

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____

Commission file number: 001-33106



Douglas Emmett, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

20-3073047

(I.R.S. Employer Identification No.)

**1299 Ocean Avenue, Suite 1000, Santa Monica,
California**

(Address of principal executive offices)

90401

(Zip Code)

(310) 255-7700

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** **No**

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 2024
Common Stock, \$0.01 par value per share	167,435,259 shares

DOUGLAS EMMETT, INC.
FORM 10-Q

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Abbreviations used in this Report:

AOCI	Accumulated Other Comprehensive Income (Loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BOMA	Building Owners and Managers Association
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Code	Internal Revenue Code of 1986, as amended
COVID-19	Coronavirus Disease 2019
DEI	Douglas Emmett, Inc.
EPS	Earnings Per Share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FFO	Funds From Operations
Fund	Unconsolidated Institutional Real Estate Fund
GAAP	Generally Accepted Accounting Principles (United States)
JV	Joint Venture
LIBOR	London Interbank Offered Rate
LTIP Units	Long-Term Incentive Plan Units
NAREIT	National Association of Real Estate Investment Trusts
OCI	Other Comprehensive Income (Loss)
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	Quarterly Report on Form 10-Q
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOFR	Secured Overnight Financing Rate
TRS	Taxable REIT Subsidiary(ies)
US	United States
USD	United States Dollar
VIE	Variable Interest Entity(ies)

Defined terms used in this Report:

Annualized Rent	Annualized cash base rent (excludes tenant reimbursements, parking and other revenue) before abatements under leases commenced as of the reporting date and expiring after the reporting date. Annualized Rent for our triple net office properties (in Honolulu and one single tenant building in Los Angeles) is calculated by adding expense reimbursements and estimates of normal building expenses paid by tenants to base rent. Annualized Rent does not include lost rent recovered from insurance and rent for building management use. Annualized Rent includes rent for our corporate headquarters in Santa Monica. We report Annualized Rent because it is a widely reported measure of the performance of equity REITs, and is used by some investors as a means to determine tenant demand and to compare our performance and value with other REITs. We use Annualized Rent to manage and monitor the performance of our office and multifamily portfolios.
Consolidated Portfolio	Includes all of the properties included in our consolidated results, including our consolidated JVs.
Funds From Operations (FFO)	We calculate FFO in accordance with the standards established by NAREIT by excluding gains (or losses) on sales of investments in real estate, gains (or losses) from changes in control of investments in real estate, real estate depreciation and amortization (other than amortization of right-of-use assets for which we are the lessee and amortization of deferred loan costs), impairment write-downs of real estate and impairment write-downs of our investment in our unconsolidated Fund from our net income (loss) (including adjusting for the effect of such items attributable to our consolidated JVs and our unconsolidated Fund, but not for noncontrolling interests included in our Operating Partnership). FFO is a non-GAAP supplemental financial measure that we report because we believe it is useful to our investors. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Report for a discussion of FFO.
Leased Rate	The percentage leased as of the reporting date. Management space is considered leased. Space taken out of service during a repositioning or which is vacant as a result of a fire or other damage is excluded from both the numerator and denominator for calculating the Leased Rate. For newly developed buildings going through initial lease up, units are included in both the numerator and denominator as they are leased. We report Leased Rate because it is a widely reported measure of the performance of equity REITs, and is also used by some investors as a means to determine tenant demand and to compare our performance with other REITs. We use Leased Rate to manage and monitor the performance of our office and multifamily portfolios.
Net Operating Income (NOI)	We calculate NOI as revenue less operating expenses attributable to the properties that we own and operate. NOI is calculated by excluding the following from our net income (loss): general and administrative expenses, depreciation and amortization expense, other income, other expenses, income (loss) from unconsolidated Fund, interest expense, gains (or losses) on sales of investments in real estate and net income (loss) attributable to noncontrolling interests. NOI is a non-GAAP supplemental financial measure that we report because we believe it is useful to our investors. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Report for a discussion of our Same Property NOI.
Occupancy Rate	We calculate Occupancy Rate by excluding signed leases not yet commenced from the Leased Rate. Management space is considered occupied. Space taken out of service during a repositioning or which is vacant as a result of a fire or other damage is excluded from both the numerator and denominator for calculating the Occupancy Rate. For newly developed buildings going through initial lease up, units are included in both the numerator and denominator as they are occupied. We report Occupancy Rate because it is a widely reported measure of the performance of equity REITs, and is also used by some investors as a means to determine tenant demand and to compare our performance with other REITs. We use Occupancy Rate to manage and monitor the performance of our office and multifamily portfolios.
Recurring Capital Expenditures	Building improvements required to maintain revenues once a property has been stabilized, and excludes capital expenditures for (i) acquired buildings being stabilized, (ii) newly developed space, (iii) upgrades to improve revenues or operating expenses or significantly change the use of the space, (iv) casualty damage and (v) bringing the property into compliance with governmental or lender requirements. We report Recurring Capital Expenditures because it is a widely reported measure of the performance of equity REITs, and is used by some investors as a means to determine our cash flow requirements and to compare our performance with other REITs. We use Recurring Capital Expenditures to manage and monitor the performance of our office and multifamily portfolios.

Defined terms used in this Report (continued):

Rentable Square Feet	Based on the BOMA remeasurement and consists of leased square feet (including square feet with respect to signed leases not commenced as of the reporting date), available square feet, building management use square feet and square feet of the BOMA adjustment on leased space. We report Rentable Square Feet because it is a widely reported measure of the performance and value of equity REITs, and is also used by some investors to compare our performance and value with other REITs. We use Rentable Square Feet to manage and monitor the performance of our office portfolio.
Rental Rate	We present two forms of Rental Rates - Cash Rental Rates and Straight-Line Rental Rates. Cash Rental Rate is calculated by dividing the rent paid by the Rentable Square Feet. Straight-Line Rental Rate is calculated by dividing the average rent over the lease term by the Rentable Square Feet.
Same Properties	Our consolidated properties that have been owned and operated by us in a consistent manner, and reported in our consolidated results during the entire span of both periods being compared. We exclude from our same property subset any properties that during the comparable periods were: (i) acquired, (ii) sold, held for sale, contributed or otherwise removed from our consolidated financial statements, (iii) that underwent a major repositioning project or were impacted by development activity, or suffered significant casualty loss that we believed significantly affected the properties' operating results. We also exclude rent received from ground leases.
Short-Term Leases	Represents leases that expired on or before the reporting date or had a term of less than one year, including hold over tenancies, month to month leases and other short-term occupancies.
Total Portfolio	Includes our Consolidated Portfolio plus the properties owned by our Fund.

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 "believe", "expect", "anticipate", "estimate", "approximate", "intend", "plan", "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 used in this Report, or those that we make orally or in writing from time to time, are based on our beliefs and assumptions, as well as information currently available to us. Actual outcomes will be affected by known and unknown risks, trends, uncertainties and factors 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 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 were made, to anticipate future results or trends. Some of the risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following:

- adverse economic, political or real estate developments affecting Southern California or Honolulu, Hawaii;
- competition from other real estate investors in our markets;
- decreasing rental rates or increasing tenant incentive and vacancy rates;
- reduced demand for office space, including as a result of remote work and flexible working arrangements that allow work from remote locations other than the employer's office premises;
- defaults on, early terminations of, or non-renewal of leases by tenants;
- increases in interest rates;
- increases in operating costs, including due to inflation;
- insufficient cash flows to service our outstanding debt or pay rent on ground leases;
- difficulties in raising capital;
- inability to liquidate real estate or other investments quickly;
- adverse changes to rent control laws and regulations;
- environmental uncertainties;
- natural disasters;
- fire and other property damage;
- insufficient insurance, or increases in insurance costs;
- inability to successfully expand into new markets and submarkets;
- difficulties in identifying properties to acquire and failure to complete acquisitions successfully;
- failure to successfully operate acquired properties;
- risks associated with property development;
- risks associated with JVs;
- conflicts of interest with our officers and reliance on key personnel;
- changes in zoning and other land use laws;
- adverse results of litigation or governmental proceedings;
- failure to comply with laws, regulations and covenants that are applicable to our business;
- possible terrorist attacks or wars;
- possible cyber attacks or intrusions;
- adverse changes to accounting rules;
- weaknesses in our internal controls over financial reporting;
- failure to maintain our REIT status under federal tax laws; and
- adverse changes to tax laws, including those related to property taxes.

For further discussion of these and other risk factors see Item 1A. "Risk Factors" in our 2023 Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and Item 1A. "Risk Factors" in this Report. This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Assets		
Investment in real estate, gross	\$ 12,470,638	\$ 12,405,814
Less: accumulated depreciation and amortization	(3,851,872)	(3,652,630)
Investment in real estate, net	8,618,766	8,753,184
Ground lease right-of-use asset	7,441	7,447
Cash and cash equivalents	544,227	523,082
Tenant receivables	4,371	6,096
Deferred rent receivables	116,862	115,321
Acquired lease intangible assets, net	2,607	2,971
Interest rate contract assets	76,910	170,880
Investment in unconsolidated Fund	23,077	15,977
Other assets	57,503	49,260
Total Assets	<u><u>\$ 9,451,764</u></u>	<u><u>\$ 9,644,218</u></u>
Liabilities		
Secured notes payable, net	\$ 5,513,086	\$ 5,543,171
Ground lease liability	10,827	10,836
Interest payable, accounts payable and deferred revenue	162,536	131,237
Security deposits	62,767	61,958
Acquired lease intangible liabilities, net	13,212	19,838
Dividends payable	31,822	31,781
Total Liabilities	5,794,250	5,798,821
Equity		
Douglas Emmett, Inc. stockholders' equity:		
Common Stock, \$0.01 par value, 750,000,000 authorized, 167,418,731 and 167,206,267 outstanding at September 30, 2024 and December 31, 2023, respectively	1,674	1,672
Additional paid-in capital	3,396,212	3,392,955
Accumulated other comprehensive income	53,651	115,917
Accumulated deficit	(1,361,693)	(1,290,682)
Total Douglas Emmett, Inc. stockholders' equity	2,089,844	2,219,862
Noncontrolling interests	1,567,670	1,625,535
Total Equity	<u><u>3,657,514</u></u>	<u><u>3,845,397</u></u>
Total Liabilities and Equity	<u><u>\$ 9,451,764</u></u>	<u><u>\$ 9,644,218</u></u>

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Office rental				
Rental revenues and tenant recoveries	\$ 174,457	\$ 181,106	\$ 515,252	\$ 535,243
Parking and other income	28,204	27,717	84,586	82,371
Total office revenues	202,661	208,823	599,838	617,614
Multifamily rental				
Rental revenues	44,091	42,864	129,964	131,126
Parking and other income	4,001	3,722	11,697	12,469
Total multifamily revenues	48,092	46,586	141,661	143,595
Total revenues	250,753	255,409	741,499	761,209
Operating Expenses				
Office expenses	78,026	74,631	212,387	220,261
Multifamily expenses	16,740	17,256	48,557	50,470
General and administrative expenses	10,109	12,826	33,168	34,698
Depreciation and amortization	97,180	122,022	288,441	336,771
Total operating expenses	202,055	226,735	582,553	642,200
Other income	7,298	6,229	21,772	12,561
Other expenses	(96)	(175)	(290)	(820)
Income from unconsolidated Fund	664	290	1,785	1,177
Interest expense	(56,824)	(56,043)	(167,111)	(151,859)
Net (loss) income	(260)	(21,025)	15,102	(19,932)
Net loss attributable to noncontrolling interests	4,878	7,663	9,303	17,681
Net income (loss) attributable to common stockholders	\$ 4,618	\$ (13,362)	\$ 24,405	\$ (2,251)
Net income (loss) per common share – basic and diluted	<u>\$ 0.03</u>	<u>\$ (0.08)</u>	<u>\$ 0.14</u>	<u>\$ (0.02)</u>

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income	\$ (260)	\$ (21,025)	\$ 15,102	\$ (19,932)
Other comprehensive loss: cash flow hedges	(69,514)	(7,045)	(92,144)	(21,757)
Comprehensive loss	<u>(69,774)</u>	<u>(28,070)</u>	<u>(77,042)</u>	<u>(41,689)</u>
Comprehensive loss attributable to noncontrolling interests	27,416	9,571	39,181	22,135
Comprehensive loss attributable to common stockholders	<u><u>\$ (42,358)</u></u>	<u><u>\$ (18,499)</u></u>	<u><u>\$ (37,861)</u></u>	<u><u>\$ (19,554)</u></u>

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Equity
(Uaudited; in thousands, except dividend per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Shares of Common Stock	Beginning balance	167,399	166,738	167,206
	Exchange of OP Units for common stock	20	—	213
	Repurchases of common stock	—	—	(9,072)
	Ending balance	167,419	166,738	167,419
Common Stock	Beginning balance	\$ 1,674	\$ 1,667	\$ 1,672
	Exchange of OP units for common stock	—	—	2
	Repurchases of common stock	—	—	(91)
	Ending balance	\$ 1,674	\$ 1,667	\$ 1,674
Additional Paid-in Capital	Beginning balance	\$ 3,395,909	\$ 3,384,274	\$ 3,392,955
	Exchange of OP Units for common stock	305	—	3,257
	Repurchases of OP Units with cash	(2)	11	—
	Repurchases of common stock	—	—	(109,142)
	Ending balance	\$ 3,396,212	\$ 3,384,285	\$ 3,396,212
Accumulated Other Comprehensive Income	Beginning balance	\$ 100,627	\$ 174,897	\$ 115,917
	Cash flow hedge adjustments	(46,976)	(5,137)	(62,266)
	Ending balance	\$ 53,651	\$ 169,760	\$ 53,651
Accumulated Deficit	Beginning balance	\$ (1,334,501)	\$ (1,173,415)	\$ (1,290,682)
	Net income (loss) attributable to common stockholders	4,618	(13,362)	24,405
	Dividends	(31,810)	(31,680)	(95,416)
	Ending balance	\$ (1,361,693)	\$ (1,218,457)	\$ (1,361,693)
Noncontrolling Interests	Beginning balance	\$ 1,599,286	\$ 1,686,895	\$ 1,625,535
	Net loss attributable to noncontrolling interests	(4,878)	(7,663)	(9,303)
	Cash flow hedge adjustments	(22,538)	(1,908)	(29,878)
	Contributions	—	—	125
	Distributions	(6,746)	(10,145)	(24,848)
	Exchange of OP Units for common stock	(305)	—	(3,259)
	Repurchases of OP Units with cash	(103)	(57)	(121)
	Stock-based compensation	2,954	3,079	9,544
	Ending balance	\$ 1,567,670	\$ 1,670,201	\$ 1,567,670
		\$ 1,670,201		\$ 1,670,201

Statement continues on the next page.

Douglas Emmett, Inc.
Consolidated Statements of Equity
(Uunaudited; in thousands, except dividend per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total Equity	Beginning balance	\$ 3,762,995	\$ 4,074,318	\$ 3,845,397
	Net (loss) income	(260)	(21,025)	15,102
	Cash flow hedge adjustments	(69,514)	(7,045)	(92,144)
	Repurchases of OP Units with cash	(105)	(46)	(121)
	Repurchases of common stock	—	—	(109,233)
	Contributions	—	—	125
	Dividends	(31,810)	(31,680)	(95,416)
	Distributions	(6,746)	(10,145)	(24,848)
	Stock-based compensation	2,954	3,079	9,544
	Ending balance	<u>\$ 3,657,514</u>	<u>\$ 4,007,456</u>	<u>\$ 3,657,514</u>
Dividends declared per common share		<u>\$ 0.19</u>	<u>\$ 0.19</u>	<u>\$ 0.57</u>

See accompanying notes to the consolidated financial statements.

Douglas Emmett, Inc.
Consolidated Statements of Cash Flows
(Uunaudited and in thousands)

	Nine Months Ended September 30,	
	2024	2023
Operating Activities		
Net income (loss)	\$ 15,102	\$ (19,932)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Income from unconsolidated Fund	(1,785)	(1,177)
Depreciation and amortization	288,441	336,771
Net accretion of acquired lease intangibles	(6,262)	(8,156)
Straight-line rent	(1,541)	(2,007)
Loan premium amortized and written off	(282)	(344)
Deferred loan costs amortized and written off	6,811	6,623
Amortization of stock-based compensation	7,568	7,553
Operating distributions from unconsolidated Fund	899	957
Purchase of interest rate caps	—	(1,622)
Change in working capital components:		
Tenant receivables	1,725	(1,676)
Interest payable, accounts payable and deferred revenue	31,619	41,277
Security deposits	809	974
Other assets	(8,514)	(27,032)
Net cash provided by operating activities	<u>334,590</u>	<u>332,209</u>
Investing Activities		
Capital expenditures for improvements to real estate	(128,244)	(144,842)
Capital expenditures for developments	(26,567)	(37,297)
Insurance recoveries for damage to real estate	3,258	1,686
Acquisition of additional interest in unconsolidated Fund	(5,214)	—
Capital distributions from unconsolidated Fund	197	80
Net cash used in investing activities	<u>(156,570)</u>	<u>(180,373)</u>
Financing Activities		
Proceeds from borrowings	—	505,000
Repayment of borrowings	(34,672)	(155,642)
Loan cost payments	(1,931)	(5,678)
Contributions from noncontrolling interests in consolidated JVs	—	125
Distributions paid to noncontrolling interests	(24,848)	(30,433)
Dividends paid to common stockholders	(95,375)	(98,215)
Repurchases of OP Units	(121)	(367)
Repurchases of common stock	—	(109,233)
Net cash (used in) provided by financing activities	<u>(156,947)</u>	<u>105,557</u>
Increase in cash and cash equivalents and restricted cash	21,073	257,393
Cash and cash equivalents and restricted cash - beginning balance	523,183	268,938
Cash and cash equivalents and restricted cash - ending balance	<u>\$ 544,256</u>	<u>\$ 526,331</u>

Douglas Emmett, Inc.
Consolidated Statements of Cash Flows
(Uunaudited and in thousands)

Reconciliation of Ending Cash Balance		September 30, 2024	September 30, 2023
Cash and cash equivalents		\$ 544,227	\$ 526,230
Restricted cash (included in Other assets on our consolidated balance sheets)		29	101
Cash and cash equivalents and restricted cash		\$ 544,256	\$ 526,331

Supplemental Cash Flows Information

	Nine Months Ended September 30,	
	2024	2023
Cash paid for interest, net of capitalized interest	\$ 160,064	\$ 141,081
Capitalized interest paid	\$ 6,254	\$ 1,296
Non-cash Investing Transactions		
Accrual for real estate and development capital expenditures	\$ 16,569	\$ 19,261
Capitalized stock-based compensation for improvements to real estate and developments	\$ 1,976	\$ 2,209
Removal of fully depreciated and amortized buildings, building improvements, tenant improvements and lease intangibles	\$ 86,026	\$ 74,277
Removal of fully amortized acquired lease intangible assets	\$ 98	\$ 255
Removal of fully accreted acquired lease intangible liabilities	\$ 9,892	\$ 14,504
Non-cash Financing Transactions		
Gain recorded in AOCI - consolidated derivatives	\$ 22,399	\$ 83,157
Gain recorded in AOCI - unconsolidated Fund's derivatives (our share)	\$ 4,216	\$ 1,185
Dividends declared	\$ 95,416	\$ 96,492
Exchange of OP Units for common stock	\$ 3,259	\$ —

See accompanying notes to the consolidated financial statements.

1. Overview

Organization and 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 Honolulu, Hawaii. Through our interest in our Operating Partnership and its subsidiaries, consolidated JVs and unconsolidated Fund, we focus on owning, acquiring, developing and managing a substantial market 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. The terms "us," "we" and "our" as used in the consolidated financial statements refer to Douglas Emmett, Inc. and its subsidiaries on a consolidated basis.

At September 30, 2024, our Consolidated Portfolio consisted of (i) a 17.6 million square foot office portfolio, (ii) 4,476 multifamily apartment units and (iii) fee interests in two parcels of land from which we receive rent under ground leases. We also manage and own an equity interest in an unconsolidated Fund which, at September 30, 2024, owned an additional 0.4 million square feet of office space. We manage our unconsolidated Fund alongside our Consolidated Portfolio, and we therefore present the statistics for our office portfolio on a Total Portfolio basis. As of September 30, 2024, our portfolio consisted of the following (including ancillary retail space and excluding two parcels of land from which we receive rent under ground leases):

	Consolidated Portfolio	Total Portfolio
<u>Office</u>		
Wholly-owned properties	52	52
Consolidated JV properties	16	16
Unconsolidated Fund properties	—	2
	<hr/> 68	<hr/> 70
<u>Multifamily</u>		
Wholly-owned properties	12	12
Consolidated JV properties	2	2
	<hr/> 14	<hr/> 14
Total	<u>82</u>	<u>84</u>

Basis of Presentation

The accompanying consolidated financial statements are the consolidated financial statements of Douglas Emmett, Inc. and its subsidiaries, including our Operating Partnership and our consolidated JVs. All significant intercompany balances and transactions have been eliminated in our consolidated financial statements.

We consolidate entities in which we are considered to be the primary beneficiary of a VIE or have a majority of the voting interest of the entity. We are deemed to be the primary beneficiary of a VIE when we have (i) the power to direct the activities of that VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. We do not consolidate entities in which the other parties have substantive kick-out rights to remove our power to direct the activities, most significantly impacting the economic performance, of that VIE. In determining whether we are the primary beneficiary, we consider factors such as ownership interest, management representation, authority to control decisions, and contractual and substantive participating rights of each party.

We consolidate our Operating Partnership through which we conduct substantially all of our business, and own, directly and through subsidiaries, substantially all of our assets, and are obligated to repay substantially all of our liabilities. The consolidated debt, excluding our consolidated JVs, was \$3.73 billion and \$3.76 billion as of September 30, 2024 and December 31, 2023. See Note 8. We also consolidate four JVs through our Operating Partnership. We consolidate our Operating Partnership and our four JVs because they are VIEs and we or our Operating Partnership are the primary beneficiary for each.

As of September 30, 2024, our consolidated VIE entities, excluding our Operating Partnership, had:

- aggregate consolidated assets of \$3.77 billion (of which \$3.40 billion related to investment in real estate), and
- aggregate consolidated liabilities of \$1.88 billion (of which \$1.81 billion related to debt).

As of December 31, 2023, our consolidated VIE entities, excluding our Operating Partnership, had:

- aggregate consolidated assets of \$3.83 billion (of which \$3.47 billion related to investment in real estate), and
- aggregate consolidated liabilities of \$1.88 billion (of which \$1.81 billion related to debt).

The accompanying unaudited interim consolidated 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. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in conformity with US GAAP may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited interim consolidated financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements in our 2023 Annual Report on Form 10-K and the notes thereto. Any references to the number or class of properties, square footage, per square footage amounts, apartment units and geography, are outside the scope of our independent registered public accounting firm's review of our consolidated financial statements in accordance with the standards of the PCAOB.

2. Summary of Significant Accounting Policies

We have not made any changes to our significant accounting policies disclosed in our 2023 Annual Report on Form 10-K.

Use of Estimates

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

Revenue Recognition

Rental revenues and tenant recoveries

We account for our rental revenues, and variable lease payments such as tenant recoveries and parking revenues, in accordance with Topic 842. We adopted a practical expedient which allows us to account for our rental revenues, tenant recoveries and parking revenues on a combined basis. Rental revenues and tenant recoveries from tenant leases are included in Rental revenues and tenant recoveries on our consolidated statements of operations. Tenant recoveries were \$16.8 million and \$18.0 million for the three months ended September 30, 2024 and 2023, and \$37.3 million and \$43.7 million for the nine months ended September 30, 2024 and 2023, respectively. Parking revenues are included in Parking and other income on our consolidated statements of operations.

Collectibility

In accordance with Topic 842, we perform an assessment as to whether or not substantially all of the amounts due under a tenant's lease agreement is deemed probable of collection. This assessment involves using a methodology that requires judgment and estimates about matters that are uncertain at the time the estimates are made, including tenant specific factors, specific industry conditions, and general economic trends and conditions.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

For leases where we have concluded it is probable that we will collect substantially all the lease payments due under those leases, we continue to record lease income on a straight-line basis over the lease term. For leases where we have concluded that it is not probable that we will collect substantially all the lease payments due under those leases, we limit the lease income to the lesser of the income recognized on a straight-line basis or cash basis. We write-off tenant receivables and deferred rent receivables as a charge against rental revenues and tenant recoveries in the period we conclude that substantially all of the lease payments are not probable of collection. If we subsequently collect amounts that were previously written off then the amounts collected are recorded as an increase to our rental revenues and tenant recoveries in the period they are collected. If our conclusion of collectibility changes, we will record the difference between the lease income that would have been recognized on a straight-line basis and cash basis as a current-period adjustment to rental revenues and tenant recoveries.

Charges for uncollectible office tenant receivables and deferred rent receivables, reduced our office revenues by:

- \$0.1 million and \$0.2 million for the three months ended September 30, 2024 and 2023, respectively, and
- \$0.9 million and \$0.5 million for the nine months ended September 30, 2024 and 2023, respectively.

We restored accrual basis accounting for certain office tenants that were previously determined to be uncollectible and accounted for on a cash basis of accounting, which increased our office revenues by:

- \$0.1 million and \$2.3 million for the three months ended September 30, 2024 and 2023, respectively, and
- \$0.9 million and \$4.4 million for the nine months ended September 30, 2024 and 2023, respectively.

Income Taxes

We have elected to be taxed as a REIT under the Code. 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. We are subject to corporate-level income tax on the earnings that we derive through our TRS.

New Accounting Pronouncements

Changes to US GAAP are implemented by the FASB in the form of ASUs. We consider the applicability and impact of all ASUs. As of the date of this Report, the FASB has not issued any ASUs that we expect to be applicable and have a material impact on our consolidated financial statements.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

3. Investment in Real Estate

The table below summarizes our investment in real estate:

(In thousands)	September 30, 2024	December 31, 2023
Land	\$ 1,185,977	\$ 1,185,977
Buildings and improvements ⁽¹⁾	10,187,235	10,142,410
Tenant improvements and lease intangibles	1,027,178	1,020,988
Property under development ⁽¹⁾	70,248	56,439
Investment in real estate, gross	<u>\$ 12,470,638</u>	<u>\$ 12,405,814</u>

(1) During the nine months ended September 30, 2024, Property under development balances transferred to Building and improvements for real estate placed into service was \$13.5 million.

Property to be Removed from Service

During the second quarter of 2023, we removed our Barrington Plaza Apartments property in Los Angeles from the rental market. In connection with the removal of the aforementioned property from the rental market, we accelerated and recorded additional depreciation expense of \$27.4 million for the three months ended September 30, 2023 and \$54.8 million for the nine months ended September 30, 2023, which is included in Depreciation and amortization on our consolidated statements of operations.

4. Ground Lease

We pay rent under a ground lease located in Honolulu, Hawaii, which expires on December 31, 2086. The rent is fixed at \$733 thousand per year until February 28, 2029, after which it will reset to the greater of the existing ground rent or the market rent at the time.

As of September 30, 2024, the ground lease right-of-use asset carrying value was \$ 7.4 million and the ground lease liability was \$ 10.8 million. Ground rent expense, which is included in Office expenses on our consolidated statements of operations, was:

- \$183 thousand for each of the three month periods ended September 30, 2024 and 2023, and
- \$549 thousand for each of the nine month periods ended September 30, 2024 and 2023.

The table below, which assumes that the ground rent payments will continue to be \$ 733 thousand per year after February 28, 2029, presents the future minimum ground lease payments as of September 30, 2024:

Twelve months ending September 30:	(In thousands)
2025	\$ 733
2026	733
2027	733
2028	733
2029	733
Thereafter	41,963
Total future minimum ground lease payments	<u>\$ 45,628</u>

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

5. Acquired Lease Intangibles

Summary of our Acquired Lease Intangibles

(In thousands)	September 30, 2024	December 31, 2023
Above-market tenant leases	\$ 4,442	\$ 4,541
Above-market tenant leases - accumulated amortization	(2,683)	(2,430)
Above-market ground lease where we are the lessor	1,152	1,152
Above-market ground lease - accumulated amortization	(304)	(292)
Acquired lease intangible assets, net	<u><u>\$ 2,607</u></u>	<u><u>\$ 2,971</u></u>
Below-market tenant leases	\$ 38,116	\$ 48,008
Below-market tenant leases - accumulated accretion	(24,904)	(28,170)
Acquired lease intangible liabilities, net	<u><u>\$ 13,212</u></u>	<u><u>\$ 19,838</u></u>

Impact on the Consolidated Statements of Operations

The table below summarizes the net amortization/accretion related to our above- and below-market leases:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net accretion of above- and below-market tenant lease assets and liabilities ⁽¹⁾	\$ 1,941	\$ 2,466	\$ 6,275	\$ 8,169
Amortization of an above-market ground lease asset ⁽²⁾	(5)	(5)	(13)	(13)
Total	<u><u>\$ 1,936</u></u>	<u><u>\$ 2,461</u></u>	<u><u>\$ 6,262</u></u>	<u><u>\$ 8,156</u></u>

(1) Recorded as a net increase to office and multifamily rental revenues.

(2) Recorded as a decrease to office parking and other income.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

6. Investment in Unconsolidated Fund

Description of our Fund

As of September 30, 2024, we managed and owned an equity interest of 74.0% in an unconsolidated Fund, Partnership X, through which we and another investor in the Fund owned two office properties totaling 0.4 million square feet. During 2023 we owned an equity interest of 33.5% in the Fund. On December 31, 2023, we purchased an additional 20.2% equity interest in the Fund which increased our equity interest in the Fund to 53.8%. On February 29, 2024, we purchased an additional 20.2% equity interest in the Fund which increased our equity interest in the Fund to 74.0%.

Partnership X pays us fees and reimburses us for certain expenses related to property management and other services we provide, which are included in Other income on our consolidated statements of operations. 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 the cash distributions we received from Partnership X:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Operating distributions received	\$ 899	\$ 957
Capital distributions received	197	80
Total distributions received	\$ 1,096	\$ 1,037

Summarized Financial Information for Partnership X

The tables below present selected financial information for Partnership X. The amounts presented reflect 100% (not our pro-rata share) of the amounts related to the Fund, and are based upon historical book value:

(In thousands)	September 30,		December 31,	
	2024	2023	2024	2023
Total assets	\$ 145,353	\$ 146,945		
Total liabilities	\$ 119,566	\$ 118,822		
Total equity	\$ 25,787	\$ 28,123		

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Total revenues	\$ 13,289	\$ 14,929
Operating income	3,196	4,749
Net income	\$ 1,917	\$ 3,167

7. Other Assets

(In thousands)	September 30,		December 31,	
	2024	2023	2024	2023
Restricted cash	\$ 29	\$ 101		
Prepaid expenses	28,845	20,594		
Indefinite-lived intangibles	1,988	1,988		
Deposit with lender ⁽¹⁾	13,921	13,440		
Furniture, fixtures and equipment, net	6,814	7,014		
Other	5,906	6,123		
Total other assets	\$ 57,503	\$ 49,260		

(1) In connection with the Barrington Plaza loan, we deposited cash into an interest-bearing collateral account with the lender. See our debt disclosures in Note 8 (note 5 to the table) for more detail regarding this loan and the related deposit.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

8. Secured Notes Payable, Net

Description	Maturity Date ⁽¹⁾	Principal Balance as of September 30, 2024	Principal Balance as of December 31, 2023	Variable Interest Rate	Fixed Interest Rate ⁽²⁾	Swap Maturity Date
(In thousands)						
Consolidated Wholly Owned Subsidiaries						
Term loan ⁽³⁾	3/3/2025	\$ 335,000	\$ 335,000	SOFR + 1.41%	N/A	N/A
Fannie Mae loan ⁽³⁾	4/1/2025	102,400	102,400	SOFR + 1.36%	N/A	N/A
Term loan ⁽³⁾	8/15/2026	415,000	415,000	SOFR + 1.20%	3.07%	8/1/2025
Term loan ⁽³⁾⁽⁴⁾	9/19/2026	366,000	400,000	SOFR + 1.25%	N/A	N/A
Term loan ⁽³⁾	9/26/2026	200,000	200,000	SOFR + 1.30%	2.36%	10/1/2024
Term loan ⁽³⁾	11/1/2026	400,000	400,000	SOFR + 1.25%	2.31%	10/1/2024
Fannie Mae loan ⁽³⁾⁽⁵⁾	6/1/2027	550,000	550,000	SOFR + 1.48%	N/A	N/A
Term loan ⁽³⁾	5/18/2028	300,000	300,000	SOFR + 1.51%	2.21%	6/1/2026
Term loan ⁽³⁾	1/1/2029	300,000	300,000	SOFR + 1.56%	2.66%	1/1/2027
Fannie Mae loan ⁽³⁾	6/1/2029	255,000	255,000	SOFR + 1.09%	3.26%	6/1/2027
Fannie Mae loan ⁽³⁾	6/1/2029	125,000	125,000	SOFR + 1.09%	3.25%	6/1/2027
Fannie Mae loan ⁽³⁾⁽⁶⁾	8/1/2033	350,000	350,000	SOFR + 1.37%	N/A	N/A
Term loan ⁽⁷⁾	6/1/2038	26,968	27,640	N/A	4.55%	N/A
Total Wholly-Owned Subsidiary Debt		3,725,368	3,760,040			
Consolidated JVs						
Term loan ⁽³⁾	12/19/2024	400,000	400,000	SOFR + 1.40%	N/A	N/A
Term loan ⁽³⁾	5/15/2027	450,000	450,000	SOFR + 1.45%	2.26%	4/1/2025
Term loan ⁽³⁾	8/19/2028	625,000	625,000	SOFR + 1.45%	2.12%	6/1/2025
Term loan ⁽³⁾⁽⁸⁾	4/26/2029	175,000	175,000	SOFR + 1.25%	3.90%	5/1/2026
Fannie Mae loan ⁽³⁾	6/1/2029	160,000	160,000	SOFR + 1.09%	3.25%	7/1/2027
Total Consolidated Debt⁽⁹⁾		5,535,368	5,570,040			
Unamortized loan premium, net ⁽¹⁰⁾		2,805	3,087			
Unamortized deferred loan costs, net ⁽¹¹⁾		(25,087)	(29,956)			
Total Consolidated Debt, net		\$ 5,513,086	\$ 5,543,171			

Except as noted below, our loans: (i) are non-recourse, (ii) are secured by separate collateral pools consisting of one or more properties, (iii) require interest-only monthly payments with the outstanding principal due upon maturity, and (iv) contain certain financial covenants which could require us to deposit excess cash flow with the lender under certain circumstances unless we (at our option) either provide a guarantee or additional collateral or pay down the loan within certain parameters set forth in the loan documents. Certain loans with maturity date extension options require us to meet minimum financial thresholds in order to extend the loan maturity date.

- (1) Maturity dates include extension options.
- (2) Effective rate as of September 30, 2024. Includes the effect of interest rate swaps (if applicable) and excludes the effect of prepaid loan fees and loan premiums. See Note 10 for details of our interest rate swaps. See further below for details of our loan costs and loan premiums.
- (3) The loan agreement includes a zero-percent SOFR floor. If the loan is swap-fixed then the related swaps do not include such a floor.
- (4) During September 2024, we paid the loan principal down by \$34.0 million in order to meet a minimum financial threshold to exercise an extension option. The related swaps expired during September 2024.
- (5) The loan is secured by four residential properties. A portion of the loan totaling \$472 million has a lender-required out-of-the-money interest rate cap at a weighted average of 8.99% until July 2026. For the portion of the loan relating to Barrington Plaza, in connection with the removal of that property from the rental market during 2023, the lender is treating the debt as a construction loan and we signed a construction completion guarantee in January 2024. See "Guarantees" in Note 16. The lender also required a \$13.3 million cash deposit, which we placed into an interest bearing collateral account during 2023. The lender will return the deposit at the earlier of August 2026 or when the loan is paid in full. The deposit is included in Other assets in our consolidated balance sheets. See Note 7.
- (6) The loan has a lender-required out-of-the-money interest rate cap at an interest rate of 7.84% until August 2026.
- (7) The loan requires monthly payments of principal and interest. The principal amortization is based upon a 30-year amortization schedule.
- (8) We guaranteed the portion of the loan principal that would need to be paid down in order to meet the minimum debt yield in the loan agreement. See "Guarantees" in Note 16.
- (9) The table does not include our unconsolidated Fund's loan - see "Guarantees" in Note 16. See Note 13 for our debt fair value disclosures.
- (10) Balances are net of accumulated amortization of \$1.4 million and \$4.1 million at September 30, 2024 and December 31, 2023, respectively.
- (11) Balances are net of accumulated amortization of \$61.7 million and \$56.0 million at September 30, 2024 and December 31, 2023, respectively.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

Debt Statistics

The table below summarizes our consolidated fixed and floating rate debt:

(In thousands)	Principal Balance as of September 30, 2024	Principal Balance as of December 31, 2023
Aggregate swap-fixed rate loans	\$ 3,405,000	\$ 3,805,000
Aggregate fixed rate loans	26,968	27,640
Aggregate capped rate loans	822,000	822,000
Aggregate floating rate loans	1,281,400	915,400
Total Debt	\$ 5,535,368	\$ 5,570,040

The table below summarizes certain consolidated debt statistics as of September 30, 2024:

Statistics for consolidated loans with interest fixed under the terms of the loan or a swap	
Principal balance (in billions)	\$3.43
Weighted average remaining life (including extension options)	3.4 years
Weighted average remaining fixed interest period	1.2 years
Weighted average annual interest rate	2.68%

Future Principal Payments

At September 30, 2024, the minimum future principal payments due on our consolidated secured notes payable were as follows:

Twelve months ending September 30:	Including Maturity Extension Options ⁽¹⁾
(In thousands)	
2025	\$ 838,333
2026	981,976
2027	1,401,022
2028	926,069
2029	1,016,119
Thereafter	371,849
Total future principal payments	\$ 5,535,368

(1) Some of our loan agreements require that we meet certain minimum financial thresholds to be able to extend the loan maturity.

Loan Premium and Loan Costs

The table below presents loan premium and loan costs, which are included in Interest expense on our consolidated statements of operations:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Loan premium amortized and written off	\$ (53)	\$ (116)	\$ (282)	\$ (344)
Deferred loan costs amortized and written off	2,396	2,261	6,811	6,623
Loan costs expensed	101	59	154	79
Total	\$ 2,444	\$ 2,204	\$ 6,683	\$ 6,358

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

9. Interest Payable, Accounts Payable and Deferred Revenue

(In thousands)	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Interest payable	\$ 19,165	\$ 18,647
Accounts payable and accrued liabilities	99,204	61,767
Deferred revenue	44,167	50,823
Total interest payable, accounts payable and deferred revenue	<u><u>\$ 162,536</u></u>	<u><u>\$ 131,237</u></u>

10. Derivative Contracts

We make use of interest rate swap and cap contracts to manage the risk associated with changes in interest rates on our floating-rate debt and to satisfy certain lender requirements. 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. We also enter into interest rate cap agreements from time to time to cap the interest rates on our floating rate loans. We may enter into derivative contracts that are intended to hedge certain economic risks, even though hedge accounting does not apply or we elect to not apply hedge accounting. We do not speculate in derivatives and we do not make use of any other derivative instruments. See Note 8 regarding our debt and our consolidated JVs' debt that is hedged.

Derivative Summary

The table below summarizes our derivative contracts as of September 30, 2024:

<u><u>Derivatives Designated as Cash Flow Hedges:</u></u>	<u>Number of Interest Rate Contracts</u>	<u>Notional (In thousands)</u>
Consolidated derivatives - swaps ⁽¹⁾⁽²⁾⁽³⁾	22	\$ 3,405,000
Consolidated derivatives - caps ⁽²⁾⁽³⁾	5	\$ 822,000
Unconsolidated Fund's derivatives - swaps ⁽²⁾⁽³⁾⁽⁴⁾	2	\$ 115,000

(1) The notional amount reflects 100%, not our pro-rata share, of our consolidated JVs' derivatives. See Note 8 for more information about our hedged consolidated debt.

(2) Our derivative contracts do not provide for right of offset between derivative contracts.

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

(4) The notional amount reflects 100%, not our pro-rata share, of our unconsolidated Fund's derivatives. See Note 6 for more information about our Fund, including our equity interest percentage. See "Guarantees" in Note 16 for more information about our Fund's hedged debt.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

Counterparty Credit Risk

We are subject to credit risk from the counterparties on our interest rate swap and cap contract assets because we do not receive collateral. We seek to minimize that risk by entering into agreements with a variety of counterparties with investment grade ratings. The fair value of our interest rate swap and cap contract assets, including accrued interest and excluding credit risk adjustments, was as follows:

(In thousands)	September 30, 2024	December 31, 2023
Consolidated derivatives ⁽¹⁾	\$ 87,716	\$ 184,700
Unconsolidated Fund's derivatives ⁽²⁾	\$ 6,419	\$ 9,643

(1) The amounts reflect 100%, not our pro-rata share, of our consolidated JVs' derivatives.

(2) The amounts reflect 100%, not our pro-rata share, of our unconsolidated Fund's derivatives. For more information about our Fund, including our equity interest percentage, see Note 6.

Impact of Hedges on AOCI and the Consolidated Statements of Operations

The table below presents the effect of our derivatives on our AOCI and the consolidated statements of operations:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Derivatives Designated as Cash Flow Hedges:		
Consolidated derivatives:		
Gains recorded in AOCI before reclassifications ⁽¹⁾	\$ 22,399	\$ 83,157
Gains reclassified from AOCI to Interest Expense ⁽¹⁾	\$ (115,961)	\$ (104,891)
Interest expense presented on the consolidated statements of operations	\$ (167,111)	\$ (151,859)
Unconsolidated Fund's derivatives (our share)⁽²⁾:		
Gains recorded in AOCI before reclassifications ⁽¹⁾	\$ 4,216	\$ 1,185
Gains reclassified from AOCI to Income from unconsolidated Fund ⁽¹⁾	\$ (2,798)	\$ (1,208)
Income from unconsolidated Fund presented on the consolidated statements of operations	\$ 1,785	\$ 1,177

(1) See Note 11 for our AOCI reconciliation.

(2) We calculate our share by multiplying the total amount for the Fund by our equity interest in the Fund. For more information about our Fund, including our equity interest percentage, see Note 6.

Future Reclassifications from AOCI

As of September 30, 2024, our estimate of the AOCI related to derivatives designated as cash flow hedges that will be reclassified to earnings during the next twelve months is as follows:

	(In thousands)
Consolidated derivatives:	
Gains to be reclassified from AOCI to Interest Expense	
	\$ 57,457
Unconsolidated Fund's derivatives (our share)⁽¹⁾:	
Gains to be reclassified from AOCI to Income from unconsolidated Fund	
	\$ 2,595

(1) We calculate our share by multiplying the total amount for the Fund by our equity interest in the Fund. For more information about our Fund, including our equity interest percentage, see Note 6.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

11. Equity

Transactions

During the Nine Months Ended September 30, 2024

- We acquired 213 thousand OP Units in exchange for issuing an equal number of shares of our common stock to the holders of the OP Units.
- We acquired 7,962 OP Units for \$121 thousand in cash.

During the Nine Months Ended September 30, 2023

- We repurchased 9.1 million shares of our common stock for \$109.1 million in cash, excluding transaction costs, in open market transactions. The average purchase price was \$12.03 per share.
- We acquired 29 thousand OP Units for \$367 thousand in cash.

Noncontrolling Interests

Our noncontrolling interests consist of interests in our Operating Partnership and consolidated JVs which are not owned by us. As of September 30, 2024, noncontrolling interests in our Operating Partnership owned 33.7 million OP Units and fully-vested LTIP Units, which represented approximately 16.7% of our Operating Partnership's total outstanding interests, and we owned 167.4 million OP Units (to match our 167.4 million shares of outstanding common stock), which represented approximately 83.3% of our Operating Partnership's total outstanding interests.

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 acquire 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 acquisition, 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 employees and non-employee directors as part of their compensation. These awards generally vest over a service period and once vested can generally be converted to OP Units provided our stock price increases by more than a specified hurdle.

Changes in our Ownership Interest in our Operating Partnership

The table below presents the effect on our equity from net income (loss) attributable to common stockholders and changes in our ownership interest in our Operating Partnership:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Net income (loss) attributable to common stockholders	\$ 24,405	\$ (2,251)
Transfers from noncontrolling interests:		
Exchange of OP Units with noncontrolling interests	3,259	—
Repurchases of OP Units from noncontrolling interests	—	120
Net transfers from noncontrolling interests	3,259	120
Change from net income (loss) attributable to common stockholders and transfers from noncontrolling interests		
	\$ 27,664	\$ (2,131)

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

AOCI Reconciliation⁽¹⁾

The table below presents a reconciliation of our AOCI, which consists solely of adjustments related to derivatives designated as cash flow hedges:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Accumulated Other Comprehensive Income - Beginning balance	\$ 115,917	\$ 187,063
Consolidated derivatives:		
Other comprehensive income before reclassifications	22,399	83,157
Reclassification of gains from AOCI to Interest Expense	(115,961)	(104,891)
Unconsolidated Fund's derivatives (our share)⁽²⁾:		
Other comprehensive income before reclassifications	4,216	1,185
Reclassification of gains from AOCI to Income from unconsolidated Fund	(2,798)	(1,208)
Net current period OCI	(92,144)	(21,757)
OCI attributable to noncontrolling interests	29,878	4,454
OCI attributable to common stockholders	(62,266)	(17,303)
Accumulated Other Comprehensive Income - Ending balance	\$ 53,651	\$ 169,760

(1) See Note 10 for the details of our derivatives and Note 13 for our derivative fair value disclosures.

(2) We calculate our share by multiplying the total amount for our Fund by our equity interest in the Fund. For more information about our Fund, including our equity interest percentage, see Note 6.

Stock-Based Compensation

The Douglas Emmett, Inc. 2016 Omnibus Stock Incentive Plan, as amended (the "2016 Plan"), permits us to make grants of stock-based compensation awards to our directors, officers, employees and consultants. The plan is administered by the compensation committee of our board of directors. As of September 30, 2024, we had an aggregate of 16.6 million shares of common stock available for future awards. The table below presents our stock-based compensation expense:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock-based compensation expense, net	\$ 2,276	\$ 2,327	\$ 7,568	\$ 7,553
Capitalized stock-based compensation	\$ 678	\$ 752	\$ 1,976	\$ 2,209

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

12. EPS

We calculate basic EPS by dividing the net income (loss) 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 (loss) 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 awards that contain non-forfeitable rights to dividends as participating securities and include these securities in the computation of basic and diluted EPS using the two-class method. The table below presents the calculation of basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator (In thousands):				
Net income (loss) attributable to common stockholders	\$ 4,618	\$ (13,362)	\$ 24,405	\$ (2,251)
Allocation to participating securities:				
Unvested LTIP Units	(334)	(271)	(1,026)	(831)
Net income (loss) attributable to common stockholders - basic and diluted	<u>\$ 4,284</u>	<u>\$ (13,633)</u>	<u>\$ 23,379</u>	<u>\$ (3,082)</u>
Denominator (In thousands):				
Weighted average shares of common stock outstanding - basic and diluted ⁽¹⁾	<u>167,411</u>	<u>166,738</u>	<u>167,374</u>	<u>170,553</u>
Net income (loss) per common share - basic and diluted				
	<u>\$ 0.03</u>	<u>\$ (0.08)</u>	<u>\$ 0.14</u>	<u>\$ (0.02)</u>

(1) Outstanding OP Units and vested LTIP Units are not included in the denominator in calculating diluted EPS, even though they may be exchanged under certain conditions for common stock on a one-for-one basis, because their associated net income or loss (equal on a per unit basis to the Net income or loss per common share - diluted) was already deducted in calculating Net income (loss) attributable to common stockholders. Accordingly, any exchange would not have any effect on diluted EPS. The table below presents the weighted average OP Units and vested LTIP Units outstanding for the respective periods:

(In thousands)	Three Months Ended September 30, Nine Months Ended September 30,			
	2024	2023	2024	2023
OP Units	31,168	31,698	30,990	30,720
Vested LTIP Units	2,509	851	2,695	1,816

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

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 September 30, 2024, we did not have any fair value estimates 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, interest payable, accounts payable, security deposits and dividends payable approximate fair value because of the short-term nature of these instruments.

Secured notes payable

See Note 8 for the details of our secured notes payable. We estimate the fair value of our consolidated 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 includes any maturity extension options. The table below presents the estimated fair value and carrying value of our secured notes payable, the carrying value includes unamortized loan premium and excludes unamortized deferred loan fees:

(In thousands)	September 30, 2024	December 31, 2023
Fair value	\$ 5,468,427	\$ 5,484,032
Carrying value	\$ 5,538,173	\$ 5,573,127

Ground lease liability

See Note 4 for the details of our ground lease. We estimate the fair value of our ground lease liability by calculating the present value of the future lease payments disclosed in Note 4 using our incremental borrowing rate. The calculation incorporates observable market interest rates which we consider to be Level 2 inputs. The table below presents the estimated fair value and carrying value of our ground lease liability:

(In thousands)	September 30, 2024	December 31, 2023
Fair value	\$ 4,494	\$ 4,496
Carrying value	\$ 10,827	\$ 10,836

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

Financial instruments measured at fair value on a recurring basis

Derivative instruments

See Note 10 for the details of our derivatives. We present our derivatives on our consolidated balance sheets 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 non-performance risk. Our derivatives are not subject to master netting arrangements.

The table below presents the estimated fair value of our derivatives. We did not have any consolidated or unconsolidated derivatives in a liability position for the periods presented.

(In thousands)	September 30, 2024	December 31, 2023
Derivative Assets:		
Fair value - consolidated derivatives ⁽¹⁾	\$ 76,910	\$ 170,880
Fair value - unconsolidated Fund's derivatives ⁽²⁾	\$ 6,002	\$ 9,150

(1) Consolidated derivatives, which reflect 100%, not our pro-rata share, of our consolidated JVs' derivatives, are included in interest rate contracts on our consolidated balance sheets. The fair values exclude accrued interest which is included in interest payable on our consolidated balance sheets.

(2) Unconsolidated Fund's derivatives, which reflect 100%, not our pro-rata share, of our unconsolidated Fund's derivatives. Our pro-rata share of the amounts related to the unconsolidated Fund's derivatives is included in our Investment in unconsolidated Fund on our consolidated balance sheets. See Note 6 for more information about our Fund, including our equity interest percentage, and see "Guarantees" in Note 16 regarding our Fund's derivatives.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

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.

The table below presents the operating activity of our reportable segments:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Office Segment</u>				
Total office revenues	\$ 202,661	\$ 208,823	\$ 599,838	\$ 617,614
Office expenses	(78,026)	(74,631)	(212,387)	(220,261)
Office segment profit	124,635	134,192	387,451	397,353
<u>Multifamily Segment</u>				
Total multifamily revenues	48,092	46,586	141,661	143,595
Multifamily expenses	(16,740)	(17,256)	(48,557)	(50,470)
Multifamily segment profit	31,352	29,330	93,104	93,125
Total profit from all segments	\$ 155,987	\$ 163,522	\$ 480,555	\$ 490,478

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) attributable to common stockholders				
Net income (loss) attributable to common stockholders	\$ 4,618	\$ (13,362)	\$ 24,405	\$ (2,251)
Net loss attributable to noncontrolling interests	(4,878)	(7,663)	(9,303)	(17,681)
Net (loss) income	(260)	(21,025)	15,102	(19,932)
General and administrative expenses	10,109	12,826	33,168	34,698
Depreciation and amortization	97,180	122,022	288,441	336,771
Other income	(7,298)	(6,229)	(21,772)	(12,561)
Other expenses	96	175	290	820
Income from unconsolidated Fund	(664)	(290)	(1,785)	(1,177)
Interest expense	56,824	56,043	167,111	151,859
Total profit from all segments	\$ 155,987	\$ 163,522	\$ 480,555	\$ 490,478

15. Future Minimum Lease Rental Receipts

We lease space to tenants primarily under non-cancelable operating leases that generally contain provisions for a base rent plus reimbursement of certain operating expenses, and we own fee interests in two parcels of land from which we receive rent under ground leases. The table below presents the future minimum base rentals on our non-cancelable office tenant and ground leases for our consolidated properties at September 30, 2024:

Twelve months ending September 30:	(In thousands)
2025	\$ 580,884
2026	487,274
2027	403,201
2028	319,721
2029	248,063
Thereafter	900,606
Total future minimum base rentals⁽¹⁾	<u>\$ 2,939,749</u>

(1) Does not include (i) residential leases, which typically have a term of one year or less, (ii) holdover rent, (iii) other types of rent such as storage and antenna rent, (iv) tenant reimbursements, (v) straight-line rent, (vi) amortization/accretion of acquired above/below-market lease intangibles and (vii) percentage rents. The amounts assume that early termination options held by tenants will not be exercised.

16. 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.

Barrington Plaza

In May 2023, we used a state law, the Ellis Act, to begin moving tenants out of the buildings in order to complete fire and life safety retrofits. We are appealing a recent ruling by a trial court in Santa Monica that the Ellis Act wasn't the proper avenue for removing those tenants. We do not expect the ruling to have a meaningful impact on the anticipated timing, cost, or ultimate plans for the Barrington Plaza property, and continue to coordinate with the City of Los Angeles to comply with its order to sprinkler the Barrington Plaza property and to complete other fire life safety work. We are currently in litigation with the insurance providers in 2020 for Barrington Plaza to recover certain costs associated with reconstruction.

Concentration of Risk

Tenant Receivables

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 economic, regulatory and social factors. We seek to minimize our credit risk from our tenant leases by (i) targeting smaller, more affluent office tenants, from a diverse mix of industries, (ii) performing credit evaluations of prospective tenants and (iii) obtaining security deposits or letters of credit from our tenants. For the nine months ended September 30, 2024 and 2023, no tenant accounted for more than 10% of our total revenues. See our revenue recognition policy in Note 2 for the charges to revenue for uncollectible amounts for tenant receivables and deferred rent receivables.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

Geographic Risk

All of our properties, including our consolidated JVs and our unconsolidated Fund's properties, are located in Los Angeles County, California and Honolulu, Hawaii, and we are therefore susceptible to adverse economic and regulatory developments, as well as natural disasters, in those markets.

Derivative Counterparty Credit Risk

We are subject to credit risk with respect to our derivative counterparties. We do not post or receive collateral with respect to our derivative transactions. Our derivative contracts do not provide for right of offset between derivative contracts. See Note 10 for the details of our derivative contracts. We seek to minimize our credit risk by entering into agreements with a variety of counterparties with investment grade ratings.

Cash Balances

We have significant cash balances invested in a variety of short-term money market funds that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. These investments are not insured against loss of principal and there is no guarantee that our investments in these funds will be redeemable at par value. We also have significant cash balances in bank accounts with high quality financial institutions with investment grade ratings. Interest bearing bank 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 on 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 have identified thirty-three buildings in our Consolidated Portfolio which contain asbestos, and would have to be removed in compliance with applicable environmental regulations if these properties are demolished or undergo major renovations. As of September 30, 2024, the obligations to remove the asbestos from properties which are currently undergoing major renovations, or that we plan to renovate in the future, are not material to our consolidated financial statements. As of September 30, 2024, the obligations to remove the asbestos from our other properties have indeterminable settlement dates, and we are unable to reasonably estimate the fair value of the associated conditional asset retirement obligations.

Contractual Commitments

Development Projects

In downtown Honolulu, we are converting a 25 story, 493,000 square foot office tower into approximately 493 apartments in phases over a number of years as the office space is vacated. As of September 30, 2024, we had an aggregate remaining contractual commitment for this development project and other development projects of approximately \$13.9 million.

Other Contractual Commitments

As of September 30, 2024, we had an aggregate remaining contractual commitment for repositionings, capital expenditure projects and tenant improvements of approximately \$40.8 million.

Guarantees

Loan Guarantees

In November 2023, we signed a guarantee for the \$175.0 million consolidated JV loan which guarantees the portion of the loan principal that would need to be paid down to meet the minimum debt yield in the loan agreement. The loan matures in April 2029. The guarantee will remain in effect until either the guarantee obligation or the loan is paid in full. As of September 30, 2024, we estimate the risk of loss for this guarantee to be low. See Note 8 for more information regarding our debt.

Douglas Emmett, Inc.
Notes to Consolidated Financial Statements (unaudited) (continued)

During 2023, we removed our Barrington Plaza Apartments property in Los Angeles from the rental market. See Note 3, "Property to be Removed from Service." The reconstruction of this property is expected to take a number of years at a cost of several hundred million dollars. The lender is treating the \$210.0 million Barrington Plaza loan, which matures in June 2027, as a construction loan, and we signed a construction completion guarantee in January 2024. The guarantee will remain in effect until either the construction is completed or the loan is paid in full. As of September 30, 2024, we estimate the risk of loss for this guarantee to be low. See Note 8 for more information regarding our debt.

Unconsolidated Fund Guarantees

Our unconsolidated Fund, Partnership X, has a \$115.0 million floating-rate term loan that matures on September 14, 2028. The loan carries interest at SOFR + 1.46% (with a zero-percent SOFR floor), which has been effectively fixed at 2.19% until October 1, 2026 with interest rate swaps (which do not have zero-percent SOFR floors). The loan is secured by two properties held by Partnership X and is non-recourse.

We have made certain environmental and other limited indemnities and guarantees covering customary non-recourse carve-outs for Partnership X's loan, and we have also guaranteed the related swaps. Partnership X has agreed to indemnify us for any amounts that we would be required to pay under these agreements. As of September 30, 2024, assuming that SOFR does not decrease below zero-percent, the maximum future interest payments for the swaps were \$2.0 million. As of September 30, 2024, all of the obligations under the related loan and swap agreements have been performed in accordance with the terms of those agreements. As of September 30, 2024, we estimate the risk of loss for the various indemnities and guarantees to be low. See Note 6 for more information regarding Partnership X.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Forward Looking Statements disclaimer, and our consolidated financial statements and related notes in Part I, Item 1 of this Report. During the nine months ended September 30, 2024, our results of operations were impacted by various transactions - see "Debt and Equity Transactions, Development and Repositioning Projects, and Other Transactions" further below.

Business Description

Douglas Emmett, Inc. is a fully integrated, self-administered and self-managed REIT. Through our interest in our Operating Partnership and its subsidiaries, our consolidated JVs and our unconsolidated Fund, 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 market 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. As of September 30, 2024, our portfolio consisted of the following (including ancillary retail space and excluding two parcels of land from which we receive rent under ground leases):

	Consolidated Portfolio ⁽¹⁾	Total Portfolio ⁽²⁾
Office		
Class A Properties	68	70
Rentable Square Feet (in thousands) ⁽³⁾	17,595	17,981
Leased rate	82.0%	82.0%
Occupancy rate	79.4%	79.4%
Multifamily⁽⁴⁾		
Properties	14	14
Units	4,476	4,476
Leased rate	99.1%	99.1%
Occupancy rate	97.4%	97.4%

(1) Our Consolidated Portfolio includes the properties in our consolidated results. Through our subsidiaries, we wholly-own 52 office properties totaling 13.4 million square feet and 12 residential properties with 4,006 apartments. Through four consolidated JVs, we partially own an additional 16 office properties totaling 4.2 million square feet and two residential properties with 470 apartments. Our Consolidated Portfolio excludes two wholly-owned land parcels from which we receive ground rent from ground leases to the owners of a Class A office building and a hotel.

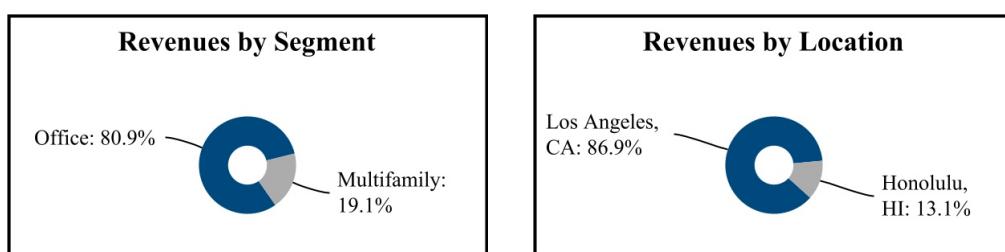
(2) Our Total Portfolio includes our Consolidated Portfolio as well as two properties totaling 0.4 million square feet owned by our unconsolidated Fund, Partnership X. See Note 6 to our consolidated financial statements in Item 1 of this Report for more information about Partnership X.

(3) As of September 30, 2024, we removed 67,000 Rentable Square Feet for an office building we are converting to apartments. See "Development" further below.

(4) Unit totals exclude units vacated as part of removing Barrington Plaza from the rental market. The leased and occupancy rates exclude Barrington Plaza. See "Property to be Removed from Service" further below.

Revenues by Segment and Location

During the nine months ended September 30, 2024, revenues from our Consolidated Portfolio were derived as follows:



Debt and Equity Transactions, Development and Repositioning Projects, and Other Transactions

Debt and Equity Transactions

During the first quarter of 2024:

- We acquired an additional 20.2% of the equity in our unconsolidated Fund, Partnership X, which increased our ownership interest in the Fund to 74.0%.
- We acquired 166 thousand OP Units in exchange for issuing an equal number of shares of our common stock to the holders of the OP Units.
- We acquired 461 OP Units for \$6 thousand in cash.
- In connection with the Barrington Plaza loan, we signed a construction completion guarantee. See "Property to be Removed from Service" further below for more information about Barrington Plaza.

During the second quarter of 2024:

- We acquired 27 thousand OP Units in exchange for issuing an equal number of shares of our common stock to the holders of the OP Units.
- We acquired 703 OP Units for \$10 thousand in cash.

During the third quarter of 2024:

- We acquired 20 thousand OP Units in exchange for issuing an equal number of shares of our common stock to the holders of the OP Units.
- We acquired 6,798 OP Units for \$105 thousand in cash.
- Interest rate swaps, which fixed the interest rate on a \$400 million interest-only, floating-rate loan that matures in September 2026 for one of our wholly-owned subsidiaries, expired during September 2024, and the interest rate on the respective loan is now floating. We also paid the respective loan principal down by \$34.0 million in order to meet a minimum financial threshold to exercise an extension option.

See Notes 8, 10 and 11 to our consolidated financial statements in Item 1 of this Report for more information regarding our debt, derivatives and equity, respectively.

Development

• 1132 Bishop Street, Honolulu, Hawaii - "The Residences at Bishop Place"

In downtown Honolulu, we are converting a 25-story, 493 thousand square foot office tower into 493 rental apartments. This project is helping to address the severe shortage of rental housing in Honolulu and revitalize the central business district, where we own a significant portion of the Class A office space. As of September 30, 2024, we had delivered 91% of the planned units and leased 98% of the units delivered. The conversion of the final two floors occupied by office tenants will continue as those floors are vacated.

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. In addition, we may reposition properties already in our portfolio. 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. During the repositioning, the affected property may display depressed rental revenue and occupancy levels that impact our results and, therefore, comparisons of our performance from period to period.

Property to be Removed from Service

During the second quarter of 2023, we removed our Barrington Plaza Apartments property in Los Angeles from the rental market. A reconstruction of this property is expected to take a number of years at a cost of several hundred million dollars. As of September 30, 2024, a significant majority of the tenants have vacated. See "Legal Proceedings" in Note 16 to our consolidated financial statements in Part I, Item 1 of this Report. During any period when the property is unoccupied, we will not generate any revenue from it. We accelerated and recorded additional depreciation expense of \$27.4 million for the three months ended September 30, 2023 and \$54.8 million for the nine months ended September 30, 2023, which is included in Depreciation and amortization on our consolidated statements of operations.

Rental Rate Trends - Total Portfolio

Office Rental Rates

The table below presents the average 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 the respective periods:

	Nine Months Ended September 30, 2024	Year Ended December 31,			
		2023	2022	2021	2020
Average straight-line rental rate ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾	\$50.65	\$42.97	\$46.78	\$44.99	\$45.26
Annualized lease transaction costs ⁽³⁾⁽⁴⁾⁽⁵⁾	\$6.05	\$5.53	\$5.85	\$4.77	\$5.11

- (1) These average rental rates are not directly comparable from year to year because the averages are significantly affected from period to period by factors such as the buildings, submarkets, and types of space and terms involved in the leases executed during the respective reporting period. Because straight-line rent takes into account the full economic value during the full term of each lease, including rent concessions and 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.
- (2) Reflects the weighted average straight-line Annualized Rent.
- (3) Reflects the weighted average leasing commissions and tenant improvement allowances divided by the weighted average number of years for the leases. Excludes leases substantially negotiated by the seller in the case of acquired properties, leases for tenants relocated from space at the landlord's request, and non-comparable leases, such as retail leases.
- (4) Our office rental rates were adversely impacted by the COVID-19 pandemic during 2020, 2021 and 2022, although the lower rental rates for the respective periods were partly offset by lower tenant improvement costs.
- (5) Our office rental rates and lease transaction costs were impacted by a large tenant lease renewal during the three months ended March 31, 2024.

Office Rent Roll

The table below presents the rent roll for new and renewed leases per leased square foot executed in our total office portfolio:

Rent Roll ⁽¹⁾⁽²⁾⁽³⁾	Nine Months Ended September 30, 2024		
	Expiring Rate ⁽²⁾	New/Renewal Rate ⁽²⁾	Percentage Change
Cash Rent	\$51.19	\$48.57	(5.1)%
Straight-line Rent	\$45.35	\$50.65	11.7%

- (1) Represents the average annual initial stabilized cash and straight-line rents per square foot on new and renewed leases signed during the period compared to the prior leases for the same space. Excludes leases with a term of twelve months or less, leases where the prior lease was terminated more than a year before signing of the new lease, leases for tenants relocated at the landlord's request, leases in acquired buildings where we believe the information about the prior agreement is incomplete or where we believe the base rent reflects other off-market inducements to the tenant, and other non-comparable leases, such as retail leases.
- (2) Our office rent roll can fluctuate from period to period as a result of changes in our submarkets, buildings and term of the expiring leases, making these metrics difficult to predict.
- (3) Our office cash rent and straight-line rent roll were impacted by a large tenant lease renewal during the three months ended March 31, 2024.

Multifamily Rental Rates

The table below presents the average annual rental rate per leased unit for new tenants:

	Nine Months Ended September 30, 2024	Year Ended December 31,			
		2023	2022	2021	2020
Average annual rental rate - new tenants ⁽¹⁾⁽²⁾	\$39,898	\$36,070	\$31,763	\$29,837	\$28,416

(1) These average rental rates are not directly comparable from year to year because of changes in the properties and units included. For example:

- (i) During 2020, the average was impacted by the addition of a significant number of units at our Bishop Place development in Honolulu, where the rental rates were higher than the average in our portfolio, and
- (ii) During 2022, the average was impacted by the acquisition of 1221 Ocean Avenue, where the rental rates were higher than the average in our portfolio.
- (iii) During 2023, the average was impacted by leasing of units at our newly developed West Los Angeles property, where the rental rates were higher than the average in our portfolio. Barrington Plaza was removed from this metric beginning with the third quarter of 2023.
- (iv) During the nine months ended, September 30, 2024, the average was impacted by leasing of units at our newly developed West Los Angeles property, where the rental rates were higher than the average in our portfolio.

(2) Our multifamily rental rates were adversely impacted by the COVID-19 pandemic in 2020 but improved in 2021 and 2022.

Multifamily Rent Roll

The rent on leases subject to rent change during the nine months ended September 30, 2024 (new tenants and existing tenants undergoing annual rent review) was 2.9% higher on average than the prior rent on the same unit after adjusting for rent concessions.

Occupancy Rates - Total Portfolio

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

Occupancy Rates as of:	September 30, 2024	December 31,			
		2023	2022	2021	2020
Office portfolio ⁽¹⁾	79.4%	81.0%	83.7%	84.9%	87.4%
Multifamily portfolio ⁽²⁾⁽³⁾	97.4%	96.7%	98.1%	98.0%	94.2%

Average Occupancy Rates ⁽⁴⁾ :	September 30, 2024	Year Ended December 31,			
		2023	2022	2021	2020
Office portfolio ⁽¹⁾	80.3%	82.6%	84.2%	85.7%	89.5%
Multifamily portfolio ⁽²⁾⁽³⁾	96.9%	96.9%	97.9%	96.8%	94.2%

(1) Our office occupancy rates were adversely impacted by the COVID-19 pandemic during 2020, 2021 and 2022.

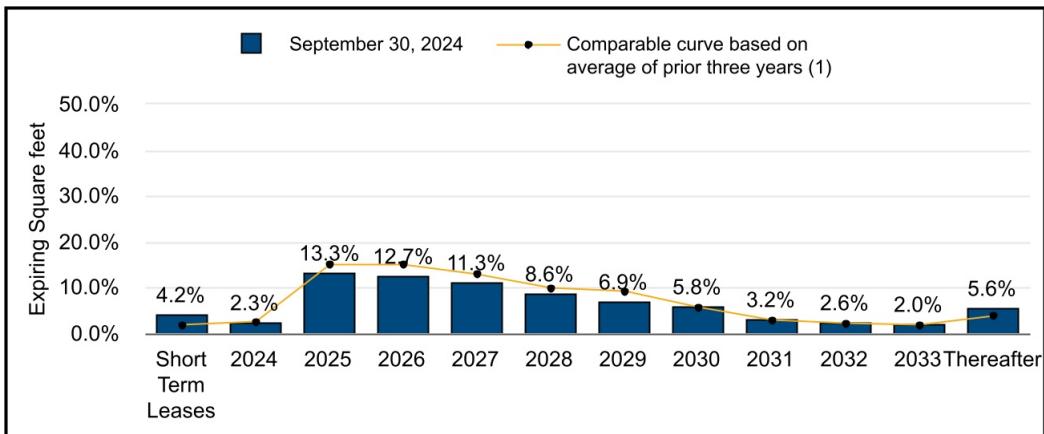
(2) Our Occupancy Rates may not be directly comparable from year to year, as they can be impacted by acquisitions, dispositions, development and redevelopment projects. Excludes units vacated as part of removing Barrington Plaza from the rental market until June of 2023 and excludes the impact of Barrington Plaza entirely starting in July 2023.

(3) Our multifamily occupancy rates were adversely impacted by the COVID-19 pandemic during 2020 but recovered during 2021 and 2022.

(4) Average occupancy rates are calculated 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.

Office Lease Expirations

As of September 30, 2024, assuming non-exercise of renewal options and early termination rights, we expect to see expiring square footage in our total office portfolio as follows:



(1) Average of the percentage of leases at September 30, 2021, 2022, and 2023 with the same remaining duration as the leases for the labeled year had at September 30, 2024. Acquisitions are included in the prior year average commencing in the quarter after the acquisition.

Results of Operations

Comparison of three months ended September 30, 2024 to three months ended September 30, 2023

Our operating results were adversely impacted by the effects of inflation and higher interest rates during the three months ended September 30, 2024 and September 30, 2023.

	Three Months Ended September 30,		Favorable (Unfavorable)		Commentary
	2024	2023	Change	%	
	(In thousands)				
<u>Revenues</u>					
Office rental revenue and tenant recoveries	\$ 174,457	\$ 181,106	\$ (6,649)	(3.7) %	The decrease was primarily due to a decrease in rental revenues due to lower occupancy, and lower tenant recoveries.
Office parking and other income	\$ 28,204	\$ 27,717	\$ 487	1.8 %	The increase was primarily due to an increase in ground rent income and higher parking income.
Multifamily revenue	\$ 48,092	\$ 46,586	\$ 1,506	3.2 %	The increase was primarily due to: (i) an increase in revenues from new units at our Landmark Los Angeles development project and our Residences at Bishop Place conversion project, and (ii) higher rental rates, partly offset by (i) a decrease in revenues at our Barrington Plaza property, which we removed from service during the second quarter of 2023, and (ii) lower accretion from below-market leases.
<u>Operating expenses</u>					
Office expenses	\$ 78,026	\$ 74,631	\$ (3,395)	(4.5) %	The increase was primarily due to higher property taxes, utility expenses and personnel expenses.
Multifamily expenses	\$ 16,740	\$ 17,256	\$ 516	3.0 %	The decrease was primarily due to a decrease in multifamily expenses at our Barrington Plaza property, which we removed from service during the second quarter of 2023, and our Landmark Los Angeles development project. The decrease was partly offset by (i) an increase in multifamily expenses from new units at our Residences at Bishop Place conversion project and (ii) higher personnel expenses, utility expenses, insurance and property taxes at

								property taxes at our other multifamily properties.
General and administrative expenses	\$ 10,109	\$ 12,826	\$ 2,717	21.2	%			The decrease was primarily due to lower legal expenses, advocacy expenses and personnel expenses.
Depreciation and amortization	\$ 97,180	\$ 122,022	\$ 24,842	20.4	%			The decrease was primarily due to accelerated depreciation during the third quarter of 2023 related to removing units from service at our Barrington Plaza property.
<u>Non-Operating Income and Expenses</u>								
Other income	\$ 7,298	\$ 6,229	\$ 1,069	17.2	%			The increase was primarily due to an increase in interest income due to higher cash and cash equivalent balances.
Other expenses	\$ (96)	\$ (175)	\$ 79	45.1	%			The decrease was primarily due to a decrease in expenses related to property management and other services provided to our unconsolidated fund.
Income from unconsolidated Fund	\$ 664	\$ 290	\$ 374	129.0	%			The increase was primarily due to our higher ownership interest in our fund, Partnership X.
Interest expense	\$ (56,824)	\$ (56,043)	\$ (781)	(1.4)	%			The increase was primarily due to higher debt and higher floating rate debt. The increase was partly offset by interest capitalized for our Barrington Plaza property.

Comparison of nine months ended September 30, 2024 to nine months ended September 30, 2023

Our operating results were adversely impacted by the effects of inflation and higher interest rates during the nine months ended September 30, 2024 and September 30, 2023.

	Nine Months Ended September 30,			Favorable (Unfavorable)		Commentary
	2024		2023	Change	%	
	(In thousands)					
Revenues						
Office rental revenue and tenant recoveries	\$ 515,252	\$ 535,243	\$ (19,991)	(3.7)%		The decrease was primarily due to a decrease in rental revenues due to lower occupancy, and lower tenant recoveries. The lower tenant recoveries were primarily due to lower property taxes.
Office parking and other income	\$ 84,586	\$ 82,371	\$ 2,215	2.7 %		The increase was primarily due to an increase in parking income due to higher parking rates and higher ground rent income.
Multifamily revenue	\$ 141,661	\$ 143,595	\$ (1,934)	(1.3)%		The decrease was primarily due to: (i) a decrease in revenues at our Barrington Plaza property, which we removed from service during the second quarter of 2023, (ii) insurance proceeds received during the first quarter of 2023 for the 2020 Barrington Plaza fire, and (iii) lower accretion from below-market leases. The decrease was partly offset by (i) an increase in revenues from new units at our Landmark Los Angeles development project and our Residences at Bishop Place conversion project, and (ii) higher rental rates.
Operating expenses						
Office expenses	\$ 212,387	\$ 220,261	\$ 7,874	3.6 %		The decrease was primarily due to lower property taxes and lower repairs and maintenance expenses. The decrease was partly offset by higher personnel, security and insurance expenses.
Multifamily expenses	\$ 48,557	\$ 50,470	\$ 1,913	3.8 %		The decrease was primarily due to a decrease in multifamily expenses at our Barrington Plaza property, which we removed from service during the second quarter of 2023, partly offset by an increase in multifamily expenses from new units at our Residences at Bishop Place conversion project.
General and administrative expenses	\$ 33,168	\$ 34,698	\$ 1,530	4.4 %		The decrease was primarily due to lower legal expenses, personnel expenses and advocacy expenses.
Depreciation and amortization	\$ 288,441	\$ 336,771	\$ 48,330	14.4 %		The decrease was primarily due to accelerated depreciation during the second and third quarters of 2023 related to removing units from service at our Barrington Plaza property.
Non-Operating Income and Expenses						
Other income	\$ 21,772	\$ 12,561	\$ 9,211	73.3 %		The increase was primarily due to an increase in interest income due to higher cash and cash equivalent balances.
Other expenses	\$ (290)	\$ (820)	\$ 530	64.6 %		The decrease was primarily due to transaction costs during the first quarter of 2023 and lower expenses related to property management and other services provided to our unconsolidated fund.
Income from unconsolidated Fund	\$ 1,785	\$ 1,177	\$ 608	51.7 %		The increase was primarily due to our higher ownership interest in our fund, Partnership X.
Interest expense	\$ (167,111)	\$ (151,859)	\$ (15,252)	(10.0)%		The increase was primarily due to higher interest rates on our floating rate debt and higher debt. The increase was partly offset by interest capitalized for our Barrington Plaza property.

Non-GAAP Supplemental Financial Measure: FFO

Usefulness to Investors

We report FFO because it is a widely reported measure of the performance of equity REITs, and is also used by some investors to identify the impact of trends in occupancy rates, rental rates and operating costs from year to year, excluding impacts from changes in the value of our real estate, and to compare our performance with other REITs. FFO is a non-GAAP financial measure for which we believe that net income (loss) is the most directly comparable GAAP financial measure. FFO has limitations as a measure of our performance because it excludes depreciation and amortization of real estate, and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures, tenant improvements 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. FFO should be considered only as a supplement to net income (loss) as a measure of our performance and should not be used as a measure of our liquidity or cash flow, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. 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. See "Results of Operations" above for a discussion of the items that impacted our net income.

FFO Reconciliation to GAAP

The table below reconciles our FFO (the FFO attributable to our common stockholders and noncontrolling interests in our Operating Partnership - which includes our share of our consolidated JVs and our unconsolidated Fund's FFO) to net income (loss) attributable to common stockholders (the most directly comparable GAAP measure). Our FFO was adversely impacted by the effects of inflation and higher interest rates during the three months and nine months ended September 30, 2024 and September 30, 2023.

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) attributable to common stockholders	\$ 4,618	\$ (13,362)	\$ 24,405	\$ (2,251)
Depreciation and amortization of real estate assets	97,180	122,022	288,441	336,771
Net loss attributable to noncontrolling interests	(4,878)	(7,663)	(9,303)	(17,681)
Adjustments attributable to unconsolidated Fund ⁽¹⁾	1,208	742	3,397	2,232
Adjustments attributable to consolidated JVs ⁽²⁾	(12,113)	(12,358)	(38,795)	(34,646)
FFO	\$ 86,015	\$ 89,381	\$ 268,145	\$ 284,425

(1) Adjusts for our share of Partnership X's depreciation and amortization of real estate assets.

(2) Adjusts for the net income and depreciation and amortization of real estate assets that is attributable to the noncontrolling interests in our consolidated JVs.

Comparison of three months ended September 30, 2024 to three months ended September 30, 2023

For the three months ended September 30, 2024, FFO decreased by \$3.4 million, or 3.8%, to \$86.0 million, compared to \$89.4 million for the three months ended September 30, 2023. The decrease was primarily due to: (i) lower office occupancy and tenant recoveries, (ii) higher office operating expenses, (iii) the removal of our Barrington Plaza property from service during the second quarter of 2023, and (iv) higher interest expense. The decrease was partly offset by (i) lower general and administrative expenses, (ii) higher interest income, (iii) new units from our multifamily development projects, and (iv) higher multifamily rental rates.

Comparison of nine months ended September 30, 2024 to nine months ended September 30, 2023

For the nine months ended September 30, 2024, FFO decreased by \$16.3 million, or 5.7%, to \$268.1 million, compared to \$284.4 million for the nine months ended September 30, 2023. The decrease was primarily due to: (i) lower office occupancy and tenant recoveries, (ii) higher interest expense, and (iii) the removal of our Barrington Plaza property from service during the second quarter of 2023. The decrease was partly offset by (i) higher interest income, (ii) lower office property taxes, (iii) new units from our multifamily development projects, (iv) higher multifamily rental rates, and (v) lower general and administrative expenses.

Non-GAAP Supplemental Financial Measure: Same Property NOI

Usefulness to Investors

We report Same Property NOI to facilitate a comparison of our operations between reported periods. Many investors use Same Property NOI to evaluate our operating performance and to compare our operating performance with other REITs, because it can reduce the impact of investing transactions on operating trends. Same Property NOI is a non-GAAP financial measure for which we believe that net income (loss) is the most directly comparable GAAP financial measure. We report Same Property NOI because it is a widely recognized measure of the performance of equity REITs, and is used by some investors to identify trends in occupancy rates, rental rates and operating costs and to compare our operating performance with that of other REITs. Same Property NOI has limitations as a measure of our performance because it excludes depreciation and amortization expense, and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures, tenant improvements 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 Same Property NOI in the same manner. As a result, our Same Property NOI may not be comparable to the Same Property NOI of other REITs. Same Property NOI should be considered only as a supplement to net income (loss) as a measure of our performance and should not be used as a measure of our liquidity or cash flow, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends.

Comparison of three months ended September 30, 2024 to three months ended September 30, 2023

Our Same Properties for 2024 included 66 office properties, aggregating 17.1 million Rentable Square Feet, and 11 multifamily properties with an aggregate 3,569 units. The amounts presented below reflect 100% (not our pro-rata share). Our Same Property results were adversely impacted by the effects of inflation during the three months ended September 30, 2024 and September 30, 2023.

	Three Months Ended September 30,		Favorable (Unfavorable)			Commentary
	2024	2023	Change	%		
	(In thousands)					
Office revenues	\$ 195,348	\$ 201,739	\$ (6,391)	(3.2)	%	The decrease was primarily due to a decrease in rental revenues due to lower occupancy, and lower tenant recoveries.
Office expenses	(77,238)	(73,835)	(3,403)	(4.6)	%	The increase was primarily due to higher property taxes, expenses and personnel expenses.
Office NOI	118,110	127,904	(9,794)	(7.7)	%	
Multifamily revenues	36,154	34,967	1,187	3.4	%	The increase was primarily due to higher rental revenues due to higher rental rates, partly offset by lower accretion from below-market leases.
Multifamily expenses	(11,647)	(10,954)	(693)	(6.3)	%	The increase was primarily due to higher personnel expenses, utility expenses, insurance and property taxes.
Multifamily NOI	24,507	24,013	494	2.1	%	
Total NOI	\$ 142,617	\$ 151,917	\$ (9,300)	(6.1)	%	

Reconciliation to GAAP

The table below presents a reconciliation of Net income (loss) attributable to common stockholders (the most directly comparable GAAP measure) to Same Property NOI:

(In thousands)	Three Months Ended September 30,	
	2024	2023
Net income (loss) attributable to common stockholders	\$ 4,618	\$ (13,362)
Net loss attributable to noncontrolling interests	(4,878)	(7,663)
Net loss	(260)	(21,025)
General and administrative expenses	10,109	12,826
Depreciation and amortization	97,180	122,022
Other income	(7,298)	(6,229)
Other expenses	96	175
Income from unconsolidated Fund	(664)	(290)
Interest expense	56,824	56,043
NOI	\$ 155,987	\$ 163,522
<hr/>		
Same Property NOI by Segment		
Same property office revenues	\$ 195,348	\$ 201,739
Same property office expenses	(77,238)	(73,835)
Same Property Office NOI	118,110	127,904
Same property multifamily revenues	36,154	34,967
Same property multifamily expenses	(11,647)	(10,954)
Same Property Multifamily NOI	24,507	24,013
Same Property NOI	142,617	151,917
Non-comparable office revenues	7,313	7,084
Non-comparable office expenses	(788)	(796)
Non-comparable multifamily revenues	11,938	11,619
Non-comparable multifamily expenses	(5,093)	(6,302)
NOI	\$ 155,987	\$ 163,522

Comparison of nine months ended September 30, 2024 to nine months ended September 30, 2023

Our Same Properties for 2024 included 66 office properties, aggregating 17.1 million Rentable Square Feet, and 11 multifamily properties with an aggregate 3,569 units. The amounts presented below reflect 100% (not our pro-rata share). Our Same Property results were adversely impacted by the effects of inflation during the nine months ended September 30, 2024 and September 30, 2023.

	Nine Months Ended September 30,		Favorable (Unfavorable)		Commentary
	2024	2023	Change	%	
	(In thousands)				
Office revenues	\$ 577,702	\$ 596,186	\$ (18,484)	(3.1)%	The decrease was primarily due to a decrease in rental revenues due to lower occupancy, and lower tenant recoveries. The decrease in tenant recoveries was primarily due to lower property taxes. The decrease was partly offset by higher parking income, due to higher parking rates.
Office expenses	(209,888)	(217,852)	7,964	3.7%	The decrease was primarily due to lower property taxes and repairs and maintenance expenses. The decrease was partly offset by higher personnel, security and insurance expenses.
Office NOI	367,814	378,334	(10,520)	(2.8)%	
Multifamily revenues	107,286	106,057	1,229	1.2%	The increase was primarily due to an increase in rental revenues due to higher rental rates, partly offset by lower accretion from below-market leases.
Multifamily expenses	(33,582)	(33,502)	(80)	(0.2)%	The increase was primarily due to higher personnel expenses, professional fees and insurance expense. The increase was partly offset by lower utility expenses and lower property taxes.
Multifamily NOI	73,704	72,555	1,149	1.6%	
Total NOI	\$ 441,518	\$ 450,889	\$ (9,371)	(2.1)%	

Reconciliation to GAAP

The table below presents a reconciliation of Net income (loss) attributable to common stockholders (the most directly comparable GAAP measure) to Same Property NOI:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Net income (loss) attributable to common stockholders	\$ 24,405	\$ (2,251)
Net loss attributable to noncontrolling interests	(9,303)	(17,681)
Net income (loss)	15,102	(19,932)
General and administrative expenses	33,168	34,698
Depreciation and amortization	288,441	336,771
Other income	(21,772)	(12,561)
Other expenses	290	820
Income from unconsolidated Fund	(1,785)	(1,177)
Interest expense	167,111	151,859
NOI	\$ 480,555	\$ 490,478
Same Property NOI by Segment		
Same property office revenues	\$ 577,702	\$ 596,186
Same property office expenses	(209,888)	(217,852)
Same Property Office NOI	367,814	378,334
Same property multifamily revenues	107,286	106,057
Same property multifamily expenses	(33,582)	(33,502)
Same Property Multifamily NOI	73,704	72,555
Same Property NOI	441,518	450,889
Non-comparable office revenues	22,136	21,428
Non-comparable office expenses	(2,499)	(2,409)
Non-comparable multifamily revenues	34,375	37,538
Non-comparable multifamily expenses	(14,975)	(16,968)
NOI	\$ 480,555	\$ 490,478

Liquidity and Capital Resources

Short-term liquidity

Our short-term liquidity needs consist primarily of funds necessary for our operating activities, development, repositioning projects, dividends, distributions and discretionary share repurchases. During the nine months ended September 30, 2024, we generated cash from operations of \$334.6 million. As of September 30, 2024, we had \$544.2 million of cash and cash equivalents. See Note 8 to our consolidated financial statements in Item 1 of this Report for more information regarding our debt maturities and interest rate swap expirations. Excluding acquisitions and debt refinancings, we expect to meet our short-term liquidity requirements through cash on hand and cash generated by operations. With respect to our short-term debt maturities, we expect to refinance or extend them prior to maturity. We are currently in the process of amending and extending a \$400.0 million loan on a portfolio of assets held by one of our consolidated JVs that matures on December 19, 2024. While it is the parties' expectation that this transaction will close prior to the due date there are no assurances and the joint venture could be required to pay off the loan or it may be assigned to a special servicer.

Long-term liquidity

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, development and debt refinancings. We do not expect to have sufficient funds on hand to cover these long-term cash requirements due to REIT federal tax rules which require that we distribute at least 90% of our income on an annual basis. We plan to meet our long-term liquidity needs through long-term secured non-recourse debt, the issuance of equity securities, including common stock and OP Units, as well as property dispositions and JV transactions.

We only use non-recourse debt secured by our properties. As of the date of this report, approximately 45% of our total office portfolio was unencumbered. To mitigate the impact of changing interest rates on our cash flows from operations, we generally enter into interest rate swap agreements with respect to our loans with floating interest rates. These swap agreements generally expire two years before the maturity date of the related loan, during which time we can refinance the loan without any interest penalty. We also enter into interest rate cap agreements from time to time to cap the interest rates on our floating rate loans. See Notes 8 and 10 to our consolidated financial statements in Item 1 of this Report for more information regarding our debt and derivative contracts, respectively. See Item 3 "Quantitative and Qualitative Disclosures about Market Risk" of this Report regarding the impact of interest rate increases on our future operating results and cash flows.

Certain Contractual Obligations

See the following notes to our consolidated financial statements in Item 1 of this Report for information regarding our contractual commitments:

- Note 4 - minimum future ground lease payments;
- Note 8 - minimum future principal payments for our secured notes payable, and the interest rates that determine our future periodic interest payments; and
- Note 16 - contractual commitments and guarantees.

Off-Balance Sheet Arrangements

Unconsolidated Fund Debt

Our Fund, Partnership X, has its own secured non-recourse debt and interest rate swaps. We have made certain environmental and other limited indemnities and guarantees covering customary non-recourse carve-outs related to that loan, and we have also guaranteed the interest rate swaps. Partnership X has agreed to indemnify us for any amounts that we would be required to pay under these agreements. As of September 30, 2024, all of the obligations under the respective loan and swap agreements have been performed in accordance with the terms of those agreements. See "Guarantees" in Note 16 to our consolidated financial statements in Item 1 of this Report for more information about our Fund's debt and swaps, and the respective guarantees.

Cash Flows

Comparison of nine months ended September 30, 2024 to nine months ended September 30, 2023

Our operating cash flows were adversely impacted by the effects of inflation and higher interest rates during the nine months ended September 30, 2024 and September 30, 2023.

	Nine Months Ended September 30,		Increase (Decrease) In Cash	%
	2024	2023		
	(In thousands)			
Net cash provided by operating activities ⁽¹⁾	\$ 334,590	\$ 332,209	\$ 2,381	0.7 %
Net cash used in investing activities ⁽²⁾	\$ (156,570)	\$ (180,373)	\$ 23,803	13.2 %
Net cash (used in) provided by financing activities ⁽³⁾	\$ (156,947)	\$ 105,557	\$ (262,504)	(248.7)%

(1) Our cash flows from operating activities are primarily dependent upon the occupancy and rental rates of our portfolio, the collectibility of tenant receivables, the level of our operating and general and administrative expenses, and interest expense. The increase in cash from operating activities of \$2.4 million was primarily due to: (i) higher cash provided by working capital, (ii) higher interest income, (iii) lower office property taxes, (iv) new units from our multifamily development projects, (v) higher multifamily rental rates, and (vi) lower general and administrative expenses. The increase was partly offset by (i) lower office occupancy and tenant recoveries, (ii) higher interest expense, and (iii) the removal of our Barrington Plaza property from service during the second quarter of 2023.

(2) Our cash flows from investing activities is generally used to fund property acquisitions, developments and redevelopment projects, and Recurring and non-Recurring Capital Expenditures. The increase in cash from investing activities of \$23.8 million was primarily due to a decrease in capital expenditures for improvements to real estate and developments, partly offset by an acquisition of an additional interest in our unconsolidated fund, Partnership X.

(3) Our cash flows from financing activities are generally impacted by our borrowings and capital activities, as well as dividends and distributions paid to common stockholders and noncontrolling interests, respectively. The decrease in cash from financing activities of \$262.5 million was primarily due to net borrowings during the prior period, partly offset by the repurchase of common stock during the prior period.

Critical Accounting Policies and Estimates

We have not made any changes to our critical accounting policies disclosed in our 2023 Annual Report on Form 10-K. Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with US GAAP, and which requires us to make estimates of certain items, which 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 estimates could prove to be incorrect, and those differences 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Fixed-Rate Borrowings and Hedged Borrowings

As of September 30, 2024, the interest rates for 62% of our consolidated borrowings were fixed or swap-fixed with interest rate swaps, and 15% were capped with interest rate caps. As of September 30, 2024, the maximum amount the interest expense on our capped-rate borrowings could increase by is \$15.8 million per year. Higher interest rates would cause an increase in our future interest expense on our capped-rate debt, which would reduce our future net income, cash flows from operations and FFO. Our interest rate swap agreements generally expire two years before the maturity date of the related loan, during which time we can refinance the loan without any interest penalty. After the interest rate swap agreements expire the related debt will be floating rate. Higher interest rates, to the extent they are higher than our swap-fixed rates when our interest rate swaps expire, would cause our future interest expense on our debt to increase, which would reduce our future net income, cash flows from operations and FFO. See Note 8 to our consolidated financial statements in Item 1 of this Report for more information regarding our debt maturities and our interest rate swap expirations.

Our use of interest rate swaps and caps also exposes 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 financial counterparties with investment grade ratings. See Note 10 to our consolidated financial statements in Item 1 of this Report for more information regarding our interest rate swaps and caps.

Unhedged Floating-Rate Borrowings

As of September 30, 2024, the interest rates for 23% of our consolidated borrowings were floating. As of September 30, 2024, the interest expense for our unhedged floating-rate borrowings would increase by \$13.0 million per year for every one hundred basis point increase in the related benchmark interest rate. Higher interest rates would cause an increase in our future interest expense on our floating-rate debt, which would reduce our future net income, cash flows from operations and FFO. See Note 8 to our consolidated financial statements in Item 1 of this Report for more information regarding our floating rate debt.

Item 4. Controls and Procedures

As of September 30, 2024, the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of management, including our CEO and CFO, regarding the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the foregoing, our CEO and CFO concluded, as of that time, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our CEO and our CFO, as appropriate, to allow for timely decisions regarding required disclosure. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. 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. See "Legal Proceedings" in Note 16 to our consolidated financial statements in Part I, Item 1 of this Report.

Item 1A. Risk Factors

We are not aware of any material changes to the risk factors disclosed in Part I, "Item 1A. Risk Factors" in our 2023 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description	Footnote
3.1	Articles of Amendment and Restatement of Douglas Emmett, Inc.	(1)
3.2	Bylaws of Douglas Emmett, Inc.	(2)
3.3	Certificate of Correction to Articles of Amendment and Restatement of Douglas Emmett, Inc.	(3)
3.4	Bylaws Amendment	(4)
31.1	Certificate of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certificate of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certificate of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(5)
32.2	Certificate of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(5)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	

(1) Filed with Amendment No. 6 to Form S-11 on October 19, 2006 and incorporated herein by this reference. (File number 333-135082).

(2) Filed with Form 8-K on September 6, 2013 and incorporated herein by this reference. (File number 001-33106).

(3) Filed with Form 8-K on October 30, 2006 and incorporated herein by this reference. (File number 001-33106).

(4) Filed with Form 8-K on April 9, 2018 and incorporated herein by this reference. (File number 001-33106).

(5) In accordance with SEC Release No. 33-8212, these exhibits are being furnished, and are not being filed as part of this Report on Form 10-Q or as a separate disclosure document, and are not being incorporated by reference into any Securities Act registration statement.

SIGNATURES

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

**DOUGLAS
EMMETT, INC.**

November
Date: 8, 2024

By: /s/
JORDAN L.

Jordan L.
Kaplan
President
and CEO

November
Date: 8, 2024

By: /s/
PETER D.

Peter D.
Seymour
CFO

CEO Certification

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jordan L. Kaplan, certify that:

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

Date: November 8, 2024

By: /s/ JORDAN L. KAPLAN

Jordan L. Kaplan
President and CEO

CFO Certification**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter D. Seymour, certify that:

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

Date: November 8, 2024

By: /s/ PETER D. SEYMORE

Peter D. Seymour
CFO

OFFICERS' CERTIFICATIONS

CEO Certification

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Douglas Emmett, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying quarterly report on Form 10-Q of the Company for the period ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

By: /s/ JORDAN L. KAPLAN

Jordan L. Kaplan
President and CEO

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

OFFICERS' CERTIFICATIONS

CFO Certification

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Douglas Emmett, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying quarterly report on Form 10-Q of the Company for the period ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

By: /s/ PETER D. SEYMOUR

Peter D. Seymour
CFO

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.