joint venture and unconsolidated Funds [1]	15,822	15,670	15,894
FFO	289,910	271,036	260,082

(1) Adjusts for the impact to net income of (i) the portion of the net income or loss, and the portion of depreciation and amortization of real estate assets, which are attributable to the noncontrolling interest of our consolidated joint venture, and (ii) our share of the depreciation and amortization of real estate assets of our Funds.

Rental Rate Trends - Total Portfolio

Office Rental Rates

The table below presents the average effective annual rental rate per leased square foot and the annualized lease transaction costs per leased square foot for leases executed in our total office portfolio during each period:

	Year Ended December 31,				
Historical straight-line rents:[1]	**2015**	**2014**	**2013**	**2012**	**2011**
Average rental rate[2]	$42.65	$35.93	$34.72	$32.86	$32.76
Annualized lease transaction costs[3]	$4.77	$4.66	$4.16	$4.06	$3.64

(1) Because straight-line rent takes into account the full economic value of each lease, including accommodations and rent escalations, we believe that it may provide a better comparison than ending cash rents, which include the impact of the annual escalations over the entire term of the lease. However, care should be taken in any comparison, as the averages are often significantly affected from period to period by factors such as the buildings, submarkets, types of space and terms involved in the leases executed during the respective reporting period.

(2) Represents the weighted average straight-line annualized base rent (i.e., excludes tenant reimbursements, parking and other revenue) per leased square foot for leases entered into within our total office portfolio. For our triple net leases, annualized rent is calculated by adding estimated expense reimbursements to base rent.

(3) Represents the weighted average leasing commissions and tenant improvement allowances under each office lease within our total office portfolio that were executed during the respective reporting period, divided by the number of years of that lease.

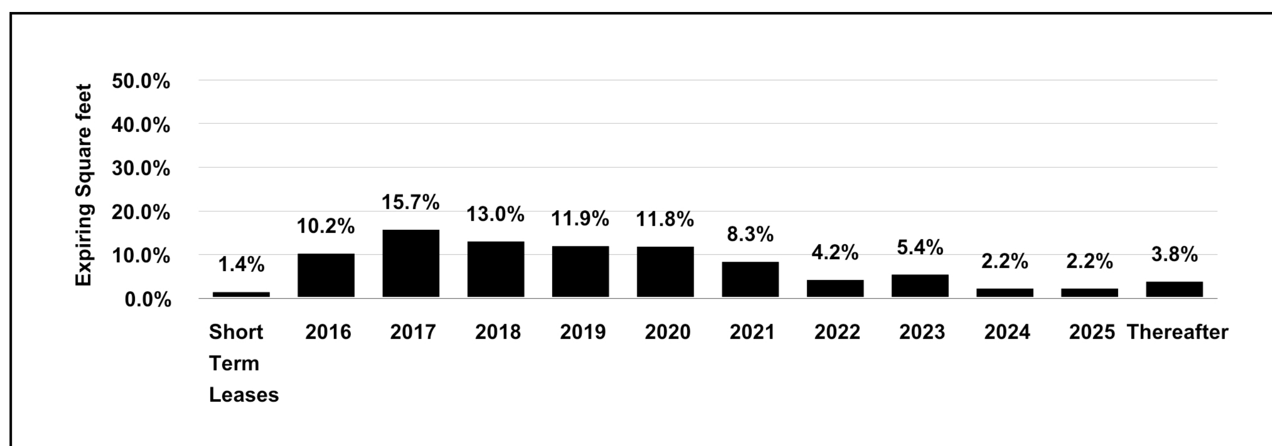
Office Rent Roll Up

During 2015, we experienced positive straight-line rent roll up, with our average annual straight-line rent of $42.65 per square foot under new and renewal leases that we signed during the year averaging 24.5% greater than the average annual straight-line rent of $34.27 per square foot on the expiring leases for the same space. The rent roll up reflects continuing increases in average starting rental rates and more leases containing annual rent escalations in excess of 3% per annum. Fluctuations in submarkets, buildings and term of the expiring leases make predicting the changes in rent in any specific reporting period difficult.

During 2015, we experienced positive cash rent roll up, with our average annual starting cash rental rate of $40.52 per square foot under new and renewal leases that we signed during the year averaging 22.4% greater than the average annual starting cash rental rate of $33.11 per leased square foot on the expiring leases for the same space, and 8.5% greater than the average annual ending cash rental rate of $37.33 per square foot on those expiring leases.

Office Lease Expirations

As of December 31, 2015, assuming non-exercise of renewal options and early termination rights, we expect to see expiring cash rents in our total office portfolio as presented in the graph below:



Multifamily Rental Rates

The table below presents the average annual rental rate per leased unit for new tenants. The decline in the rental rates during 2015 resulted from the inclusion of Waena Apartments, which we acquired on December 30, 2014, and which has a slightly lower rental rate than our average rental rates.

	Year Ended December 31,				
Average annual rental rate - new tenants:	**2015**	**2014**	**2013**	**2012**	**2011**
Rental rate	$ 27,936	$ 28,870	$ 27,392	$ 26,308	$ 24,502

Multifamily Rent Roll Up

During 2015, average rent on leases to new tenants at our residential properties were 4.1% higher for the same unit at the time it became vacant.

Occupancy Rates - Total Portfolio

The tables below present the occupancy rates for our total office portfolio and multifamily portfolio:

	December 31,				
Occupancy Rates[1] as of:	**2015**	**2014**	**2013**	**2012**	**2011**
Office Portfolio	91.2%	90.5%	90.4%	89.6%	87.5%
Multifamily Portfolio	98.0%	98.2%	98.7%	98.7%	98.4%

	Year Ended December 31,				
Average Occupancy Rates[1][2]:	**2015**	**2014**	**2013**	**2012**	**2011**
Office Portfolio	90.9%	90.0%	89.7%	88.3%	87.0%
Multifamily Portfolio	98.2%	98.5%	98.6%	98.5%	98.2%

(1) Occupancy rates include the impact of property acquisitions, most of whose occupancy rates at the time of acquisition are well below that of our existing portfolio.

(2) Average occupancy rates are calculated by averaging the occupancy rates on the first and last day of a quarter, and for periods longer than a quarter, by averaging the occupancy rates at the end of each of the quarters in the period and at the end of the quarter immediately prior to the start of the period.

Comparison of 2015 to 2014

Revenues

Office Rental Revenue: Office rental revenue increased by $15.9 million, or 4.0%, to $412.4 million for 2015 compared to $396.5 million for 2014. The increase was primarily due to rental revenues of $11.7 million from two properties that we acquired, one in the fourth quarter of 2014 and the other in the first quarter of 2015, as well as an increase in rental revenues of $4.2 million for the properties that we owned throughout both periods. The increase in rental revenue from the properties that we owned throughout both periods was primarily due to an increase in occupancy and rental rates, which was partially offset by a decrease in the accretion from below-market tenant leases of $1.8 million and a decrease in lease termination revenue of $1.3 million. See Note 3 to our consolidated financial statements included elsewhere in this Report for more information regarding our acquisitions.

Office Tenant Recoveries: Office tenant recoveries decreased by $1.3 million, or 3.0%, to $43.1 million for 2015 compared to $44.5 million for 2014. The decrease was primarily due to a decrease in tenant recoveries of $2.4 million for the properties that we owned throughout both periods, partially offset by tenant recoveries of $1.1 million from two properties that we acquired. The decrease in tenant recoveries from the properties that we owned throughout both periods was primarily due to lower income from current period recoveries as well as lower income from prior period reconciliations.

Office Parking and Other Income: Office parking and other income increased by $7.0 million, or 8.9%, to $85.4 million for 2015 compared to $78.4 million for 2014. The increase was primarily due to an increase of $4.7 million in parking and other income from properties that we owned during both periods, as well as parking and other income of $2.2 million from two properties that we acquired. The increase in parking and other income from the properties that we owned throughout both periods primarily reflects increases in rates.

Multifamily Revenue: Multifamily revenue increased by $14.7 million, or 18.3%, to $94.8 million for 2015 compared to $80.1 million for 2014. The increase was primarily due to revenues of $11.5 million from a property that we acquired in the fourth quarter of 2014 as well as an increase in revenues of $3.2 million for the properties that we owned throughout both periods. The increase in rental revenue from the properties that we owned throughout both periods was primarily due to increases in rental rates.

Operating Expenses

Office Expenses: Office rental expense increased by $5.4 million, or 3.0%, to $186.6 million for 2015 compared to $181.2 million for 2014. The increase was largely due to rental expenses of $5.2 million from two properties that we acquired.

Multifamily Expenses: Multifamily rental expenses increased by $3.2 million, or 15.5%, to $23.9 million for 2015 compared to $20.7 million for 2014. The increase was due to rental expenses of $3.3 million from a property that we acquired in the fourth quarter of 2014.

General and Administrative Expenses: General and administrative expenses increased by $3.2 million, or 11.6%, to $30.5 million for 2015, compared to $27.3 million for 2014. The increase was largely due to an increase in employee compensation.

Depreciation and Amortization: Depreciation and amortization expense increased by $2.8 million, or 1.4%, to $205.3 million for 2015 compared to $202.5 million for 2014. The increase was primarily due to depreciation and amortization of $8.8 million from properties that we acquired partly offset by a decrease in depreciation and amortization of $5.9 million from properties that we owned throughout both periods. The decrease in depreciation and amortization for the properties that we owned throughout both periods primarily reflects depreciation in the prior period of a building in Los Angeles on the site where we plan to build a new apartment building, which was fully depreciated at the end of 2014 when it was taken out of service.

Non-Operating Income and Expenses

Other Income and Other Expenses: Other income decreased by $2.4 million, or 13.8%, to $15.2 million for 2015 compared to $17.7 million for 2014, and other expenses decreased by $0.6 million, or 8.8%, to $6.5 million for 2015 compared to $7.1 million for 2014. In 2014, other income included $6.2 million of property insurance recoveries and $2.2 million of accelerated accretion related to an above market ground lease, and in 2015, other income included $6.6 million of accelerated accretion related to the ground lease and only $0.1 million related to property insurance recoveries. See Note 3 to our consolidated financial statements included elsewhere in this Report for more information regarding the acquisition in 2015 of the land fee related to the ground lease.

Income, including Depreciation, from Unconsolidated Real Estate Funds: Our share of the income, including depreciation, from our Funds increased by $4.0 million, or 107.2%, to $7.7 million for 2015 compared to $3.7 million for 2014. The increase was primarily due to an increase in the revenues of our Funds due to increased occupancy and rental rates, as well as property tax refunds. See Note 5 to our consolidated financial statements included elsewhere in this Report for more information regarding our Funds.

Interest Expense: Interest expense increased by $6.9 million, or 5.4%, to $135.5 million for 2015 compared to $128.5 million for 2014. The increase was primarily due to higher cash interest expense as result of higher debt balances, as well as an acceleration of deferred loan cost amortization as a result of refinancing certain debt. See Notes 7 and 9 to our consolidated financial statements included elsewhere in this Report for more information regarding our debt and derivative contracts.

Acquisition Expenses: Acquisition expenses, which include the costs of both the acquisitions that we close and those we do not close, were $1.8 million in 2015 compared to $0.8 million in 2014. See Note 3 to our consolidated financial statements included elsewhere in this Report for information regarding our completed acquisitions and Note 19 for information regarding an acquisition that we expect to close in March 2016.

Comparison of 2014 to 2013

Revenues

Office Rental Revenue: Office rental revenue increased by $1.8 million, or 0.5%, to $396.5 million for 2014 compared to $394.7 million for 2013. The increase was primarily due to an increase in rental revenue of $8.3 million from properties that we acquired in the second and third quarters of 2013 and the fourth quarter of 2014, partly offset by a decrease in rental revenue of $6.5 million from the properties that we owned throughout both years. The decrease in rental revenue from properties that we owned throughout both years was primarily due to a decrease in our revenues of $5.5 million (on a straight line basis), as well as a decrease from the net accretion of above- and below-market leases of $2.6 million, largely as the result of the ongoing expiration of leases in place at the time of our IPO. See Note 3 to our consolidated financial statements included elsewhere in this Report for more information regarding our acquisitions.

Office Tenant Recoveries: Office tenant recoveries decreased by $0.7 million, or 1.5%, to $44.5 million for 2014 compared to $45.1 million for 2013. The decrease was primarily due to an decrease in recoveries of $0.9 million from the properties that we owned throughout both years, partly offset by an increase in recoveries of $0.2 million primarily from properties that we acquired. The decrease from the properties that we owned throughout both years primarily reflects lower income from current period recoveries as well as lower income from prior period reconciliations.

Office Parking and Other Income: Office parking and other income increased by $3.7 million, or 5.0%, to $78.4 million for 2014 compared to $74.7 million for 2013. The increase was primarily due to an increase of $2.2 million in parking and other income from properties that we owned throughout both years, as well as an increase in parking and other income of $1.5 million primarily from properties that we acquired. The increase in parking and other income for the properties that we owned throughout both years reflects increases in rates as well as higher utilization.

Multifamily Revenue: Multifamily revenue increased by $3.2 million, or 4.1%, to $80.1 million for 2014 compared to $76.9 million for 2013. The increase was primarily due to increases in rental rates.

Operating Expenses

Office Expenses: Office rental expense increased by $6.2 million, or 3.6%, to $181.2 million for 2014 compared to $174.9 million for 2013. The increase was primarily due to an increase in office rental expenses of $3.7 million for properties that we acquired, as well as an increase in office rental expenses of $2.6 million from properties that we owned throughout both years. The increase in office rental expenses for the properties that we owned throughout both years primarily reflects higher utilities expense.

Multifamily Expenses: Multifamily rental expense increased by $0.7 million, or 3.7%, to $20.7 million for 2014 compared to $19.9 million for 2013. The increase was primarily due to higher utilities expense.

General and Administrative Expenses: General and administrative expenses increased by $0.7 million, or 2.7%, to $27.3 million for 2014, compared to $26.6 million for 2013. The increase was primarily because of the reversal of liability accruals that reduced expenses in 2013.

Depreciation and Amortization: Depreciation and amortization expense increased by $11.2 million, or 5.8%, to $202.5 million for 2014 compared to $191.4 million for 2013. The increase was primarily due to depreciation and amortization of $7.7 million from properties that we owned throughout both periods, as well as depreciation and amortization of $3.5 million primarily from properties that we acquired. The increase in depreciation and amortization for the properties that we owned throughout both years reflects accelerated depreciation with respect to a former supermarket that we expect to demolish in connection with our residential development project in Los Angeles.

Non-Operating Income and Expenses

Other Income and Other Expenses: Other income increased by $11.3 million, or 176.1%, to $17.7 million for 2014 compared to $6.4 million for 2013, and other expenses increased by $2.9 million, or 69.0%, to $7.1 million for 2014 compared to $4.2 million for 2013. The increase in other income was primarily due to $6.2 million of insurance recoveries related to property repairs for damage from a fire at one of our residential properties, $2.2 million of accelerated accretion related to an above market ground lease for which we acquired the underlying fee in 2015, and an increase in revenues from a health club at one of our office properties in Honolulu that we commenced operating in the second quarter of 2013. The increase in other expenses similarly reflects the increase in expenses for the health club.

Income, including Depreciation, from Unconsolidated Real Estate Funds: Our share of the income, including depreciation, from our Funds increased by $0.6 million or 19.9%, to $3.7 million for 2014 compared to $3.1 million for 2013. The increase was primarily due to an increase in revenue for our Funds. See Note 5 to our consolidated financial statements included elsewhere in this Report for more information regarding our Funds.

Interest Expense: Interest expense decreased by $2.0 million, or 1.6%, to $128.5 million for 2014 compared to $130.5 million for 2013. The decrease was primarily due to lower debt balances. See Notes 7 and 9 to our consolidated financial statements included elsewhere in this Report for more information regarding our debt and interest rate contracts.

Acquisition Expenses: Acquisition expenses, which include the costs of both the acquisitions that we close and those we do not close, were $786,000 in 2014 and $607,000 in 2013. See Note 3 to our consolidated financial statements included elsewhere in this Report for more information regarding our acquisitions in each year.

Liquidity and Capital Resources

General

We have typically financed our capital needs through lines of credit and long-term secured loans. To mitigate the impact of fluctuations in interest rates on our cash flows from operations, some of our long-term secured loans carry fixed interest rates, and we generally enter into interest rate swap agreements with respect to our loans with floating interest rates. These swap agreements generally expire between one to two years before the maturity date of the related loan, during which time we can refinance the loan without any interest penalty. See Notes 7 and 9 to our consolidated financial statements included elsewhere in this Report for more information regarding our debt and derivative contracts.

At December 31, 2015, we had total indebtedness of $3.63 billion, with a weighted average remaining life of 4.5 years (including extension options). At December 31, 2015, $3.63 billion, or 100.00% of our debt, had an interest rate that was effectively fixed under the terms of the loan or a swap, with (i) a weighted average remaining life of 4.5 years, (ii) a weighted average remaining period during which the interest rate was fixed of 2.6 years (iii) a weighted average annual rate of 3.60% (on an actual/360-day basis) and (iv) including non-cash amortization of deferred loan costs, a weighted average annual rate of 3.72%.

At December 31, 2015, our net consolidated debt, which consists of our $3.53 billion of borrowings under secured loans less our cash and cash equivalents of $101.8 million represented 39.0% of our total enterprise value of $9.11 billion. Our total enterprise value includes our consolidated debt and the value of our common stock, the noncontrolling units in our Operating Partnership and other convertible equity instruments, each based on our common stock closing price on December 31, 2015 (the last business day of the quarter) on the NYSE of $31.18 per share.

Financing Activity in 2015

For a description of our financing activities during 2015, please see "Financings, Acquisitions, Dispositions, Developments and Repositionings" above.

Short term liquidity

Excluding any other potential acquisitions and debt refinancings, we expect to meet our short term operating liquidity requirements through cash on hand, cash generated by operations and, if necessary, our revolving credit facility. At December 31, 2015, there was no balance outstanding on our revolving credit facility, leaving us with $400.0 million of availability. See Note 7 to our consolidated financial statements included elsewhere in this Report for more information regarding our revolving credit facility and our debt that is scheduled to mature in 2016.

We are currently developing two multifamily projects, one in Brentwood, Los Angeles, and one in Honolulu, Hawaii, please see "Financings, Acquisitions, Dispositions, Developments and Repositionings" above. We intend to finance the costs of these development projects through cash on hand, cash generated by operations, and as necessary, our revolving credit facility.

Long term liquidity

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, developments and repositioning of properties, non-recurring capital expenditures and refinancing of indebtedness. We do not expect that we will have sufficient funds on hand to cover all of these long-term cash requirements. The nature of our business, and the requirements imposed by REIT federal tax rules that we distribute a substantial majority of our income on an annual basis, may cause us to have substantial liquidity needs over the long term. We will seek to satisfy our additional long-term liquidity needs through long-term secured and unsecured indebtedness, the issuance of debt and equity securities, including OP Units, property dispositions and joint venture transactions. We have an At-the-Market program which would allow us to sell up to an additional $400.0 million of common stock, none of which had been sold as of the date of this Report.

Commitments and other future expected transactions

As of the date of this Report, we did not have any commitments for acquisitions, except for the agreement that we entered into to purchase four Class A office properties in Westwood in 2016, disclosed above in "Financings, Acquisitions, Dispositions, Developments and Repositionings", and we did not have any debt scheduled to mature in 2016, other than a $20.0 million term loan scheduled to mature in December 2016. One of our Funds has a loan of $50.7 million scheduled to mature in April 2016. See "Off-Balance Sheet Arrangements" on page 18 of this Report for more detail regarding our unconsolidated debt.

Contractual obligations

The table below presents (in thousands) our principal obligations and commitments, excluding periodic interest payments, as of December 31, 2015:

	Payment due by period				
	Total	Less than 1 year	2-3 years	4-5 years	Thereafter
Debt obligations[1]	$ 3,634,163	$ 46,939	$ 1,497,424	$ 1,247,400	$ 842,400
Ground lease payments[2]	52,042	733	1,466	1,466	48,377
Purchase commitments related to in progress capital expenditures and tenant improvements	5,365	5,365	—	—	—
Total	$ 3,691,570	$ 53,037	$ 1,498,890	$ 1,248,866	$ 890,777

(1) Represents the future principal payments due on our secured notes payable and revolving credit facility excluding any maturity extension options. For detail of the interest rates that determine our periodic interest payments related to our debt obligations, see Note 7 to our consolidated financial statements included elsewhere in this Report.

(2) Represents the future minimum ground lease payments. See Note 16 to our consolidated financial statements included elsewhere in this Report.

Cash Flows

Comparison of 2015 to 2014

Cash flows from operating activities

Our cash flows from operating activities are primarily dependent upon the occupancy level of our portfolio, the rental rates achieved on our leases, the collectability of rent and recoveries from our tenants and the level of our operating expenses and other general and administrative costs. Net cash provided by operating activities increased by $24.7 million to $271.4 million for 2015 compared to $246.7 million for 2014. The increase was primarily due to (i) an increase in operating income from our office portfolio due to acquisitions and higher occupancy and rental rates for properties that we owned throughout both periods, (ii) an increase in operating income from our multifamily portfolio due to an acquisition and higher rental rates for properties that we owned throughout both periods, partially offset by (iii) a decrease of $6.5 million of insurance recoveries for property repairs and (iv) an increase in cash interest expense due to higher debt balances.

Cash flows from investing activities

Our net cash used in investing activities is generally used to fund property acquisitions, developments and redevelopment projects, and recurring and non-recurring capital expenditures. Net cash used in investing activities decreased by $88.4 million to $231.6 million for 2015 compared to $320.0 million for 2014. The decrease primarily reflects the expenditure of $89.9 million for the acquisition of First Financial Plaza during 2015 compared to expenditures of $74.5 million and $146.0 million for the acquisitions of Carthay Campus and Waena, respectively, during 2014. In addition, a $75 million deposit was made during 2015 for an acquisition that we expect to close in the first quarter of 2016, while the significant investment activity for 2014 included a loan that we advanced for $27.5 million. See Note 3 to our consolidated financial statements included elsewhere in this Report for information regarding our acquisitions, Note 6 for more information regarding the loan that we advanced and Note 19 for more information regarding the acquisition that we expect to close in the first quarter of 2016.

Cash flows from financing activities

Our net cash related to financing activities is generally impacted by our borrowings and capital activities, as well as dividends and distributions paid to common stockholders and noncontrolling interests, respectively. Net cash provided by financing activities decreased by $4.7 million to $43.1 million for 2015 compared to $47.9 million for 2014, respectively. The decrease was primarily due to an increase in cash expended for fees and costs in connection with refinancings during 2015, as well as an increase in dividends paid to our common stockholders.

Off-Balance Sheet Arrangements

Description of our Funds

We manage and own equity interests in two Funds, Fund X and Partnership X, through which we and investors own eight office properties totaling 1.8 million square feet in our core markets. At December 31, 2015, we held equity interests of 68.61% of Fund X and 24.25% of Partnership X. Our Funds pay us fees and reimburse us for certain expenses related to property management and other services we provide to the Funds. We also receive distributions based on invested capital and on any profits that exceed certain specified cash returns to the investors. See Note 5 to our consolidated financial statements included elsewhere in this Report for more information regarding our Funds.

Debt of our Funds

We do not have any debt outstanding in connection with our interest in our Funds, however each of our Funds has their own debt secured by the properties that they own. The table below summarizes the debt of our Funds as of December 31, 2015 - the amounts represent 100% (not our pro-rata share) of amounts related to the Funds:

Type of Debt	Principal Balance (in millions)	Maturity Date	Interest Rate
Fixed rate term loan [(1)]	$ 50.7	4/1/2016	5.67%
Swap fixed rate term loan [(2)]	325.0	5/1/2018	2.35%
	$ 375.7		

(1) Fixed rate loan to Partnership X. The loan is secured by one property and requires monthly payments of principal and interest.

(2) Floating rate loan to Fund X. The loan is secured by six properties in a collateralized pool, and requires monthly payments of interest only, with the outstanding principal due upon maturity. The interest on this loan is effectively fixed by an interest rate swap which matures on May 1, 2017. We made certain environmental and other limited indemnities and guarantees covering customary non-recourse carve-outs under this loan, and also guaranteed the related swap, although we have an indemnity from the Fund for any amounts that we would be required to pay under these agreements. As of December 31, 2015, the maximum future payments under the swap agreement were approximately $2.6 million. As of December 31, 2015, all of the obligations under the loan and swap agreements have been performed by the Fund in accordance with the terms of those agreements.

Critical Accounting Policies

Our discussion and analysis of our historical financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with 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 and improvements, tenant improvements and lease intangibles, and above and below market leases). These determinations, which are 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 upon reasonable assumptions and judgments at the time that 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 estimates, and those differences—positive or negative—could be material. Some of our estimates are subject to adjustment as we believe appropriate, based on revised estimates, and reconciliation to actual results when available. The following is a list of our critical accounting policies and why we believe they are critical (see Note 2 to our consolidated financial statements included elsewhere in this report for the summary of our significant accounting policies):

Investment in Real Estate

We make estimates when determining the purchase price allocation of acquired properties. We use our estimates of future cash flows and other valuation techniques to allocate the purchase price of each acquired property among; (i) land, (ii) buildings and improvements, (iii) tenant improvements and identifiable intangible assets such as amounts related to in-place at-market leases, and (iv) acquired above- and below-market ground and tenant leases.

We determine the fair values of the tangible assets on an "as-if-vacant" basis. The estimated fair value of acquired in-place at-market leases are the estimated costs to lease the property to the occupancy level of the property at the date of acquisition, including the fair value of leasing commissions and legal costs. Additionally, we evaluate the time period over which we expect such occupancy level to be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period. Above and below-market ground and tenant 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 paid or received pursuant to the in-place ground or tenant 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.

Each of these estimates requires significant judgment, and some of the estimates involve complex calculations. These allocation assessments have a direct and material impact on our results of operations because, for example, there would be less depreciation if we allocate more value to land. Similarly, if we allocate more value to the buildings as opposed to allocating the value to tenant leases, this amount would be recognized as an expense over a much longer period of time, because 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. In accordance with GAAP, we may change our initial purchase price allocation up to 12 months from the acquisition date. See Note 3 to our consolidated financial statements included elsewhere in this report for details regarding our acquisitions. We did not change any of our initial purchase price allocations for acquisitions during 2015, 2014 or 2013.

Impairment of Long-Lived Assets

We periodically assess whether there has been impairment in the value of our long-lived assets, which includes our investment in real estate and our investment in our Funds, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We record assets that we have determined to dispose of at the lower of carrying value or our estimated fair value, less costs to sell.

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 an investment in real estate or in one of our Funds, we record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the property or investment. These losses have a direct impact on our net income, because recording an impairment loss would reduce our net income, and these losses could be material. For assets that we have determined to dispose of, if our strategy or market conditions change or dictate an earlier sale date, we may recognize an impairment loss, which could be material.

The evaluation of anticipated cash flows and other values is highly subjective, requires significant judgment, 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. Our evaluation of market conditions, with regards to assets we intend to dispose of, requires significant judgment, and our expectations could differ materially from actual results. We did not record any impairment charges with respect to our investment in real estate or our Funds during 2015, 2014 or 2013. We did not dispose of any properties during 2015, 2014 or 2013.

Revenue Recognition

Estimated tenant recoveries for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenue on a gross basis in the period that the recoverable expenses are incurred. Subsequent to year-end, we perform reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. These estimates require significant judgment, and the estimates involve complex calculations. If our estimates prove to be incorrect, then we could have adjustments to our tenant recoveries in future reporting periods when we perform our reconciliations to actual results, and these adjustments could be material to our revenues and operating results. Calculating tenant reimbursement revenue requires an in-depth analysis of the complex terms of each underlying lease. Examples of judgments and estimates used when determining the amounts recoverable include:

- estimating the final expenses that are recoverable;
- estimating the fixed and variable components of operating expenses for each building;
- conforming recoverable expense pools to those used in establishing the base year for the applicable underlying lease; and

- concluding whether an expense or capital expenditure is recoverable pursuant to the terms of the underlying lease.

The impact of revising our revenue estimate by 5% would result in a change to our revenues of $128 thousand, $63 thousand and $137 thousand during 2015, 2014 and 2013, respectively. See Note 2 to our consolidated financial statements included elsewhere in this report for our disclosures regarding revenue.

Allowances for Tenant Receivables and Deferred Rent Receivables

We make estimates when determining our allowances for uncollectible tenant receivables and deferred rent receivables. Our determination of the adequacy of these allowances requires significant judgment and estimates about matters that are uncertain at the time the estimates are made, including the creditworthiness of specific tenants and general economic trends and conditions. For most of our tenants, our only security are their security deposits or letters of credit, and in some cases we do not require any security deposit or letter of credit. If our allowances are not sufficient to cover the unsecured losses from our tenants who ultimately fail to make contractual payments, our results in future periods would be adversely affected, and that impact could be material to our revenues and operating results.

As of December 31, 2015, 2014 and 2013, the total of our allowances for tenant receivables and deferred rent receivables was $8.3 million, $7.8 million and $10.7 million, respectively. The impact of revising the allowances by 5% would result in a change to our revenues of $0.4 million, $0.4 million and $0.5 million during 2015, 2014 and 2013, respectively. See Note 2 to our consolidated financial statements included elsewhere in this report for our disclosures regarding these allowances.

Stock-Based Compensation

We have awarded stock-based compensation to certain employees and members of our board of directors in the form of LTIP Units. We recognize the estimated fair value of the awards over the requisite vesting period. For LTIP Units, the fair value is based upon the market value of our common stock on the date of grant and a discount for post-vesting restrictions. Our estimate of the discount for post-vesting restrictions requires significant judgment. If our estimate of the discount rate is too high or too low it would result in the estimated fair value of the awards that we make being too low or too high, respectively, which would result in an under- or over-expense of stock based compensation, respectively, and this under- or over-expensing of stock based compensation could be material to our operating results.

Total net stock-based compensation expense for equity grants was $15.2 million, $13.7 million and $10.0 million during 2015, 2014 and 2013, respectively. The impact of revising the discount rate by 5% would result in a change to our total net stock-based compensation expense of approximately $762 thousand, $686 thousand and $500 thousand during 2015, 2014 and 2013, respectively. See Note 12 to our consolidated financial statements included elsewhere in this report for our stock-based compensation disclosures.

Quantitative and Qualitative Disclosures about Market Risk

Our cash flows and fair values relevant to financial instruments depend in part on prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use derivative instruments to hedge interest rate risk related to our floating rate borrowings. However, our use of these instruments does expose us to credit risk from the potential inability of our counterparties to perform under the terms of those agreements. We attempt to minimize this credit risk by contracting with a variety of high-quality financial counterparties. At December 31, 2015, $1.14 billion or 31.4% of our debt was fixed rate debt, and $2.49 billion or 68.6% was floating rate debt that was effectively fixed using interest rate swaps. We did not have any unhedged floating rate debt as of December 31, 2015. See Notes 7 and 9 to our consolidated financial statements included elsewhere in this Report for details regarding our debt and derivatives.

Report of Management on Internal Control over Financial Reporting

The management of Douglas Emmett, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934.

Our system of internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of our financial statements for external reporting purposes in accordance with US GAAP. Our management, including the undersigned CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In conducting its assessment, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control—Integrated Framework (2013 Framework). Based on this assessment, management concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on those criteria.

Management, including our CEO and CFO, does not expect that our disclosure controls and procedures, or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

The effectiveness of our internal control over financial reporting as of December 31, 2015, has been audited by Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this annual report, as stated in their report appearing on page 23, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

/s/ JORDAN L. KAPLAN

Jordan L. Kaplan
President and CEO

/s/ MONA M. GISLER

Mona M. Gisler
CFO

February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Douglas Emmett, Inc.

We have audited the accompanying consolidated balance sheets of Douglas Emmett, Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Douglas Emmett, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its presentation of debt issuance costs, including debt issuance costs associated with line-of-credit arrangements as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update 2015-03 "Interest - Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs" and Accounting Standards Update 2015-15 "Interest - Imputation of Interest - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-Of-Credit Arrangements" effective December 31, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Douglas Emmett, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Douglas Emmett, Inc.

We have audited Douglas Emmett, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Douglas Emmett, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Douglas Emmett, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Douglas Emmett, Inc. as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 19, 2016

Douglas Emmett, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2015		December 31, 2014	
Assets				
Investment in real estate:				
Land	$	906,601	$	882,449
Buildings and improvements		5,687,145		5,585,360
Tenant improvements and lease intangibles		703,683		666,672
Property under development		26,900		23,122
Investment in real estate, gross		7,324,329		7,157,603
Less: accumulated depreciation and amortization		(1,703,375)		(1,531,157)
Investment in real estate, net		5,620,954		5,626,446
Cash and cash equivalents		101,798		18,823
Tenant receivables, net		1,907		2,143
Deferred rent receivables, net		79,837		74,997
Acquired lease intangible assets, net		4,484		3,527
Interest rate contract assets		4,830		—
Investment in unconsolidated real estate funds		164,631		171,390
Other assets		87,720		41,647
Total assets	$	6,066,161	$	5,938,973
Liabilities				
Secured notes payable and revolving credit facility, net	$	3,611,276	$	3,419,667
Interest payable, accounts payable and deferred revenue		57,417		54,364
Security deposits		38,683		37,450
Acquired lease intangible liabilities, net		28,605		45,959
Interest rate contract liabilities		16,310		37,386
Dividends payable		32,322		30,423
Total liabilities		3,784,613		3,625,249
Equity				
Douglas Emmett, Inc. stockholders' equity:				
Common Stock, $0.01 par value 750,000,000 authorized, 146,919,187 and 144,869,101 outstanding at December 31, 2015 and December 31, 2014, respectively		1,469		1,449
Additional paid-in capital		2,706,753		2,678,798
Accumulated other comprehensive loss		(9,285)		(30,089)
Accumulated deficit		(772,726)		(706,700)
Total Douglas Emmett, Inc. stockholders' equity		1,926,211		1,943,458
Noncontrolling interests		355,337		370,266
Total equity		2,281,548		2,313,724
Total liabilities and equity	$	6,066,161	$	5,938,973

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenues			
Office rental			
Rental revenues	$ 412,448	$ 396,524	$ 394,739
Tenant recoveries	43,139	44,461	45,144
Parking and other income	85,388	78,420	74,700
Total office revenues	540,975	519,405	514,583
Multifamily rental			
Rental revenues	87,907	74,289	71,209
Parking and other income	6,892	5,828	5,727
Total multifamily revenues	94,799	80,117	76,936
Total revenues	635,774	599,522	591,519
Operating Expenses			
Office expenses	186,556	181,160	174,935
Multifamily expenses	23,862	20,664	19,928
General and administrative	30,496	27,332	26,614
Depreciation and amortization	205,333	202,512	191,351
Total operating expenses	446,247	431,668	412,828
Operating income	189,527	167,854	178,691
Other income	15,228	17,675	6,402
Other expenses	(6,470)	(7,095)	(4,199)
Income, including depreciation, from unconsolidated real estate funds	7,694	3,713	3,098
Interest expense	(135,453)	(128,507)	(130,548)
Acquisition-related expenses	(1,771)	(786)	(607)
Net income	68,755	52,854	52,837
Less: Net income attributable to noncontrolling interests	(10,371)	(8,233)	(7,526)
Net income attributable to common stockholders	$ 58,384	$ 44,621	$ 45,311
Net income attributable to common stockholders per share – basic	$ 0.398	$ 0.309	$ 0.317
Net income attributable to common stockholders per share – diluted	$ 0.386	$ 0.300	$ 0.309

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income	$ 68,755	$ 52,854	$ 52,837
Other comprehensive income: cash flow hedges	24,850	25,045	39,562
Comprehensive income	93,605	77,899	92,399
Less: comprehensive income attributable to noncontrolling interests	(14,417)	(12,813)	(14,651)
Comprehensive income attributable to common stockholders	$ 79,188	$ 65,086	$ 77,748

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Equity
(In thousands, except share data)

	Year Ended December 31,		
	2015	2014	2013
Shares of Common Stock			
Balance at beginning of period	144,869	142,605	141,246
Conversion of OP Units	1,776	2,224	1,359
Exercise of stock options	274	40	—
Balance at end of period	146,919	144,869	142,605
Common Stock			
Balance at beginning of period	$ 1,449	$ 1,426	$ 1,412
Conversion of OP Units	17	22	14
Exercise of stock options	3	1	—
Balance at end of period	$ 1,469	$ 1,449	$ 1,426
Additional Paid-in Capital			
Balance at beginning of period	$ 2,678,798	$ 2,653,905	$ 2,635,408
Conversion of OP Units	23,686	30,013	18,670
Repurchase of OP Units	—	(1,197)	(173)
Repurchase of stock options	—	(4,524)	—
Exercise of stock options	4,269	601	—
Balance at end of period	$ 2,706,753	$ 2,678,798	$ 2,653,905
Accumulated Other Comprehensive Loss			
Balance at beginning of period	$ (30,089)	$ (50,554)	$ (82,991)
Cash flow hedge adjustment	20,804	20,465	32,437
Balance at end of period	$ (9,285)	$ (30,089)	$ (50,554)
Accumulated Deficit			
Balance at beginning of period	$ (706,700)	$ (634,380)	$ (574,173)
Net income attributable to common stockholders	58,384	44,621	45,311
Dividends	(124,410)	(116,941)	(105,518)
Balance at end of period	$ (772,726)	$ (706,700)	$ (634,380)
Noncontrolling Interests			
Balance at beginning of period	$ 370,266	$ 396,811	$ 410,803
Net income attributable to noncontrolling interests	10,371	8,233	7,526
Cash flow hedge adjustment	4,046	4,580	7,125
Contributions	—	290	653
Distributions	(23,265)	(22,813)	(21,237)
Issuance of OP Units for cash	1,000	—	—
Conversion of OP Units	(23,703)	(30,035)	(18,684)
Repurchase of OP Units	—	(1,629)	(180)
Stock-based compensation	16,622	14,829	10,805
Balance at end of period	$ 355,337	$ 370,266	$ 396,811
Total Equity			
Balance at beginning of period	$ 2,313,724	$ 2,367,208	$ 2,390,459
Net income	68,755	52,854	52,837
Cash flow hedge adjustment	24,850	25,045	39,562
Issuance of OP Units for cash	1,000	—	—
Repurchase of OP Units	—	(2,826)	(352)
Repurchase of stock options	—	(4,524)	—
Exercise of stock options	4,272	602	
Dividends	(124,410)	(116,941)	(105,519)
Contributions	—	290	653
Distributions	(23,265)	(22,813)	(21,237)
Stock-based compensation	16,622	14,829	10,805
Balance at end of period	$ 2,281,548	$ 2,313,724	$ 2,367,208
Dividends declared per common share	$ 0.85	$ 0.81	$ 0.74

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Operating Activities			
Net income	$ 68,755	$ 52,854	$ 52,837
Adjustments to reconcile net income to net cash provided by operating activities:			
Income, including depreciation, from unconsolidated real estate funds	(7,694)	(3,713)	(3,098)
Gain from insurance recoveries for damage to real estate	(82)	(6,621)	(431)
Depreciation and amortization	205,333	202,512	191,351
Net accretion of acquired lease intangibles	(19,100)	(16,084)	(15,693)
Straight-line rent	(4,840)	(5,335)	(6,470)
Increase (decrease) in the allowance for doubtful accounts	223	(461)	(98)
Amortization of deferred loan costs	6,969	4,097	4,214
Non-cash market value adjustments on interest rate contracts	(66)	50	88
Amortization of stock-based compensation	15,234	13,722	10,005
Operating distributions from unconsolidated real estate funds	1,068	909	783
Change in working capital components:			
Tenant receivables	13	78	(331)
Interest payable, accounts payable and deferred revenue	4,557	2,668	8,816
Security deposits	1,233	1,980	1,186
Other assets	(176)	59	383
Net cash provided by operating activities	271,427	246,715	243,542
Investing Activities			
Capital expenditures for improvements to real estate	(75,541)	(84,444)	(66,907)
Capital expenditures for developments	(3,720)	(4,259)	(549)
Insurance recoveries for damage to real estate	82	6,506	431
Property acquisitions	(89,906)	(220,469)	(150,000)
Deposits for property acquisitions	(75,000)	(2,500)	—
Note receivable	—	(27,500)	—
Proceeds from repayment of note receivable	1,000	—	—
Loans to related parties	(2,000)	—	(2,882)
Loan payments received from related parties	2,719	1,187	213
Contributions to unconsolidated real estate funds	(11)	—	(26,405)
Acquisitions of additional interests in unconsolidated real estate funds	—	—	(8,004)
Capital distributions from unconsolidated real estate funds	10,788	11,514	7,518
Net cash used in investing activities	(231,589)	(319,965)	(246,585)
Financing Activities			
Proceeds from borrowings	1,614,400	551,000	40,000
Repayment of borrowings	(1,415,528)	(356,850)	(240,000)
Loan costs	(14,232)	(1,974)	(2,596)
Contributions by noncontrolling interests	—	290	653
Distributions to noncontrolling interests	(23,265)	(22,813)	(21,237)
Cash dividends to common stockholders	(122,510)	(115,039)	(102,422)
Exercise of stock options	4,272	603	—
Repurchase of stock options	—	(4,524)	—
Repurchase of OP Units	—	(2,826)	(352)
Net cash provided by (used in) financing activities	43,137	47,867	(325,954)
Increase (decrease) in cash and cash equivalents	82,975	(25,383)	(328,997)
Cash and cash equivalents at beginning of year	18,823	44,206	373,203
Cash and cash equivalents at end of year	$ 101,798	$ 18,823	$ 44,206

Douglas Emmett, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
SUPPLEMENTAL CASH FLOWS INFORMATION			
OPERATING ACTIVITIES			
Cash paid for interest, net of capitalized interest of $940, $294 and $75 for 2015, 2014 and 2013, respectively.	$ 128,178	$ 123,967	$ 127,185
NONCASH INVESTING TRANSACTIONS			
Decrease in accrual for capital expenditures for improvements to real estate and developments	$ 1,504	$ 952	$ 1,224
Capitalized stock-based compensation for improvements to real estate and developments	$ 1,358	$ 1,086	$ 800
Write-off of fully depreciated and amortized tenant improvements and lease intangibles	$ 33,115	$ 167,174	$ —
Write-off of fully amortized acquired lease intangible assets	$ 220	$ 32,230	$ —
Write-off of fully accreted acquired lease intangible liabilities	$ 49,576	$ 137,313	$ —
Settlement of note receivable in exchange for land and building acquired	$ 26,500	$ —	$ —
Issuance of OP Units in exchange for land and building acquired	$ 1,000	$ —	$ —
Application of deposit to purchase price of property	$ 2,500	$ —	$ —
(Loss) gain from market value adjustments - our derivatives	$ (11,549)	$ (11,116)	$ 903
(Loss) gain from market value adjustments - our Fund's derivative	$ (1,922)	$ (1,767)	$ 1,779
NONCASH FINANCING TRANSACTIONS			
Dividends declared	$ 124,410	$ 116,941	$ 105,519
Common stock issued in exchange for OP Units	$ 23,703	$ 30,035	$ 18,684

See accompanying notes to the consolidated financial statements.

1. Overview

Organization and Description of Business

Douglas Emmett, Inc. is a fully integrated, self-administered and self-managed REIT. We are one of the largest owners and operators of high-quality office and multifamily properties in Los Angeles County, California and Honolulu, Hawaii. We focus on owning, acquiring, developing and managing 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.

Through our interest in our Operating Partnership and its subsidiaries, as well as our investment in our Funds, we own or partially own, acquire, develop and manage real estate, consisting primarily of office and multifamily properties in Los Angeles County, California and Honolulu, Hawaii. As of December 31, 2015, we owned a consolidated portfolio of fifty-four office properties (including ancillary retail space) and ten multifamily properties, as well as the fee interests in two parcels of land subject to ground leases from which we earn ground rent income. Alongside our consolidated portfolio, we also manage and own equity interests in our Funds which, at December 31, 2015, owned eight additional office properties, for a combined sixty-two office properties in our total portfolio.

The terms "us," "we" and "our" used in these financial statements refer to Douglas Emmett, Inc. and its subsidiaries.

Basis of Presentation

The accompanying financial statements are the consolidated financial statements of Douglas Emmett, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in our consolidated financial statements, and to conform to additional line items added in the current period presentation, we have reported more detail for the prior periods.

During the current reporting period, we reported our proceeds from, and repayments of, borrowings related to our credit facility on a gross basis in the accompanying Consolidated Statements of Cash Flows, and we reclassified the prior periods, which were previously reported on a net basis, to conform to the current period presentation. The change in presentation did not change the net cash provided by (used in) financing activities that we previously reported for the prior periods. During the current reporting period, we reclassified deferred loan fees from Other assets to Secured notes payable and revolving credit facility in the accompanying Consolidated Balance Sheets, and we reclassified the prior period to conform to the current period presentation. See "New Accounting Pronouncements" in Note 2 for more detail regarding the reclassification of deferred loan fees.

The accompanying financial statements have been prepared pursuant to the rules and regulations of the SEC in conformity with US GAAP as established by the FASB in the ASC, including modifications issued under ASUs. The accompanying financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. Any reference to the number of properties, square footage, per square footage amounts, apartment units and geography, are unaudited and outside the scope of our independent registered public accounting firm's audit of our financial statements in accordance with the standards of the PCAOB.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Investment in Real Estate

We account for acquisitions of properties as business combinations, utilizing the purchase method, and include the results of operations of the acquired properties in our results of operations from their respective dates of acquisition. We expense transaction costs related to acquisitions when they are incurred.

When we acquire a property, we determine the fair values of the tangible assets on an ''as-if-vacant'' basis. We use estimates of future cash flows, comparable sales, other relevant information obtained in connection with the acquisition of the property, and other valuation techniques to allocate the purchase price of each acquired property between land, buildings and improvements, tenant improvements and leasing costs, and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, acquired above- and below-market tenant leases (including for lease renewal options), and acquired above- and below-market ground leases (including for lease renewal options).

The estimated fair value of acquired in-place at-market tenant leases represents the estimated costs that we would have incurred to lease the property to the occupancy level of the property at the date of acquisition, including the fair value of leasing commissions and legal costs. Additionally, we evaluate the time period over which we expect such occupancy level to be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period. We record above-market and below-market in-place lease intangibles as an asset or liability based on the present value (using a discount 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 non-cancelable term of the lease. Our initial valuations and allocations are subject to change until the allocation is finalized within 12 months after the acquisition date. See Note 3 for our property acquisition disclosures.

Buildings and site improvements are depreciated on a straight-line basis using an estimated life of forty years for buildings and fifteen years for site improvements. We carry buildings and site improvements, offset by the related accumulated depreciation and any impairment charges, on our balance sheet until they are sold.

Tenant improvements are depreciated on a straight-line basis over the life of the related lease, with any remaining balance depreciated in the period of any early termination of that lease. During 2015 and 2014, we removed the cost and accumulated depreciation of $16.0 million and $84.6 million, respectively, of fully depreciated tenant improvements determined to be no longer in use from our balance sheet.

Acquired in-place leases are amortized on a straight line basis over the weighted average remaining term of the acquired in-place leases. We carry acquired in-place leases, offset by the related accumulated amortization, on our balance sheet until the related building is either sold or impaired.

Leasing intangibles are amortized on a straight-line basis over the related lease term, with any remaining balance amortized in the period of any early termination of that lease. During 2015 and 2014, we removed the cost and accumulated amortization of $17.1 million and $82.6 million, respectively, of fully amortized leasing intangibles from our balance sheet.

Acquired above- and below-market tenant leases are amortized/accreted on a straight line basis over the life of the related lease and recorded as either an increase (for below-market leases) or a decrease (for above-market leases) to rental revenue. During 2015 and 2014, we removed the cost and accumulated amortization/accretion of $0.2 million and $32.2 million, respectively, of fully amortized above-market tenant leases and $37.4 million and $137.3 million, respectively, of fully accreted below-market tenant leases from our balance sheet.

Acquired above- and below-market ground leases, from which we earn ground rent income, are amortized/accreted on a straight line basis over the life of the lease and recorded either as an increase (for below-market leases) or a decrease (for above-market leases) to rental revenue.

Acquired above- and below-market ground leases, for which we incur ground rent expense, are accreted/ amortized over the life of the lease and recorded either as an increase (for below-market leases) or a decrease (for above-market leases) to expense. During 2015, we removed the cost and accumulated accretion of $12.2 million for a fully accreted above-market ground lease from our balance sheet.

When assets are sold or retired, their cost and related accumulated depreciation or amortization are removed from our balance sheet with the resulting gains or losses, if any, reflected in our results of operations for the respective period. We did not dispose of any properties during 2015, 2014 or 2013. Repairs and maintenance are recorded as expense when incurred.

Costs incurred during the period of construction of real estate are capitalized. Cost capitalization of development and redevelopment activities begins during the predevelopment period, which we define as the activities that are necessary to begin the development of the property. We cease capitalization upon substantial completion of the project, but no later than one year from cessation of major construction activity. We also cease capitalization when activities necessary to prepare the property for its intended use have been suspended. Capitalized costs are included in Property under development in our Consolidated Balance Sheets. Once major construction activity has ceased and the development or redevelopment property is in the lease-up phase, the capitalized costs are transferred to (i) Land, (ii) Building and improvements and (iii) Tenant improvements and lease intangibles on our Consolidated Balance Sheets as the historical cost of the property. During 2015 and 2014, we capitalized $3.8 million and $4.3 million of costs related to our multifamily developments, respectively, which included $940 thousand and $294 thousand of capitalized interest, respectively.

Investment in Unconsolidated Real Estate Funds

At December 31, 2015, we managed and held equity interests in two Funds: Fund X and Partnership X. We held a 68.61% interest in Fund X, and an aggregate 24.25% interest in the properties held by Partnership X and its subsidiaries. We account for our investments in the Funds using the equity method because we have significant influence but not control over the entities and our Funds do not qualify as variable interest entities. Our investment balance represents our share of the net assets of the combined Funds, additional basis (primarily due to the inclusion of the cost of raising capital that is accounted for as part of our investment basis) of $2.9 million as of December 31, 2015 and 2014, and notes receivable with a total outstanding balance of $0.8 million and $1.5 million as of December 31, 2015 and 2014, respectively. See Note 5 for our Fund disclosures.

Impairment of Long-Lived Assets

We periodically assess whether there has been an impairment in the value of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment charge is recorded when events or change in circumstances indicate that a decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. Recoverability of assets to be held and used is measured by a comparison of the carrying value to the undiscounted future cash flows expected to be generated by the asset. If the carrying value exceeds the estimated undiscounted future cash flows, an impairment loss is recorded equal to the difference between the asset's carrying value and its fair value based on the estimated discounted future cash flows. Based upon such periodic assessments, no impairments occurred during 2015, 2014 or 2013.

We periodically assess whether there has been an impairment in the value of our investments in our Funds whenever events or changes in circumstances indicate that the carrying value of our investments in our Funds may not be recoverable. An impairment charge is recorded when events or changes in circumstances indicate that a decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. The ultimate realization of the investments in our Funds is dependent upon a number of factors, including the performance of the investment and market conditions. Based upon such periodic assessments, no impairments occurred during 2015, 2014 or 2013.

Assets to be disposed of are reported at the lower of their carrying value or fair value, less costs to sell. An asset is classified as an asset held for sale when it meets certain requirements, including the approval of the sale of the asset, the marketing of the asset for sale, and our expectation that the sale will likely occur within the next 12 months. Upon classification of an asset as held for disposition, the carrying value of the asset, excluding long-term debt, is presented on the balance sheet as properties held for disposition, we cease to depreciate the asset, and the operating results of the asset may be presented as discontinued operations for all periods presented. As of December 31, 2015, we did not have any assets classified as held for sale.

Cash and Cash Equivalents

We consider short-term investments with maturities of three months or less when purchased to be cash equivalents.

Revenue and Gain Recognition

We recognize revenue when four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) services are rendered, (iii) the fee is fixed and determinable and (iv) collectibility is reasonably assured. All of our tenant leases are classified as operating leases. For all lease terms exceeding one year, rental income is recognized on a straight-line basis over the term of the lease. Deferred rent receivables represent rental revenue recognized on a straight-line basis in excess of billed rents. Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments are recognized on a monthly basis when earned.

Lease termination fees, which are included in rental revenues in the accompanying Consolidated Statements of Operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to the former tenant. We recorded lease termination revenue of $2.2 million, $2.6 million, $0.7 million during 2015, 2014 and 2013, respectively.

We record tenant improvements and deferred revenue for leasehold improvements constructed by us as our assets that are reimbursed by tenants, and then amortize that deferred revenue as additional rental revenue over the related lease term. We recorded revenue for leasehold improvements of $1.9 million, $1.7 million, $1.8 million during 2015, 2014 and 2013, respectively. Amortization of deferred revenue is included in rental revenues in the accompanying Consolidated Statements of Operations.

Estimated tenant recoveries for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenue on a gross basis in the period that the recoverable expenses are incurred. Subsequent to year-end, we perform reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments.

The recognition of gains on sales of real estate requires that we measure the timing of a sale against various criteria related to the terms of the transaction, as well as 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. We did not sell any properties during 2015, 2014 and 2013.

Allowances for Tenant Receivables and Deferred Rent Receivables

We carry tenant receivables and deferred rent receivables net of allowances. Tenant receivables consist primarily of amounts due for contractual lease payments and reimbursements of common area maintenance expenses, property taxes, and other costs recoverable from tenants. Deferred rent receivables represent the amount by which the cumulative straight-line rental revenue recorded to date exceeds cash rents billed to date under the lease agreement. We take into consideration many factors to evaluate the level of reserves necessary, including evaluations of individual tenant receivables, historical loss activity, current economic conditions and other relevant factors.

As of December 31, 2015 and 2014, we had an allowance for tenant receivables of $2.2 million and $2.0 million, respectively, and an allowance for deferred rent receivables of $6.0 million and $5.8 million, respectively. We generally do not require collateral or other security from our tenants other than letters of credit or cash security deposits. As of December 31, 2015 and 2014, we had a total of $14.7 million of letters of credit held for security, as well as $38.7 million and $37.5 million of cash security deposits, respectively.

The net impact on our results of operations from changes in our tenant receivable allowance, net of charges and recoveries, was a decrease of $223 thousand, and an increase of $461 thousand and $98 thousand during 2015, 2014 and 2013, respectively. The net impact on our results of operations from changes in our deferred rent receivable allowance, net of charges and recoveries was a decrease of $242 thousand, and an increase of $2.4 million and $3.9 million during 2015, 2014 and 2013, respectively.

Insurance Recoveries

Insurance recoveries related to property damage are recorded as other income when payment is either received or receipt is determined to be probable.

Interest Income

Interest income on our notes receivable is recognized over the life of the respective notes using the effective interest method and recognized on the accrual basis. Interest income is included in other income in the Consolidated Statements of Operations. See Notes 5 and 6 for details regarding our notes receivable.

Loan Costs

Loan costs incurred directly with the issuance of secured notes payable and revolving credit facilities are deferred and amortized to interest expense over the respective loan or credit facility term. Any unamortized amounts are written off upon early repayment of the secured notes payable, and the related cost and accumulated amortization are removed from our balance sheet.

To the extent that a refinancing is considered an exchange of debt with the same lender, we account for loan costs based upon whether the old debt is determined to be modified or extinguished for accounting purposes. If the old debt is determined to be modified then we (i) continue to defer and amortize any unamortized deferred loan fees associated with the old debt at the time of the modification over the new term of the modified debt, (ii) defer and amortize the lender fees incurred in connection with the exchange over the new term of the modified debt, and (iii) expense all other costs associated with the exchange. If the old debt is determined to be extinguished then we (i) write off any unamortized amounts associated with the extinguished debt at the time of the extinguishment and remove the related cost and accumulated amortization from our balance sheet, (ii) expense all lender fees associated with the extinguishment, and (iii) defer and amortize all other costs incurred directly in connection with the extinguishment over the term of the new debt.

In circumstances where we modify or exchange our revolving credit facility with the same lender, we account for the loan costs based upon whether the borrowing capacity (defined as the product of the remaining term and the maximum available credit) of the new arrangement is (a) greater than or equal to the borrowing capacity of the old arrangement, or (b) less than the borrowing capacity of the old arrangement. If the borrowing capacity of the new arrangement is greater than or equal to the borrowing capacity of the old arrangement, then we (i) continue to defer and amortize the deferred loan fees from the old arrangement over the term of the new arrangement and (ii) defer all lender and other fees directly incurred in connection with the new arrangement over the term of the new arrangement. If the borrowing capacity of the new arrangement is less than the borrowing capacity of the old arrangement, then we (i) amortize any unamortized deferred loan costs at the time of the change related to the old arrangement in proportion to the decrease in the borrowing capacity of the old arrangement and (ii) defer all lender and other fees incurred directly in connection with the new arrangement over the term of the new arrangement.

Deferred loan costs are presented in the balance sheet as a direct deduction from the carrying amount of our secured notes payable and revolving credit facility. All loan costs expensed and deferred loan costs amortized are included in interest expense in our Consolidated Statements of Operations. See "Recently Adopted Accounting Pronouncements" at the end of this footnote regarding our early adoption of ASU No. 2015-3 and ASU No. 2015-15. See Note 7 for our deferred loan cost disclosures.

Derivative Contracts

We make use of interest rate swap and interest rate cap contracts to manage the risk associated with changes in interest rates on our floating-rate debt. When we enter into a floating-rate term loan, we generally enter into an interest rate swap agreement for the equivalent principal amount, for a period covering the majority of the loan term, which effectively converts our floating-rate debt to a fixed-rate basis during that time. In limited instances, we make use of interest rate caps to limit our exposure to interest rate increases on our floating-rate debt. We do not speculate in derivatives and we do not make use of any other derivative instruments.

When we enter into derivative agreements, we generally elect to have them designated as cash flow hedges for accounting purposes. For hedging instruments designated as cash flow hedges, changes in fair value of the hedging instrument are recorded in accumulated other comprehensive income (loss) (AOCI), which is a component of equity outside of earnings, and any hedge ineffectiveness is recorded as interest expense. Amounts recorded in AOCI related to our designated hedges are reclassified to interest expense as interest payments are made on the hedged floating rate debt. Amounts reported in AOCI related to our Funds' hedges are reclassified to income, including depreciation, from unconsolidated real estate funds, as interest payments are made by our Funds on their hedged floating rate debt. For hedging instruments which are not designated as cash flow hedges, changes in fair value of the hedging instrument are recorded as interest expense. We record all derivatives on the balance sheet at fair value on a gross basis. See Note 9 for our derivative disclosures.

Stock-Based Compensation

We account for stock-based compensation, including stock options and LTIP Units, using the fair value method of accounting. The estimated fair value of the stock options and the long-term incentive units is amortized over their respective vesting periods. See Note 12 for our stock-based compensation disclosures.

EPS

We calculate basic EPS by dividing the net income attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. We calculate diluted EPS by dividing the net income attributable to common stockholders for the period by the weighted average number of common shares and dilutive instruments outstanding during the period using the treasury stock method. We account for unvested LTIP Units that contain nonforfeitable rights to dividends as participating securities and include these securities in the computation of basic and diluted EPS using the two-class method. See Note 11 for our EPS disclosures.

Segment Information

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate two business segments: the acquisition, development, ownership and management of office real estate, and the acquisition, development, ownership and management of multifamily real estate. The services for our office segment include primarily rental of office space and other tenant services, including parking and storage space rental. The services for our multifamily segment include primarily rental of apartments and other tenant services, including parking and storage space rental. See Note 14 for our segment disclosures.

Income Taxes

We have elected to be taxed as a REIT under the Code, commencing with our initial taxable year ending December 31, 2006. To qualify as a REIT, we are required (among other things) to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided that we qualify for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to qualify as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

In addition, we are subject to taxation by various state and local jurisdictions, including those in which we transact business or reside. Our non-TRS, including our Operating Partnership, are either partnerships or disregarded entities for federal income tax purposes. Under applicable federal and state income tax rules, the allocated share of net income or loss from disregarded entities or flow-through entities (including certain limited partnerships and S-Corporations) is reportable in the income tax returns of the respective partners and stockholders. Accordingly, no income tax provision is included in the accompanying consolidated financial statements.

We have elected to treat two of our subsidiaries as TRS which generally may engage in any business, including the provision of customary or non-customary services for our tenants. A TRS is treated as a regular corporation and is subject to federal income tax and applicable state income and franchise taxes at regular corporate rates. Our TRS did not have significant tax provisions or deferred income tax items for 2015, 2014 or 2013.

New Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of ASUs. We consider the applicability and impact of all ASUs.

Recently Issued and Adopted Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (Topics 205 and 360), which provides guidance for reporting discontinued operations. The amendments in this ASU change the requirements for reporting discontinued operations in Subtopic 205-20, Presentation of Financial Statements. The ASU was effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014, which for us was the first quarter of 2015. We adopted the ASU in the first quarter of 2015 and it did not have a material impact on our financial position, results of operations or disclosures.

In March 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30), which provides guidance on the presentation of debt issuance costs. To simplify the presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt, consistent with the manner in which debt discounts or premiums are presented. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us would be the first quarter of 2016, and early adoption is permitted. We early adopted the ASU on a retrospective basis for the year ending December 31, 2015. We reclassified deferred loan costs with a carrying amount of $22.9 million and $15.6 million as of December 31, 2015 and December 31, 2014, respectively, from Other assets to Secured notes payable and revolving credit facility, net in our Consolidated Balance Sheets. The adoption of the ASU did not impact the Consolidated Statement of Operations. See Note 7 for our deferred loan cost disclosures.

In August 2015, the FASB issued ASU No. 2015-15, which provides additional guidance regarding the presentation of debt issuance costs associated with line-of-credit arrangements. The ASU permits the debt issuance costs associated with line-of-credit arrangements to be presented as an asset, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us would be the first quarter of 2016, and early adoption is permitted. We early adopted the ASU for the year ending December 31, 2015. In accordance with ASU No. 2015-03 we reclassified deferred loan costs, which included deferred loan costs associated with our revolving credit facility, from Other assets to Secured notes payable and revolving credit facility, net in our Consolidated Balance Sheets. The adoption of the ASU did not impact the Consolidated Statement of Operations. See Note 7 for our deferred loan cost disclosures.

Recently Issued Accounting Pronouncements

In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) by one year. As a result, the ASU is now effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which for us is the first quarter of 2018. Earlier application is permitted for fiscal years beginning after December 15, 2016, including interim reporting periods within those years, which for us is the first quarter of 2017. We do not expect this ASU to have a material impact on our financial position, results of operations or disclosures, as lease contracts are not within the scope of this ASU.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which amends Business Combinations (Topic 805). The ASU requires that an acquirer (i) recognize adjustments to provisional amounts from Business Combinations that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, (ii) record, in the same period's financial statements, the effect on earnings, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and (iii) disclose of the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us would be the first quarter of 2016, and early adoption is permitted. The amendments in this ASU should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU with earlier application permitted for financial statements that have not been issued. We do not expect the ASU to have a material impact on our financial position, results of operations or disclosures.

The FASB has not issued any other ASUs during 2015 or 2016 that we expect to be applicable and have a material impact on our future financial position, results of operations or disclosures.

3. Investment in Real Estate

The tables below (in thousands) summarize our purchase price allocations for the acquisitions (these allocations are subject to adjustments within twelve months of the acquisition date). See Note 19 regarding the potential purchase of four Class A office properties in Westwood that we expect to close in the first quarter of 2016.

2015 Acquisitions

During 2015, we made two acquisitions: (i) on February 12, 2015, we acquired the fee interest in the land (Harbor Court Land) under one of our office buildings for $27.5 million. We recognized $6.6 million of accretion of an above-market ground lease related to the purchase of the Harbor Court Land, which is included in other income in the Consolidated Statement of Operations, see Note 4, and (ii) on March 5, 2015, we purchased a 227,000 square foot Class A multi-tenant office property (First Financial Plaza), located in Encino, California, for $92.4 million, or approximately $407 per square foot.

	Harbor Court Land	First Financial Plaza
Land	$ 12,060	$ 12,092
Buildings and improvements	15,440	75,039
Tenant improvements and lease intangibles	—	6,065
Acquired above and below-market leases, net	—	(790)
Net assets and liabilities acquired	$ 27,500	$ 92,406

2014 Acquisitions

During 2014, we made two acquisitions: (i) on October 16, 2014, we purchased a 216 thousand square foot Class A multi-tenant office property located adjacent to Beverly Hills (Carthay Campus) for $74.5 million, or approximately $345 per square foot, and (ii) on December 30, 2014, we purchased a 468 unit multifamily property in Honolulu, Hawaii (Waena) for $146.0 million, or approximately $312 thousand per unit.

	Carthay Campus	Waena
Land	$ 6,595	$ 26,864
Buildings and improvements	64,511	117,541
Tenant improvements and lease intangibles	5,943	1,732
Acquired above and below-market leases, net	(2,580)	(137)
Net assets and liabilities acquired	$ 74,469	$ 146,000

2013 Acquisitions

During 2013, we made two acquisitions: (i) on May 15, 2013, we purchased a 225 thousand square foot Class A multi-tenant office property located in Beverly Hills (8484 Wilshire) for $89.0 million, or approximately $395 per square foot, and (ii) on August 15, 2013, we purchased a 191 thousand square foot Class A multi-tenant office property located in Encino (16501 Ventura) for $61.0 million, or approximately $319 per square foot.

	8484 Wilshire	16501 Ventura
Land	$ 8,847	$ 6,759
Buildings and improvements	77,158	55,179
Tenant improvements and lease intangibles	6,485	4,736
Acquired above and below-market leases, net	(3,490)	(5,674)
Net assets and liabilities acquired	$ 89,000	$ 61,000

4. Acquired Lease Intangibles

The table below (in thousands) summarizes our above/below-market leases as of December 31:

	December 31, 2015	December 31, 2014
Above-market tenant leases[1]	$ 4,661	$ 3,040
Accumulated amortization - above-market tenant leases[1]	(2,670)	(2,082)
Below-market ground leases	3,198	3,198
Accumulated amortization - below-market ground leases	(705)	(629)
Acquired lease intangible assets, net	$ 4,484	$ 3,527
Below-market tenant leases[1]	$ 103,327	$ 138,088
Accumulated accretion - below-market tenant leases[1]	(78,280)	(102,335)
Above-market ground leases[1]	4,017	16,200
Accumulated accretion - above-market ground leases[1]	(459)	(5,994)
Acquired lease intangible liabilities, net	$ 28,605	$ 45,959

(1) During 2015, we removed the cost and accumulated amortization/accretion of fully amortized/accreted leases from our balance sheet. See Note 2 "Investment in Real Estate".

Impact on the Consolidated Statements of Operations

The table below (in thousands) summarizes the net amortization/accretion related to our above/below-market leases:

	Year Ended December 31,		
	2015	2014	2013
Net accretion of above/below-market tenant leases[1]	$ 12,467	$ 13,752	$ 15,511
Amortization of above-market ground leases[2]	(17)	(17)	(17)
Accretion of above-market ground lease[3]	50	50	50
Accretion of an above-market ground lease[4]	6,600	2,299	149
Total	$ 19,100	$ 16,084	$ 15,693

(1) Recorded as a net increase to office and multifamily rental revenues.
(2) Ground leases from which we earn ground rent income. Recorded as a decrease to office parking and other income.
(3) Ground lease from which we incur ground rent expense. Recorded as a decrease to office expense.
(4) Ground lease from which we incurred ground rent expense. Recorded as an increase to other income. During 2015, we acquired the fee interest in the land (Harbor Court Land). See Note 3.

The table below presents (in thousands) the estimated net accretion of above- and below-market tenant and ground leases at December 31, 2015 for the next five years:

Year	Net increase to revenues	Decrease to expenses	Net impact
2016	$ 7,869	$ 50	$ 7,919
2017	3,574	50	3,624
2018	3,094	50	3,144
2019	2,920	50	2,970
2020	1,411	50	1,461
Thereafter	1,695	3,307	5,002
Total	$ 20,563	$ 3,557	$ 24,120

5. Investments in Unconsolidated Real Estate Funds

Description of our Funds

We manage and own equity interest in two Funds, Fund X and Partnership X, through which we and investors own eight office properties totaling 1.8 million square feet in our core markets. At December 31, 2015, we held equity interests of 68.61% of Fund X and 24.25% of Partnership X. We did not acquire any additional interests in our Funds in 2015 or 2014. During 2013, we acquired an additional 3.3% interest in Fund X and an additional 0.9% interest in Partnership X from an existing investor for an aggregate of approximately $8.0 million in cash.

Our Funds pay us fees and reimburse us for certain expenses related to property management and other services we provide to the Funds. We also receive distributions based on invested capital and on any profits that exceed certain specified cash returns to the investors. The table below presents (in thousands) cash distributions received from our Funds:

	Year Ended December 31,		
	2015	2014	2013
Cash distributions received from our Funds	$ 11,856	$ 12,423	$ 8,301

Notes receivable

Our investment in the Funds includes two unsecured notes receivable. In April 2013, we loaned $2.9 million to a related party investor in connection with a capital call made by Fund X. The loan carries interest at one month LIBOR plus 2.5% per annum, and is due and payable no later than April 1, 2017, with mandatory prepayments equal to any distributions with respect to the related party's interest in Fund X. As of December 31, 2015, and 2014, the balance outstanding on the loan was $0.3 million and $1.5 million, respectively. In November 2015, we loaned $0.5 million to Partnership X to fund working capital. The loan carries interest at one month LIBOR plus 2.5% per annum, and is due and payable no later than March 31, 2016. As of December 31, 2015, the balance outstanding on the loan was $0.5 million. The interest income recognized on our notes receivable is included in Other income in our Consolidated Statements of Operations. See Note 13 for our fair value disclosures.

Summarized Financial Information for our Funds

The accounting policies of the Funds are consistent with ours. The tables below present (in thousands) selected financial information for the Funds on a combined basis. The amounts presented represent 100% (not our pro-rata share) of amounts related to the Funds, and are based upon historical acquired book value:

	December 31, 2015	December 31, 2014
Total assets	$ 691,543	$ 703,130
Total liabilities	389,372	389,413
Total equity	302,171	313,717

	Year Ended December 31,		
	2015	2014	2013
Total revenues	$ 69,702	$ 66,234	$ 63,976
Operating income	17,866	11,737	10,151
Net income	6,323	254	(829)

6. Other Assets

Other assets consisted of the following (in thousands) at December 31:

	December 31, 2015	December 31, 2014
Note receivable[1]	$ —	$ 27,500
Restricted cash	194	194
Prepaid expenses	6,720	6,108
Other indefinite-lived intangible	1,988	1,988
Deposits in escrow[2]	75,000	2,500
Furniture, fixtures and equipment, net	1,448	1,425
Other	2,370	1,932
Total other assets	$ 87,720	$ 41,647

(1) On February 12, 2015, the owner of a fee interest in the land related to one of our office buildings, to whom we previously loaned $27.5 million, repaid $1.0 million of the loan with cash, and then contributed the respective fee interest valued at $27.5 million to our Operating Partnership, subject to the remaining balance of that loan of $26.5 million, in exchange for 34,412 OP Units valued at $1.0 million. See Notes 3 and 10.

(2) At December 31, 2015, deposits in escrow included a $75.0 million deposit in connection with the potential purchase of four Class A office properties in Westwood, expected to close in the first quarter of 2016. See Note 19.

7. Secured Notes Payable and Revolving Credit Facility, Net

The following summarizes (in thousands) our secured notes payable and revolving credit facility at December 31, 2015 and 2014:

Description [1]	Maturity Date [2]	Principal Balance as of December 31, 2015	Principal Balance as of December 31, 2014	Variable Interest Rate	Fixed Interest Rate [3]	Swap Maturity Date
Fannie Mae Loan	3/1/2016	$ —	$ 82,000	LIBOR + 0.62%	N/A	--
Term Loan [4]	3/1/2016	15,740	16,140	LIBOR + 1.60%	3.72%	4/1/2016
Term Loan	12/24/2016	20,000	20,000	LIBOR + 1.45%	3.57%	4/1/2016
Fannie Mae Loans	6/1/2017	—	18,000	LIBOR + 0.62%	N/A	--
Term Loan	10/2/2017	—	400,000	LIBOR + 2.00%	4.45%	7/1/2015
Term Loan	4/2/2018	256,140	510,000	LIBOR + 2.00%	4.12%	4/1/2016
Term Loan	8/1/2018	530,000	530,000	LIBOR + 1.70%	3.74%	8/1/2016
Term Loan [5]	8/5/2018	355,000	355,000	N/A	4.14%	--
Term Loan [6]	2/1/2019	152,733	155,000	N/A	4.00%	--
Term Loan [7]	6/5/2019	285,000	285,000	N/A	3.85%	--
Fannie Mae Loan	10/1/2019	145,000	145,000	LIBOR + 1.25%	3.37%	4/1/2016
Term Loan [8]	3/1/2020	349,070	349,070	N/A	4.46%	--
Fannie Mae Loans	11/2/2020	388,080	388,080	LIBOR + 1.65%	3.65%	11/1/2017
Term Loan	4/15/2022	340,000	—	LIBOR + 1.40%	2.77%	4/1/2020
Term Loan	7/27/2022	180,000	—	LIBOR + 1.45%	3.06%	7/1/2020
Term Loan	11/2/2022	400,000	—	LIBOR + 1.35%	2.64%	11/1/2020
Fannie Mae Loan	4/1/2025	102,400	—	LIBOR + 1.25%	2.84%	3/1/2020
Fannie Mae Loan	12/10/2025	115,000	—	LIBOR + 1.25%	2.76%	12/1/2020
Aggregate loan principal		**$ 3,634,163**	**$ 3,253,290**			
Revolving credit facility [9]	8/21/2020	—	182,000	LIBOR + 1.40%	N/A	--
Total [10]		**$ 3,634,163**	**$ 3,435,290**			
Deferred loan costs, net [11]		(22,887)	(15,623)			
Total, net		**$ 3,611,276**	**$ 3,419,667**			
Aggregate effectively fixed rate loans		$ 2,492,360	$ 1,828,080		3.35%	
Aggregate fixed rate loans		1,141,803	1,144,070		4.15%	
Aggregate variable rate loans		—	463,140		N/A	
Total [10]		**$ 3,634,163**	**$ 3,435,290**			

(1) At December 31, 2015, the weighted average remaining life, including extension options, of our term debt (excluding our revolving credit facility) was 4.5 years. For the $3.63 billion of term debt on which the interest rate was fixed under the terms of the loan or a swap, (i) the weighted average remaining life was 4.5 years, (ii) the weighted average remaining period during which interest was fixed was 2.6 years, (iii) the weighted average annual interest rate was 3.60% and (iv) including the non-cash amortization of deferred loan costs, the weighted average effective interest rate was 3.72%. Except as otherwise noted below, each loan (including our revolving credit facility) is secured by one or more separate collateral pools consisting of one or more properties, requiring monthly payments of interest only, with the outstanding principal due upon maturity.

(2) Maturity dates include the effect of extension options.

(3) Includes the effect of interest rate swaps and excludes the effect of prepaid loan fees. See Note 9 for details of our interest rate swaps.

(4) Borrower is a consolidated entity in which our Operating Partnership owns a two-thirds interest. The loan maturity was extended to March 1, 2017 after year end. See Note 19.

(5) Interest-only until February 2016, with principal amortization thereafter based upon a 30-year amortization schedule.

(6) Requires monthly payments of principal and interest. Principal amortization is based upon a 30-year amortization schedule.

(7) Interest only until February 2017, with principal amortization thereafter based upon a 30-year amortization schedule.

(8) Interest is fixed until March 2018. Interest-only until May 2016, with principal amortization thereafter based upon a 30-year amortization schedule.

(9) $400.0 million revolving credit facility. Unused commitment fees range from 0.15% to 0.20%.

(10) See Note 13 for our fair value disclosures.

(11) Net of accumulated amortization of $15.2 million and $13.0 million at December 31, 2015 and 2014, respectively. Deferred loan cost amortization was $7.0 million, $4.1 million and $4.2 million during 2015, 2014 and 2013, respectively.

As of December 31, 2015, the minimum future principal payments due on our secured notes payable and revolving credit facility, excluding any maturity extension options, were as follows (in thousands):

Twelve months ending December 31:		
2016	$	46,939
2017		19,410
2018		1,478,014
2019		564,320
2020		683,080
Thereafter		842,400
Total future principal payments	$	3,634,163

8. Interest Payable, Accounts Payable and Deferred Revenue

Interest payable, accounts payable and deferred revenue consisted of the following (in thousands) as of December 31:

	December 31, 2015		December 31, 2014	
Interest payable	$	10,028	$	9,656
Accounts payable and accrued liabilities		23,716		22,195
Deferred revenue		23,673		22,513
Total interest payable, accounts payable and deferred revenue	$	57,417	$	54,364

9. Derivative Contracts

Hedges of Interest Rate Risk

We make use of interest rate swap and interest rate cap contracts to manage the risk associated with changes in interest rates on our floating-rate debt. When we enter into a floating-rate term loan, we generally enter into an interest rate swap agreement for the equivalent principal amount, for a period covering the majority of the loan term, which effectively converts our floating-rate debt to a fixed-rate basis during that time. In limited instances, we make use of interest rate caps to limit our exposure to interest rate increases on our floating-rate debt. We do not speculate in derivatives and we do not make use of any other derivative instruments. See note 7 for the details of our floating-rate debt that we have hedged.

Summary of our derivatives

As of December 31, 2015, all of our interest rate swaps were designated as cash flow hedges:

	Number of Interest Rate Swaps	Notional (in thousands)[1]
Consolidated	15	$2,565,480
Unconsolidated Fund[2]	1	$325,000

(1) See Note 13 for our derivative fair value disclosures.

(2) The notional amount presented represents 100%, not our pro-rata share, of the amounts related to the Fund. At December 31, 2015, we held an equity interest of 68.61% of that Fund. See Note 5 for more information regarding our Funds.

Credit-risk-related Contingent Features

We have agreements with each of our interest rate swap counterparties that contain a provision under which we could also be declared in default on our derivative obligations if we default on the underlying indebtedness that we are hedging. As of December 31, 2015, there have been no events of default with respect to our interest rate swaps or our Fund's interest rate swap. The fair value of our interest rate swaps in a liability position were as follows (in thousands):

	December 31, 2015	December 31, 2014
Fair value of derivatives in a liability position[1]		
Consolidated	$ 19,047	$ 40,953

(1) At December 31, 2015, we had consolidated derivative assets of $4.2 million and our Fund's derivative was in an asset position of $737 thousand (100%, not our pro-rata share). Amounts include accrued interest and exclude any adjustment for nonperformance risk. See Note 17 with regards to our counterparty credit risk.

Impact of Hedges on AOCI and Consolidated Statements of Operations

The table below presents (in thousands) the effect of our derivative instruments and our Fund's derivative instrument on our AOCI and statements of operations:

	Year Ended December 31,		
	2015	2014	2013
Derivatives Designated as Cash Flow Hedges:			
(Loss) gain recorded in AOCI (effective portion) - our derivatives(1)(8)	$ (11,549)	$ (11,116)	$ 903
(Loss) gain recorded in AOCI (effective portion) - our Fund's derivative(2)(8)	$ (1,922)	$ (1,767)	$ 1,779
Loss reclassified from AOCI (effective portion) - our derivatives(3)(8)	$ (37,390)	$ (36,873)	$ (36,246)
Loss reclassified from AOCI (effective portion) - our Fund's derivative(4)(8)	$ (931)	$ (1,005)	$ (549)
Loss reclassified from AOCI (ineffective portion) - our derivatives(5)(7)	$ —	$ (50)	$ (85)
Gain recorded as interest expense (ineffective portion)(6)	$ 66	$ —	—
Derivatives Not Designated as Cash Flow Hedges:			
Loss recorded as interest expense(7)	$ —	$ —	$ (4)

(1) Represents the change in fair value of our interest rate swaps designated as cash flow hedges, which does not impact the statement of operations. See Note 13 for our fair value disclosures.
(2) Represents our share of the change in fair value of our Fund's interest rate swap designated as a cash flow hedge, which does not impact the statement of operations.
(3) Reclassified from AOCI as an increase to interest expense.
(4) Reclassified from AOCI as a decrease to income, including depreciation, from unconsolidated real estate funds.
(5) Excluded from effectiveness testing. Reclassified from AOCI as an increase to interest expense.
(6) Excluded from effectiveness testing.
(7) Represents the change in fair value of our derivatives not designated as cash flow hedges.
(8) See the reconciliation of our AOCI in Note 10.

Future Reclassifications from AOCI

We estimate that $20.2 million of our AOCI related to our consolidated derivatives designated as cash flow hedges will be reclassified as an increase to interest expense during the next twelve months, and $193 thousand of our AOCI related to our unconsolidated Fund's derivative designated as a cash flow hedge will be reclassified as an increase to income, including depreciation, from unconsolidated real estate funds during the next twelve months.

10. Equity

Equity Transactions

During 2015, we (i) acquired 1.8 million OP Units in exchange for issuing to the holders of the OP Units an equal number of shares of our common stock and (ii) issued 274 thousand shares of our common stock for the exercise of options for net proceeds of $4.3 million at an average price of $15.58 per share. In addition, we issued 34 thousand OP Units valued at $1.0 million in connection with the acquisition of land under one of our office buildings (see Notes 3 and 6).

During 2014, we (i) acquired 2.2 million OP Units in exchange for issuing to the holders of the OP Units an equal number of shares of our common stock, (ii) acquired 120 thousand OP Units for cash for a total purchase price of $2.8 million at an average price of $23.56 per unit and (iii) cash-settled options covering 691 thousand shares of our common stock for a total cost of $4.5 million at an average price of $6.55 per option. We issued 40 thousand shares of our common stock for the exercise of options for net proceeds of $603 thousand, for an average price of $15.05 per share.

During 2013, we (i) acquired 1.4 million OP Units in exchange for issuing to the holders of the OP Units an equal number of shares of our common stock and (ii) acquired 13 thousand OP Units for cash for a total purchase price of $352 thousand at an average price of $26.68 per unit. We did not sell any shares of our common stock during 2013.

Noncontrolling Interests

Our noncontrolling interests consist of (i) interests in our Operating Partnership that are not owned by us and (ii) a minority partner's one-third interest in a consolidated joint venture which owns an office building in Honolulu, Hawaii. Noncontrolling interests in our Operating Partnership consist of OP Units and fully-vested LTIP Units and represented approximately 15% of our Operating Partnership's total interests as of December 31, 2015 when we and our Operating Partnership had 146.9 million shares of common stock and 26.7 million OP Units and LTIP Units outstanding, respectively. A share of our common stock, an OP Unit and an LTIP Unit (once vested and booked up) have essentially the same economic characteristics, sharing equally in the distributions from our Operating Partnership. Investors who own OP Units have the right to cause our Operating Partnership to redeem their OP Units for an amount of cash per unit equal to the market value of one share of our common stock at the date of redemption, or, at our election, exchange their OP Units for shares of our common stock on a one-for-one basis. LTIP Units have been granted to our key employees and non-employee directors as part of their compensation. These awards generally vest over the service period and once vested can generally be converted to OP Units. See Note 12 for details of our stock-based compensation.

Changes in our Ownership Interest in our Operating Partnership

The table below presents (in thousands) the effect on our equity from changes in our ownership interest in our Operating Partnership for the year ended December 31:

	2015	2014	2013
Net income attributable to common stockholders	$ 58,384	$ 44,621	$ 45,311
Transfers from noncontrolling interests:			
Exchange of OP Units with noncontrolling interests	23,703	30,035	18,684
Repurchase of OP Units from noncontrolling interests	—	(1,197)	(173)
Net transfers from noncontrolling interests	$ 23,703	$ 28,838	$ 18,511
Change from net income attributable to common stockholders and transfers from noncontrolling interests	$ 82,087	$ 73,459	$ 63,822

AOCI Reconciliation

The table below presents (in thousands) a reconciliation of our AOCI, which consists solely of adjustments related to derivatives designated as cash flow hedges for the year ended December 31:

	2015	2014	2013
Beginning balance	$ (30,089)	$ (50,554)	$ (82,991)
Other comprehensive (loss) income before reclassifications - our derivatives	(11,549)	(11,116)	903
Other comprehensive (loss) income before reclassifications - our Fund's derivative	(1,922)	(1,767)	1,779
Reclassifications from AOCI - our derivatives(1)	37,390	36,923	36,331
Reclassifications from AOCI - our Fund's derivative(2)	931	1,005	549
Net current period OCI	24,850	25,045	39,562
Less OCI attributable to noncontrolling interests	(4,046)	(4,580)	(7,125)
OCI attributable to common stockholders	20,804	20,465	32,437
Ending balance	$ (9,285)	$ (30,089)	$ (50,554)

(1) Reclassification as an increase to interest expense.
(2) Reclassification as a decrease to income, including depreciation, from unconsolidated real estate funds.
(3) See Note 9 for the details of our derivatives and Note 13 for our derivative fair value disclosures.

Dividends (unaudited)

Our common stock dividends paid during 2015 are classified for federal income tax purposes as follows:

Record Date	Paid Date	Dividend Per Share	Ordinary Income	Capital Gain	Return of Capital
12/30/2014	1/15/2015	$0.21	$0.0735	$—	$0.1365
3/31/2015	4/15/2015	0.21	0.0735	—	0.1365
6/30/2015	7/15/2015	0.21	0.0735	—	0.1365
9/30/2015	10/15/2015	0.21	0.0735	—	0.1365
	Total:	**$0.84**	**$0.2940**	**$—**	**$0.5460**

11. EPS

The table below presents the calculation of basic and diluted EPS:

	Year Ended December 31,		
	2015	2014	2013
Numerator (in thousands):			
Net income attributable to common stockholders	$ 58,384	$ 44,621	$ 45,311
Allocation to participating securities: Unvested LTIP Units	(312)	(175)	(178)
Numerator for basic and diluted net income attributable to common stockholders	$ 58,072	$ 44,446	$ 45,133
Denominator (in thousands):			
Weighted average shares of common stock outstanding - basic	146,089	144,013	142,556
Effect of dilutive securities: Stock options[(1)]	4,515	4,108	3,288
Weighted average shares of common stock and common stock equivalents outstanding - diluted	150,604	148,121	145,844
Basic EPS:			
Net income attributable to common stockholders per share	$ 0.398	$ 0.309	$ 0.317
Diluted EPS:			
Net income attributable to common stockholders per share	$ 0.386	$ 0.300	$ 0.309

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(1) The following securities (in thousands) were excluded from the computation of the weighted average diluted shares because the effect of including them would be anti-dilutive to the calculation of diluted EPS:

	Year Ended December 31,		
	2015	2014	2013
OP Units	26,371	27,444	28,026
Vested LTIP Units	181	130	355
Unvested LTIP Units	622	526	577

12. Stock-Based Compensation

2006 Omnibus Stock Incentive Plan

The Douglas Emmett, Inc. 2006 Omnibus Stock Incentive Plan, as amended, our stock incentive plan, permits us to make grants of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, dividend equivalent rights and other stock-based awards. We had an aggregate of 14.8 million shares available for grant as of December 31, 2015. "Full value" awards (such as LTIP unit awards, deferred stock awards, restricted stock awards) are counted against our stock incentive plan overall limits as two shares, while options and Stock Appreciation Rights are counted as one share (0.9 shares for options or Stock Appreciation Rights with terms of five years or less). The number of shares reserved under our stock incentive plan is also subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization. Shares that are forfeited or canceled from awards under our stock incentive plan also will generally be available for future awards.

Our stock incentive plan is administered by the compensation committee of our board of directors. The compensation committee may interpret our stock incentive plan and make all determinations necessary or desirable for the administration of our plan. The committee has full power and authority to select the participants to whom awards will be granted, to make any combination of awards to participants, to accelerate the exercisability or vesting of any award and to determine the specific terms and conditions of each award, subject to the provisions of our stock incentive plan. All full-time and part-time officers, employees, directors and other key persons (including consultants and prospective employees) are eligible to participate in our stock incentive plan.

Other stock-based awards under our stock incentive plan include awards that are valued in whole or in part by reference to shares of our common stock, including convertible preferred stock, convertible debentures and other convertible or exchangeable securities, partnership interests in a subsidiary or our Operating Partnership, awards valued by reference to book value, fair value or performance of a subsidiary and any class of profits interest or limited liability company membership interest. We have made certain awards in the form of a separate series of units of limited partnership interests in our Operating Partnership called LTIP Units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan. Our LTIP Units are valued by reference to the value of our common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives. Once vested, LTIP Units can generally be converted to OP Units on a one for one basis. See Note 10.

Employee Awards

We grant stock-based compensation in the form of LTIP Units as a part of our annual incentive compensation to our key employees each year, a portion which vests at the date of grant, and the remainder which vests in three equal annual installments over the three calendar years following the grant date. We accrue compensation expense during each year for the portion of the annual bonuses which we expect to pay out in the form of immediately vested equity grants (we award the grants before the end of the year for which they were awarded). Compensation expense for LTIP Units which are not vested at the grant date is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. In addition to our annual incentive compensation, we also make long-term grants in the form of LTIP Units to our executives and certain key employees. The grants generally vest in equal annual installments over four to five calendar years following the grant date, and some of these grants include a portion which vests at the date of grant. Certain amounts of stock-based compensation expense are capitalized for employees who provide leasing and construction services. We granted 0.9 million, 1.1 million and 0.6 million LTIP Units to employees during 2015, 2014 and 2013, respectively.

Non-Employee Director Awards

We granted 33 thousand, 15 thousand and 19 thousand LTIP Units to our non-employee directors during 2015, 2014 and 2013, respectively, which vest ratably over the year of grant in lieu of cash retainers. Historically, we made long-term grants of LTIP Units to our non-employee directors which vested over the following three years, and during 2015 we made a proportional grant to a new director who joined our board of 1 thousand LTIP units, which vested during the remainder of 2015.

Compensation Expense

Total net stock-based compensation expense for equity grants was $15.2 million, $13.7 million and $10.0 million during 2015, 2014 and 2013, respectively. These amounts are net of capitalized stock-based compensation of $1.4 million, $1.1 million, and $0.8 million during 2015, 2014 and 2013, respectively.

We calculate the fair value of the LTIP Units granted using the market value of our common stock on the date of grant with a discount for post-vesting restrictions. The total grant date fair value of all LTIP Units granted to employees and non-employee directors in 2015, 2014 and 2013 was $18.7 million, $21.4 million and $10.1 million, respectively. The total grant date fair value of LTIP Units granted to employees and non-employee directors which vested in 2015, 2014 and 2013 was $15.2 million, $14.8 million and $11.1 million, respectively. The total intrinsic value of options exercised and repurchased was $4.0 million and $5.0 million during 2015 and 2014, respectively (our policy is to issue new shares of common stock for stock options exercised on a one-for-one basis). The total unrecognized stock-based compensation expense related to nonvested LTIP Unit awards granted to employees and non-employee directors was $17.3 million at December 31, 2015. This expense will be recognized over a weighted-average term of twenty-four months.

Stock-Based Award Activity

The table below presents the activity of our outstanding stock options:

Stock Options:	Number of Stock Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (months)	Total Intrinsic Value (thousands)
Outstanding at December 31, 2012	12,540	$ 18.10	59	$ 65,177
Granted	—			
Outstanding at December 31, 2013	12,540	18.10	47	$ 65,051
Granted	—			
Exercised	(731)	20.03		
Outstanding at December 31, 2014	11,809	17.98	36	$ 123,017
Granted	—			
Exercised	(274)	15.58		
Outstanding at December 31, 2015	11,535	18.04	23	$ 151,569
Exercisable at December 31, 2015	11,535	18.04	23	$ 151,569

The table below presents the activity of our unvested LTIP Units:

Unvested LTIP Units:	Number of Units (thousands)	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	891	$ 15.12
Granted	663	15.26
Vested	(785)	14.15
Forfeited	(15)	21.52
Outstanding at December 31, 2013	754	15.63
Granted	1,106	19.31
Vested	(854)	17.44
Forfeited	(8)	22.48
Outstanding at December 31, 2014	998	18.48
Granted	922	20.26
Vested	(816)	18.59
Forfeited	(8)	24.86
Outstanding at December 31, 2015	1,096	19.85

13. Fair Value of Financial Instruments

Our estimates of the fair value of financial instruments were determined using available market information and widely used valuation methods. Considerable judgment is necessary to interpret market data and determine an estimated fair value. The use of different market assumptions or valuation methods may have a material effect on the estimated fair values. The FASB fair value framework hierarchy distinguishes between assumptions based on market data obtained from sources independent of the reporting entity, and the reporting entity's own assumptions about market-based inputs. The hierarchy is as follows:

Level 1 - inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 - inputs are observable either directly or indirectly for similar assets and liabilities in active markets.
Level 3 - inputs are unobservable assumptions generated by the reporting entity

As of December 31, 2015, we did not have any fair value measurements of financial instruments using Level 3 inputs.

Financial instruments disclosed at fair value

Short term financial instruments: The carrying amounts for cash and cash equivalents, tenant receivables, revolving credit lines, interest payable, accounts payable, security deposits and dividends payable approximate fair value because of the short-term nature of these instruments.

Notes receivable: See Note 5 for the details of our notes receivable. Based on observable market interest rates which we consider to be Level 2 inputs, the fair value of our notes receivable approximated their carrying value at December 31, 2015.

Secured notes payable: See Note 7 for the details of our secured notes payable. We estimate the fair value of our secured notes payable by calculating the credit-adjusted present value of the principal and interest payments for each secured note payable. The calculation incorporates observable market interest rates which we consider to be Level 2 inputs, assumes that the loans will be outstanding through maturity, and excludes any maturity extension options. The table below presents (in thousands) the estimated fair value of our secured notes payable:

Secured Notes Payable:	December 31, 2015	December 31, 2014
Fair value	$ 3,691,075	$ 3,293,351
Carrying value	$ 3,634,163	$ 3,253,290

Financial instruments measured at fair value

Derivative instruments: See Note 9 for the details of our derivatives. We present our derivatives on the balance sheet at fair value, on a gross basis, excluding accrued interest. We estimate the fair value of our derivative instruments by calculating the credit-adjusted present value of the expected future cash flows of each derivative. The calculation incorporates the contractual terms of the derivatives, observable market interest rates which we consider to be Level 2 inputs, and credit risk adjustments to reflect the counterparty's as well as our own nonperformance risk. Our derivatives are not subject to master netting arrangements. The table below presents (in thousands) the estimated fair value of our derivatives:

	December 31, 2015	December 31, 2014
Derivative Assets:		
Fair value - our derivatives[(1)]	$ 4,830	$ —
Fair value - our Fund's derivative[(2)]	$ 837	$ 2,282
Derivative Liabilities:		
Fair value - our derivatives[(1)]	$ 16,310	$ 37,386

(1) The fair value of our derivatives are included in interest rate contracts in our consolidated balance sheet.

(2) The fair value presented represents 100.00%, not our pro-rata share, of the fair value related to our Fund's derivative. At December 31, 2015, we held an equity interest of 68.61% of that Fund. Our pro-rata share of the fair value of the Fund's derivative is included in our investment in unconsolidated real estate funds in our consolidated balance sheet. See Note 5 for more information regarding our Funds.

14. Segment Reporting

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in two business segments: (i) the acquisition, development, ownership and management of office real estate and (ii) the acquisition, development, ownership and management of multifamily real estate. The services for our office segment primarily include rental of office space and other tenant services, including parking and storage space rental. The services for our multifamily segment include rental of apartments and other tenant services, including parking and storage space rental.

Asset information by segment is not reported because we do not use this measure to assess performance or make decisions to allocate resources. Therefore, depreciation and amortization expense is not allocated among segments. General and administrative expenses and interest expense are not included in segment profit as our internal reporting addresses these items on a corporate level.

Segment profit is not a measure of operating income or cash flows from operating activities as measured by GAAP, it is not indicative of cash available to fund cash needs, and it should not be considered as an alternative to cash flows as a measure of liquidity. Not all companies may calculate segment profit in the same manner. We consider segment profit to be an appropriate supplemental measure to net income because it can assist both investors and management in understanding the core operations of our properties.

The table below presents (in thousands) the operating activity of our reportable segments:

	Year Ended December 31,		
	2015	2014	2013
Office Segment			
Total office revenues	$ 540,975	$ 519,405	$ 514,583
Office expenses	(186,556)	(181,160)	(174,935)
Office Segment profit	354,419	338,245	339,648
Multifamily Segment			
Total multifamily revenues	94,799	80,117	76,936
Multifamily expenses	(23,862)	(20,664)	(19,928)
Multifamily Segment profit	70,937	59,453	57,008
Total profit from all segments	$ 425,356	$ 397,698	$ 396,656

The table below (in thousands) is a reconciliation of the total profit from all segments to net income attributable to common stockholders:

	Year Ended December 31,		
	2015	2014	2013
Total profit from all segments	$ 425,356	$ 397,698	$ 396,656
General and administrative expenses	(30,496)	(27,332)	(26,614)
Depreciation and amortization	(205,333)	(202,512)	(191,351)
Other income	15,228	17,675	6,402
Other expenses	(6,470)	(7,095)	(4,199)
Income, including depreciation, from unconsolidated real estate funds	7,694	3,713	3,098
Interest expense	(135,453)	(128,507)	(130,548)
Acquisition-related expenses	(1,771)	(786)	(607)
Net income	68,755	52,854	52,837
Less: Net income attributable to noncontrolling interests	(10,371)	(8,233)	(7,526)
Net income attributable to common stockholders	$ 58,384	$ 44,621	$ 45,311

15. Future Minimum Lease Receipts

We lease space to tenants primarily under non-cancelable operating leases that generally contain provisions for a base rent plus reimbursement for certain operating expenses, and we own fee interests in two parcels of land subject to ground leases from which we earn ground rent income. The table below presents (in thousands) the future minimum base rentals on our non-cancelable office tenant and ground operating leases at December 31, 2015:

Minimum base rentals[1] during:		
2016	$	396,812
2017		358,267
2018		295,593
2019		242,862
2020		190,154
Thereafter		540,485
Total future minimum base rentals	$	2,024,173

(1) Does not include (i) residential leases, which typically have a term of one year or less, (ii) tenant reimbursements, (iii) straight line rent, (iv) amortization/accretion of acquired above/below-market lease intangibles and (v) percentage rents. The amounts assume that those tenants with early termination options do not exercise them.

16. Future Minimum Lease Payments

We incurred lease payments related to two ground leases of $0.7 million, $2.6 million and $2.2 million during 2015, 2014 and 2013, respectively. We acquired the fee interest related to one of those ground leases in February 2015 (see Notes 3 and 6). The table below presents (in thousands) the future minimum ground lease payments as of December 31, 2015 under our remaining ground lease:

Minimum ground lease payments during:		
2016	$	733
2017		733
2018		733
2019		733
2020		733
Thereafter		48,377
Total future minimum lease payments[1]	$	52,042

(1) Lease term ends on December 31, 2086. Ground rent is fixed at $733 thousand per year until February 28, 2019, and will then be reset to the greater of the existing ground rent or market. The table above assumes that the rental payments will continue to be $733 thousand per year after February 28, 2019.

17. Commitments, Contingencies and Guarantees

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. Excluding ordinary, routine litigation incidental to our business, we are not currently a party to any legal proceedings that we believe would reasonably be expected to have a materially adverse effect on our business, financial condition or results of operations.

Concentration of Risk

We are subject to credit risk with respect to our tenant receivables and deferred rent receivables related to our tenant leases. Our tenants' ability to honor the terms of their respective leases remains dependent upon the economic, regulatory and social factors. We seek to minimize our credit risk from our tenant leases by (i) targeting smaller, more affluent tenants, from a diverse mix of industries, (ii) performing credit evaluations of prospective tenants and (iii) obtaining security deposits from our tenants. In 2015, 2014 and 2013, no tenant accounted for more than 10% of our total revenues. See Note 2 for the details of our allowances for tenant receivables and deferred rent receivables.

All of our properties (including the properties owned by our Funds) are located in Los Angeles County, California and Honolulu, Hawaii, and we are dependent on the Southern California and Honolulu economies. Therefore, we are susceptible to adverse local conditions and regulations, as well as natural disasters in those areas.

We are also subject to credit risk from the counterparties on our interest rate swap and interest rate cap contracts that we use to manage the risk associated with our floating rate debt. See Note 9 for the details of our interest rate contracts. We seek to minimize our credit risk by entering into agreements with a variety of high quality counterparties with investment grade ratings.

We maintain our cash and cash equivalents at high quality financial institutions with investment grade ratings. Interest bearing accounts at each U.S. banking institution are insured by the FDIC up to $250 thousand.

Asset Retirement Obligations

Conditional asset retirement obligations represent a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement is conditional upon a future event that may or may not be within our control. A liability for a conditional asset retirement obligation must be recorded if the fair value of the obligation can be reasonably estimated. Environmental site assessments and investigations have identified twenty-three properties in our consolidated portfolio, and four properties owned by our Funds, which contain asbestos, and would have to be removed in compliance with applicable environmental regulations if these properties undergo major renovations or are demolished. As of December 31, 2015, the obligations to remove the asbestos from these properties have indeterminable settlement dates, and we are unable to reasonably estimate the fair value of the associated conditional asset retirement obligation.

Guarantees

We made certain environmental and other limited indemnities and guarantees covering customary non-recourse carve-outs for a $325.0 million loan of one of our Funds. The loan matures on May 1, 2018, and carries interest that is effectively fixed through an interest rate swap which matures on May 1, 2017. We have also guaranteed the related swap. The Fund has agreed to indemnify us for any amounts that we would be required to pay under these agreements. As of December 31, 2015, all obligations under the loan and swap agreements have been performed by the Fund in accordance with the terms of those agreements and the maximum future payments remaining under the swap agreement were $2.6 million.

Acquisitions

We did not have any commitments for acquisitions, except for the agreement that we entered into to purchase four Class A office properties in Westwood in 2016. See Note 19.

18. Quarterly Financial Information (unaudited)

The tables below present (in thousands, except per share amounts) selected quarterly information for 2015 and 2014:

	Three Months Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Total revenue	$ 154,809	$ 160,457	$ 160,077	$ 160,431
Net income before noncontrolling interests	22,096	15,894	14,159	16,606
Net income attributable to common stockholders	18,699	13,448	12,070	14,167
Net income per common share - basic	$ 0.128	$ 0.092	$ 0.082	$ 0.096
Net income per common share - diluted	$ 0.124	$ 0.089	$ 0.080	$ 0.093
Weighted average shares of common stock outstanding - basic	145,327	145,898	146,331	146,780
Weighted average shares of common stock and common stock equivalents outstanding - diluted	149,802	150,304	150,740	151,531

	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Total revenue	$ 148,872	$ 151,422	$ 148,141	$ 151,087
Net income before noncontrolling interests	15,458	15,917	8,681	12,798
Net income attributable to common stockholders	12,976	13,363	7,389	10,893
Net income per common share - basic	$ 0.090	$ 0.093	$ 0.051	$ 0.075
Net income per common share - diluted	$ 0.088	$ 0.090	$ 0.050	$ 0.073
Weighted average shares of common stock outstanding - basic	143,140	143,717	144,361	144,823
Weighted average shares of common stock and common stock equivalents outstanding - diluted	146,861	147,945	148,641	148,943

19. Subsequent events

On December 21, 2015, we entered into a contract under which a joint venture which we will manage is expected to pay $1.34 billion, or approximately $779 per square foot, for a portfolio of four Class A office properties totaling 1.7 million square feet in our Westwood submarket. Subject to typical closing conditions, we expect the acquisition to close in the first quarter of 2016.

On January 21, 2016 a consolidated joint venture in which we own a two thirds interest extended the maturity of a $15.7 million loan to March 1, 2017. The loan is interest only and secured by a single office property.

OUR SENIOR MANAGEMENT

DAN A. EMMETT
Executive Chairman

JORDAN L. KAPLAN
President & Chief Executive Officer

KENNETH M. PANZER
Chief Operating Officer

MONA M. GISLER
Chief Financial Officer

KEVIN A. CRUMMY
Chief Investment Officer

CORPORATE HEADQUARTERS

808 Wilshire Boulevard
2nd Floor
Santa Monica, CA 90401
310.255.7700

INVESTOR INFORMATION

For additional information, please contact:

Stuart McElhinney
Vice President – Investor Relations
smcelhinney@douglasemmett.com
310.255.7751

Our SEC Filings, including our latest 10-K and proxy statement, are available on our website at

www.douglasemmett.com

OUR BOARD OF DIRECTORS

DAN A. EMMETT
Chairman of the Board

JORDAN L. KAPLAN
President & Chief Executive Officer

KENNETH M. PANZER
Chief Operating Officer

CHRISTOPHER H. ANDERSON
Real Estate Executive and Investor

LESLIE E. BIDER
Chief Executive Officer - PinnacleCare

DR. DAVID T. FEINBERG
President & Chief Executive Officer – Geisinger Health System

THOMAS E. O'HERN
Senior Executive Vice President, Chief Financial Officer & Treasurer – Macerich Company

VIRGINIA A. MCFERRAN
Founder and owner of M Consulting; former Chief Information Officer of the UCLA Health System

WILLIAM E. SIMON, JR.
Co-chairman, William E. Simon & Sons, LLC

STOCK EXCHANGE

The New York Stock Exchange – NYSE
Ticker Symbol – DEI

LEGAL COUNSEL

Manatt I Phelps I Phillips LLP
Los Angeles, CA

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Los Angeles, CA

SHAREHOLDER ACCOUNT ASSISTANCE

Shareholder records are maintained by Douglas Emmett's Transfer Agent:

Computershare Investor Services, LLC
312.588.4990

ANNUAL MEETING

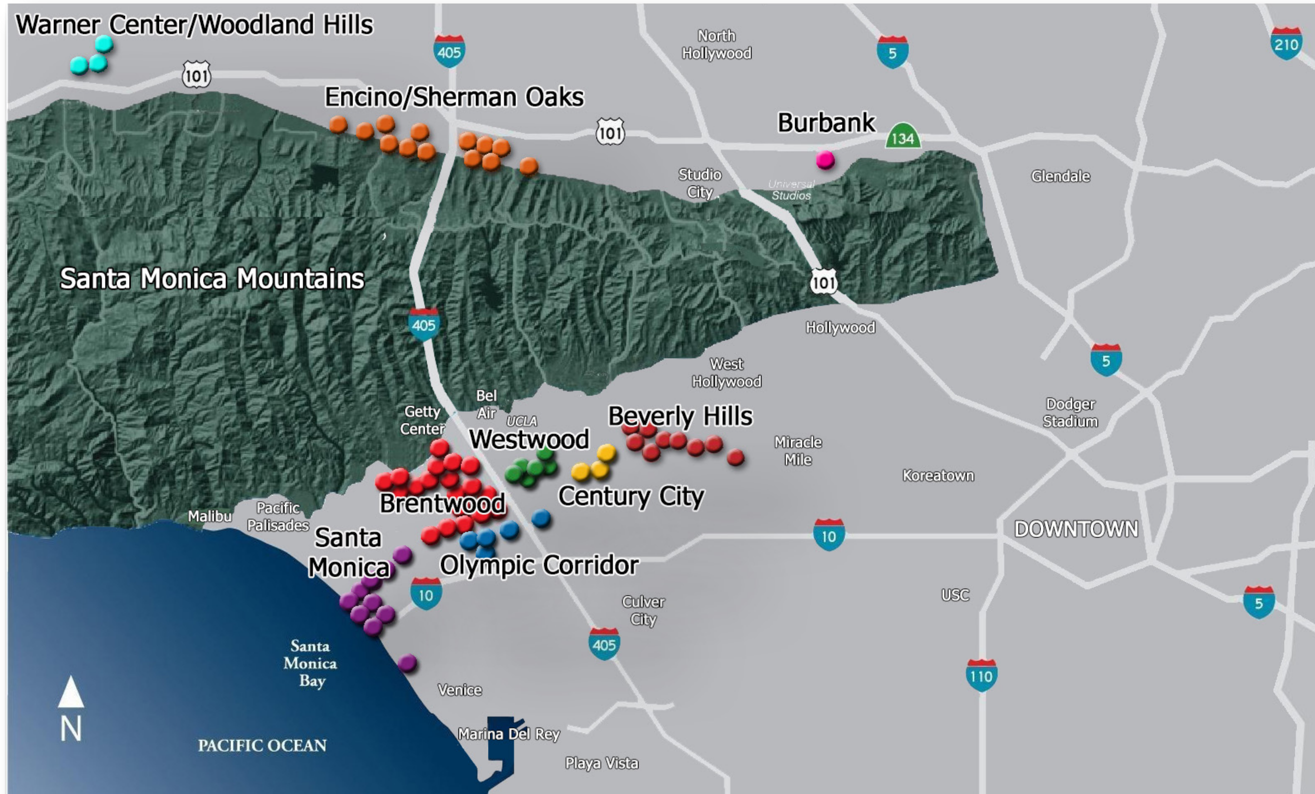
808 Wilshire Boulevard
2nd Floor
Santa Monica, CA 90401
June 2, 2016 9:00 a.m. (PDT)

At Douglas Emmett, concern for the environment is ingrained in our corporate culture. We are committed to implementing and maintaining financially responsible sustainability programs in our properties. Through the years we have proactively introduced conservation and sustainability measures across our portfolio that have significantly reduced our energy consumption, increased our operational efficiencies and reduced our carbon footprint. We engage our service providers, suppliers, and tenants to join our mission and work with them to pursue opportunities where cost savings and social responsibility merge.

At Douglas Emmett, we know that sustainability is a yard stick for both social responsibility and fiscal management. Simply put, thoughtful implementation of sustainable initiatives is good business.

Douglas Emmett

Map of Office and Residential Properties



Los Angeles Submarkets

- Beverly Hills
- Brentwood
- Burbank
- Century City
- Encino/Sherman Oaks
- Olympic Corridor
- Santa Monica
- Warner Center/Woodland Hills
- Westwood

Honolulu Submarket

www.douglasemmett.com

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