Douglas Emmett Inc
Form S-11/A
October 03, 2006

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As filed with the Securities and Exchange Commission on October 3, 2006

Registration No. 333-135082

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to
FORM S-11

FOR REGISTRATION UNDER
THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES

DOUGLAS EMMETT, INC.

(Exact name of registrant as specified in its governing instruments)

808 Wilshire Boulevard, Suite 200
Santa Monica, California 90401
(310) 255-7700

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

William Kamer
Chief Financial Officer
808 Wilshire Boulevard, Suite 200
Santa Monica, California 90401
(310) 255-7700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Gregg A. Noel, Esq.
Jennifer A. Bensch, Esq.
Rand S. April, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Telephone: (213) 687-5000

Julian T. H. Kleindorfer, Esq.
Edward Sonnenschein, Jr., Esq.
Martha B. Jordan, Esq.
Latham & Watkins LLP
633 West Fifth Street, Suite 4000
Los Angeles, California 90071
Telephone: (213) 485-1234

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price[(1)]	Amount of registration fee[(2)]
Common Stock, par value $0.01 per share	$1,328,250,000	$142,122.75

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

(2) A registration fee of $135,355 was paid with the initial filing of this registration statement based on an initial proposed maximum aggregate offering price of $1,265,000,000. A fee of $6,767.75 is being paid with this Amendment No. 3 to increase the proposed maximum aggregate offering price from $1,265,000,000 to $1,328,250,000.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 3, 2006

PROSPECTUS

55,000,000 Shares

Common Stock

This is the initial public offering of shares of common stock of Douglas Emmett, Inc. All of the shares of our common stock offered by this prospectus are being sold by us. We intend to be taxed as a real estate investment trust, or REIT, for United States federal income tax purposes commencing with our taxable year ending December 31, 2006.

We expect the public offering price of our common stock to be between $19.00 and $21.00 per share. Prior to this offering, there has been no public market for our common stock. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol "DEI."

See "Risk Factors" beginning on page 23 of this prospectus for certain risks relevant to an investment in our common stock.

As described herein, concurrently with this offering, we will complete the formation transactions, pursuant to which we will acquire all of the interests in our historical operating companies and certain entities that own real estate, in exchange for cash, shares of our common stock and/or units in our operating partnership. We will use the net proceeds from this offering to pay a portion of the cash consideration due in the formation transactions. Approximately 23.6% of the consideration that we will pay in the formation transactions will be paid to certain of our affiliates, Dan A. Emmett, Christopher Anderson, Jordan Kaplan and Kenneth Panzer, who we refer to as our "predecessor principals," and four of our executive officers, William Kamer, Barbara J. Orr, Allan B. Golad and Michael J. Means. These affiliates will not receive any cash consideration in the formation transactions. Rather, in exchange for their interests in the pre-formation transaction entities, these affiliates will receive an aggregate of 13,954,112 shares of our common stock and 28,152,636 units in our operating partnership (which shares and units have an aggregate value of $842.1 million, based on an assumed offering price of $20.00 per share). These affiliates also will receive an estimated $5.8 million in cash in respect of a final operating distribution payable by the pre-formation transaction entities to all holders of interests in such entities in connection with the formation transactions.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 8,250,000 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 55,000,000 shares of our common stock in this offering to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock on or about , 2006.

Lehman Brothers **Merrill Lynch & Co.** **Citigroup**

The date of this prospectus is , 2006

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You should rely only on the information contained in this document, in any free writing prospectus prepared by the Company in connection with this offering or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

We use market data and industry forecasts and projections throughout this prospectus. We have obtained substantially all of this information from market research prepared or used by Eastdil Secured, L.L.C., or Eastdil Secured, in the market study that it prepared for us in connection with this offering. Such information is included herein in reliance on Eastdil Secured's authority as an expert on such matters. See "Experts." The Eastdil Secured market study will be filed as an exhibit to the registration statement of which this prospectus forms a part. In addition, we have obtained certain market data and industry forecasts and projections from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

As used in this prospectus, "fully diluted basis" assumes the exchange of all outstanding common operating partnership units in our limited partnership and all outstanding vested long-term incentive units for shares of our common stock on a one-for-one basis, and the exercise of all outstanding vested stock options (no additional options will vest within 60 days). In addition, "pro forma" or "on a pro forma basis" means that the information presented gives effect to this offering, as well as the formation transactions and the financing transactions (each as described herein), in each case as if such transactions had occurred on January 1, 2005 with respect to statement of operations data, and with respect to balance sheet data, as if such transactions had occurred on June 30, 2006. Additionally, the pro forma consolidated statements of operations are presented as if the acquisition of the Villas at Royal Kunia, consummated on March 1, 2006, along with the related financing, had occurred on January 1, 2005. As used in this prospectus, "competitive office space" means Class-A and Class-B multi-tenant office projects of 30,000 square feet and greater in size for Los Angeles County, excluding government, medical, and owner-user buildings, as defined by CB Richard Ellis. Except as otherwise specified, all references to ownership by our predecessor principals and executive officers of shares of our common stock or units in our operating partnership include beneficial ownership of such shares or units that may be attributed to such individuals by the rules of the Securities and Exchange Commission.

Until , 2006 (25 days after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company, including under the caption "Risk Factors," as well as the financial information appearing elsewhere in this prospectus. Unless the context requires otherwise, references in this prospectus to "we," "our," "us" and "our company" refer to Douglas Emmett, Inc., a Maryland corporation, together with its consolidated subsidiaries after giving effect to the formation transactions described in this prospectus. Upon completion of this offering, our operations will be carried on through Douglas Emmett Properties, LP, a Delaware limited partnership, which we refer to in this prospectus as our operating partnership. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters' over-allotment option is not exercised and that the common stock to be sold in this offering is sold at $20.00 per share, the mid-point of the price range indicated on the cover page of this prospectus.

Douglas Emmett, Inc.

We are one of the largest owners and operators of high-quality office and multifamily properties in Los Angeles County, California and have a growing presence in Honolulu, Hawaii. Our presence in Los Angeles and Honolulu is the result of a consistent and focused strategy of identifying submarkets that are supply constrained, have high barriers to entry and exhibit strong economic characteristics such as population and job growth and a diverse economic base. In our office portfolio, we focus primarily on owning and acquiring a substantial share of top-tier office properties within these submarkets and which are located near high-end executive housing and key lifestyle amenities. In our multifamily portfolio, we focus primarily on owning and acquiring select properties at premier locations within these same submarkets. We believe our strategy generally allows us to achieve higher than market-average rents and occupancy levels, while also creating operating efficiencies.

As of June 30, 2006, our office portfolio consisted of 46 properties with approximately 11.6 million rentable square feet, and our multifamily portfolio consisted of nine properties with a total of 2,868 units. As of such date, our office portfolio was 93.1% leased, and our multifamily properties were 99.6% leased. Our office portfolio contributed approximately 84.7% of our annualized rent as of June 30, 2006, while our multifamily portfolio contributed approximately 15.3%. As of June 30, 2006, our Los Angeles County office and multifamily portfolio contributed approximately 90.8% of our annualized rent, and our Honolulu, Hawaii office and multifamily portfolio contributed approximately 9.2%.

Our properties are concentrated in nine premier Los Angeles County submarkets Brentwood, Olympic Corridor, Century City, Santa Monica, Beverly Hills, Westwood, Sherman Oaks/Encino, Warner Center/Woodland Hills and Burbank as well as in Honolulu, Hawaii. According to Eastdil Secured, most of our Los Angeles office portfolio and West Los Angeles multifamily properties could not be reproduced under current zoning and land-use regulations. Furthermore, given current market rents, construction costs and the lack of competitive development sites, Eastdil Secured estimates that our portfolio could not be replicated on a cost-competitive basis today.

Due to their superior locations and supply constraints in our submarkets, we believe that our existing properties are well positioned to provide continued cash flow growth and to continue to outperform our submarkets in terms of rental rates and occupancy. As of June 30, 2006, our average asking rents in our Los Angeles County office portfolio were at a 14.6% premium to our average in-place rents. Excluding the Warner Center/Woodland Hills submarket, where we acquired properties with significant vacancies in recent years, our occupancy rate was 96.1%, which reflects a 2.5 percentage point premium to that of our submarkets (including the Warner Center/Woodland Hills submarket, our occupancy rate reflects a 0.4 percentage point premium). In addition, in our West Los Angeles multifamily portfolio as of June 30, 2006, our weighted average asking rental rates were at a 32.4% premium to our average in-place rents, primarily as a result of historical rent control laws which now allow landlords to increase rents to market rates as tenants vacate.

Under the direction of our senior management team, our historical operating companies acquired and financed our existing portfolio, managed nine institutional funds and raised over $1.5 billion in equity capital primarily from university endowments, foundations, pension plans, banks, other institutional investors and high net worth individuals. Since the beginning of 1993, our senior management team has been responsible for the purchase of 55 properties, representing an aggregate investment of approximately $3.1 billion, or an average of approximately $230.0 million per year.

Our principal executive offices are located at 808 Wilshire Boulevard, Suite 200, Santa Monica, California 90401. Our telephone number is (310) 255-7700. Our website address is *www.douglasemmett.com*. The information on our website does not constitute a part of this prospectus. We intend to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2006.

Our Competitive Strengths

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

Concentration of High Quality Office Assets in Premier Submarkets. We believe that the submarkets in which we own properties are among the most desirable in Los Angeles County due to their proximity to high-end executive housing and key lifestyle amenities. Similarly, the Honolulu central business district, or CBD, offers an attractive combination of high-quality office properties, a rich amenity base and a robust housing market. Most of our Los Angeles County submarkets are supply constrained, have significant barriers to entry and, relative to the broader Los Angeles County market, command premium rents and higher occupancies. Within these submarkets, we seek to acquire properties that will command premium rental rates and maintain higher occupancy levels than other properties in our submarkets. As of June 30, 2006, the weighted average asking rental rates in our Los Angeles County office portfolio were at an 11.8% premium to the weighted average asking rental rates for competitive office space in our Los Angeles County submarkets.

Disciplined Strategy of Developing Substantial Market Share. As of June 30, 2006, we owned approximately 21.5% of the competitive office space in our Los Angeles submarkets and 13.2% of the office space in the Honolulu CBD. Establishing and maintaining significant market presence provides us with extensive local transactional market information, enables us to leverage our pricing power in lease and vendor negotiations, and enhances our ability to identify and seize emerging investment opportunities.

Diverse Tenant Base. Our markets attract a diverse base of office tenants that operate a variety of professional, financial and other businesses. Based on our experience, we believe that our base of smaller-sized office tenants is generally less rent sensitive and more likely to renew than larger tenants and provides no single tenant with excessive leverage. As of June 30, 2006, our 1,778 commercial tenant leases averaged approximately 5,800 square feet and had a median size of approximately 2,500 square feet. Except for our largest tenant, Time Warner, which represented approximately 6.6% of our annualized office rent pursuant to five leases of varying maturities in five separate properties, no tenant accounted for more than 1.5% of our annualized rent in our office portfolio as of June 30, 2006. The average remaining duration of our existing office leases was 4.5 years as of June 30, 2006. From 2003 through 2005, we maintained an average occupancy level and tenant renewal rate of approximately 90.5% and 73.2%, respectively (each including leases signed but not commenced), in our office portfolio. A small tenant focus also provides us with valuable diversification, in addition to greater leverage.

Premier West Los Angeles and Honolulu Multifamily Portfolio. As of June 30, 2006, 15.3% of our annualized rent was derived from our multifamily portfolio of 2,868 units. We own seven multifamily properties in West Los Angeles, consisting of 1,770 units, and two multifamily properties in Honolulu, Hawaii, consisting of 1,098 units. Four of our West Los Angeles properties are among the top quality multifamily communities in their market. The characteristics that make our submarkets attractive for office investment also provide the basis for our multifamily investment decisions in these same submarkets. As of June 30, 2006, our West Los Angeles multifamily properties had average asking rental rates of $2,477 per unit per month and were 99.5% leased, compared to average asking rental rates of $1,948 per unit per month and occupancy of 97.4% for the West Los Angeles multifamily market as a whole, for an asking rental rate premium of 27.1% and an occupancy premium of 2.1 percentage points.

Strong Internal Growth Prospects. We believe we will be able to achieve significant internal cash flow growth over time through rollover of existing leases to higher rents, the lease-up of vacant space and fixed annual rental rate increases included in our leases.

As of June 30, 2006, the average current asking rents in our Los Angeles County office portfolio represented a 14.6% premium to our average in-place rents, and the average current asking rents in our West Los Angeles multifamily portfolio represented a 32.4% premium to our average in-place rents, due largely to historical rent control laws, which now allow landlords to increase rents to market rates as tenants vacate. As of June 30, 2006, the average current asking rents in our Honolulu office portfolio represented a 2.2% premium to our average in-place rents, and the average current asking rents in our Honolulu multifamily portfolio represented a 4.0% premium to our average in-place rents, excluding income-restricted units.

In addition, we also believe that we are well positioned to achieve internal growth through the lease-up of existing vacant space in our portfolio. For example, our Warner Center Towers, Trillium and Bishop Place properties were 88.5%, 71.6% and 88.4% leased, respectively, as of June 30, 2006. Upon completion of our repositioning efforts at these properties, we expect that we will be able to significantly increase their occupancy. These properties represent approximately 26.3% of our office portfolio, based on rentable square feet.

According to Eastdil Secured, Class-A office rents in our Los Angeles County submarkets are expected to grow 10.0% in each of 2006 and 2007, with five-year forecasted annual rental growth from 2006 to 2010 of 6.9%. With improving economic conditions in our

submarkets, we have generally been able to increase the fixed annual rental rate increases in our leases from 3.0% per annum to 4.0% per annum for most of our leases signed since January 2006.

Seasoned and Committed Management Team with a Proven Track Record. The members of our senior management team have been focused on executing our investment strategy within our core markets for an average of over 15 years. We believe that our extensive acquisition and operating expertise enables us to gain advantages over our competitors through superior acquisition sourcing, focused leasing programs, active asset and property management and first-class tenant service, which have historically resulted in superior returns for investors. Additionally, none of our predecessor principals or members of our senior management team have elected to receive cash in the formation transactions. Upon completion of this offering, the predecessor principals and our senior management team are expected to own, on a fully diluted basis, approximately 28.3% of our outstanding common stock with an aggregate value of $859.5 million (assuming a price per share equal to the mid-point of the range set forth on the cover page of this prospectus). This amount includes $60.0 million recently contributed by our predecessor principals to one of our historical operating companies, the stock of which will be exchanged for common stock in the formation transactions at the initial public offering price.

Growth Oriented and Flexible Capital Structure. Our capital structure and debt financing strategy provide us with the capacity to fund future growth and with significant financial flexibility due to the lack of amortization and defeasance and limited prepayment penalties. Upon consummation of this offering and the financing transactions, we expect we will have a $250.0 million senior secured revolving credit facility (or $500.0 million pursuant to an accordion feature) that will be undrawn at the closing of this offering, assuming that this offering prices at the mid-point of the range of prices set forth on the cover page of this prospectus.

Business and Growth Strategies

Our primary business objective is to enhance stockholder value by increasing cash flow from operations. The strategies we intend to execute to achieve this goal include:

Premier Submarket and Asset Focus. We intend to continue our core strategy of owning and operating office and multifamily properties within submarkets that are supply constrained, have high barriers to entry, offer key lifestyle amenities, are close to high-end executive housing, and exhibit strong economic characteristics such as population and job growth and a diverse economic base. We intend to continue to focus on owning and acquiring premier properties within each of these submarkets that we believe will command premium rental rates and higher occupancy levels than the submarket as a whole. We believe that owning the right assets in the right markets will allow us to generate strong cash flow growth and attractive long-term returns.

Disciplined Office and Multifamily Acquisition Strategy. We intend strategically to increase our market share in our existing submarkets, and selectively to enter into other submarkets with similar characteristics, where we believe we can gain significant market share, both within and outside of Los Angeles County and Honolulu. Our acquisition strategy will focus primarily on long-term growth potential rather than short-term cash returns. As a public company, we believe that we will have more opportunities to acquire targeted properties in our submarkets through the issuance of operating partnership units, which can be of particular value to tax-sensitive sellers. We also believe that because of our established operational platform and reputation and our deep knowledge of market participants, we will be a desirable buyer for those institutions and individuals wishing to sell properties. Since 1993, members of our senior management team have been responsible for the purchase of 55 properties, representing an aggregate investment of approximately $3.1 billion, or an average of approximately $230.0 million per year.

Redevelopment and Repositioning of Properties. We intend to continue to redevelop or reposition properties that we currently own or that we acquire in the future. By redeveloping and repositioning our properties within a given submarket, we endeavor to increase both occupancy and rental rates at these properties, create additional amenities for our tenants and achieve superior risk-adjusted returns on our invested capital.

Proactive Asset and Property Management. With few exceptions, we provide our own, fully integrated property management and leasing for our office and multifamily properties and our own tenant improvement construction services for our office properties. We have built an extensive leasing infrastructure of personnel, policies and procedures that has allowed us to adopt a business strategy of managing and leasing a large property portfolio with a diverse group of smaller tenants. Our submarket concentration allows our senior management team to efficiently access our property management and leasing executives and to realize significant operating efficiencies in managing and leasing our portfolio.

Market Information

We believe that the strength of the economies underlying our Los Angeles County, California and Honolulu, Hawaii submarkets provides a solid foundation for growth in rental and occupancy rates, and that the economic diversity and positive demographics of these submarkets will mitigate against downturns.

Los Angeles

According to Eastdil Secured, the Los Angeles region represents the second largest metropolitan economy in the nation, with a robust service sector, the nation's largest manufacturing base, and a leading presence in both the entertainment and defense industries. The Los Angeles region has prospered as a Pacific Rim transportation and distribution hub, with trade volume expected to surpass $330 billion in 2006. Los Angeles County represents the nation's second largest office market with a total inventory of approximately 368 million rentable square feet. Between 1995 and 2005, the Los Angeles region experienced a net gain of approximately 2.6 million residents, a 16.8% increase, outpacing the national average by 5.4 percentage points. Additionally, over this same period, total employment in the region grew by over 1.0 million jobs, a 17.7% increase, exceeding the national average by 3.1 percentage points.

Hawaii

Hawaii's economy is driven by a number of factors, including international trade and tourism from the mainland United States and Asia, the construction industry, financial services, and a significant U.S. military presence. Employment grew by 13.0% from 1995 to 2005, while population grew by 6.6% during the same period. In addition, as of June 30, 2006, Hawaii's unemployment rate averaged 3.1%, the third lowest in the nation. Hawaii's gross state product grew 7.8% and 6.5% in 2004 and 2005, respectively, and is expected to grow by 6.0% in 2006. The Honolulu CBD has the largest concentration of institutional quality office space in Hawaii, totaling over 5.1 million rentable square feet.

Summary Risk Factors

An investment in our common stock involves various risks, and prospective investors should carefully consider the matters discussed under "Risk Factors" prior to making an investment in our common stock. Such risks include, but are not limited to:

- All of our properties are located in Los Angeles County, California and Honolulu, Hawaii, and we are dependent on the Southern California and Honolulu economies and susceptible to adverse local regulations and natural disasters in those areas.

- The price we will pay for the assets to be acquired by us in the formation transactions may exceed their aggregate fair market value.

- We have no experience operating as a publicly traded REIT.

- Our operating performance is subject to risks associated with the real estate industry.

- We will have a substantial amount of indebtedness outstanding following this offering, which may affect our ability to pay dividends, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.

- Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

- We may pursue less vigorous enforcement of terms of merger and other agreements because of conflicts of interest with certain of our officers.

Our board of directors may change significant corporate policies without stockholder approval.

Our failure to qualify as a REIT would result in higher taxes and reduce cash available for dividends.

Our predecessor principals exercised significant influence with respect to the terms of the formation transactions.

The historical internal rates of return attributable to the institutional funds may not be indicative of our future results or an investment in our common stock.

The number of shares of our common stock available for future sale, including by our affiliates and other continuing investors, could adversely affect the market price of our common stock, and future sales by us of shares of our common stock may be dilutive to existing stockholders.

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

We face intense competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We may be unable to renew leases or lease vacant space.

We may incur significant costs complying with laws, regulations and covenants that are applicable to our properties.

Our Portfolio Summary

Our office and multifamily portfolio is located in nine premier Los Angeles County submarkets and Honolulu, Hawaii. The breakdown by submarket of our office and multifamily portfolio as of June 30, 2006 was as follows:

		Office				
Submarket	**Market**	**Number of Properties**	**Rentable Square Feet(1)**	**Percent Leased(2)**	**Annualized Rent(3)**	**Annualized Rent Per Leased Square Foot(4)**
Brentwood	West Los Angeles	13	1,390,625	95.7%	$44,087,580	$ 34.18
Olympic Corridor	West Los Angeles	4	922,405	90.0	21,956,484	27.36
Century City	West Los Angeles	2	866,039	93.0	25,992,540	32.85
Santa Monica(5)	West Los Angeles	7	860,159	99.2	35,963,820	43.20
Beverly Hills	West Los Angeles	4	571,869	97.8	20,224,728	37.37
Westwood(6)	West Los Angeles	2	396,728	95.2	11,552,748	32.76
Sherman Oaks/Encino	San Fernando Valley	9	2,878,769	97.4	72,728,976	27.37
Warner Center/Woodland Hills(7)	San Fernando Valley	2	2,567,814	84.1	53,301,516	26.23
Burbank	Tri-Cities	1	420,949	100.0	13,360,921	31.74
Honolulu(8)	Honolulu	2	678,940	90.2	16,734,948	30.12
Total/Weighted Average		**46**	**11,554,297**	**93.1%**	**$ 315,904,261**	**$ 30.74**

		Multifamily				
Submarket	**Market**	**Number of Properties**	**Number of Units**	**Percent Leased**	**Annualized Rent(9)**	**Monthly Rent Per Leased Unit**
Brentwood	West Los Angeles	5	950	99.5%	$21,673,245	$ 1,912
Santa Monica(10)	West Los Angeles	2	820	99.6	17,886,817	1,824
Honolulu	Honolulu	2	1,098	99.6	17,533,030	1,336
Total/Weighted Average		**9**	**2,868**	**99.6%**	**$57,093,092**	**$ 1,666**

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with Building Owners and Managers Association (BOMA) 1996 measurement guidelines, which we refer to as the "BOMA 1996 remeasurement," and the square footages in the charts in this prospectus are shown on this basis. Total consists of 10,594,463 leased square feet (includes 318,849 square feet with respect to signed leases not commenced), 800,923 available square feet, 66,774 building management use square feet, and 92,137 square feet of BOMA 1996 adjustment for leases that do not reflect BOMA 1996 remeasurement.

(2) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(3) Represents annualized monthly cash rent under leases commenced as of June 30, 2006. This amount reflects total cash rent before abatements. Abatements committed to as of June 30, 2006 for the twelve months ending June 30, 2007 were $3,848,680. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.

(4) Represents annualized rent divided by leased square feet (excluding 318,849 square feet with respect to signed leases not commenced) as set forth in note (1) above for the total, and as set forth in the tables under "Business and Properties Douglas Emmett Submarket Overview" for each submarket.

(5) Includes $947,760 of annualized rent attributable to our corporate headquarters at our Lincoln/Wilshire property.

(6)

Our One Westwood property is subject to a ground lease, in which we hold a one-sixth interest as tenant-in-common in the fee parcel. Excludes $225,937 of annualized rent as of June 30, 2006 generated by our interest in such ground lease.

(7)
Excludes the ownership of fee parcels at Owensmouth and at the Hilton Hotel adjacent to our Trillium property, which are leased to third parties and generated $1,142,193 and $240,000 of annualized rent, respectively, as of June 30, 2006.

(8)
A portion of our Bishop Place property is subject to a ground lease, and our Harbor Court property is subject to a long-term lease.

(9)
Represents June 2006 multifamily rental income annualized.

(10)
Excludes 10,013 square feet of ancillary retail space, which generated $305,412 of annualized rent as of June 30, 2006. As of June 30, 2006, 355 units, or approximately 43% of our Santa Monica multifamily units, were under leases signed prior to a 1999 change in California state law that allows landlords to reset rents in rent-controlled units to market rates when a tenant moves out. The average monthly rent per leased unit for these units was $922 as of June 30, 2006. The remaining 57%, or 465 units, had an average monthly rent per leased unit of $2,514 as of June 30, 2006.

Structure and Formation of Our Company

Prior to completion of the formation transactions, our predecessor principals owned all of the outstanding interests in Douglas Emmett Realty Advisors, or DERA, Douglas Emmett and Company, or DECO, and P.L.E. Builders, Inc., or PLE, which we refer to as our historical operating companies. These entities provide asset management, property management, leasing, tenant improvement construction, acquisition, repositioning, redevelopment and financing services primarily to the properties owned, directly or indirectly, by the nine institutional funds and eight single-asset entities that we will acquire in the formation transactions. The institutional funds are owned by our predecessor principals, certain of their related parties and a number of unaffiliated private investors, consisting of endowments, foundations, pension plans, banks, other institutional investors and high net worth individuals. DERA is the general partner of each institutional fund. In addition, DERA is the general partner of three investment funds that own interests in certain of the institutional funds. Our predecessor principals, certain of our executive officers and unaffiliated third parties own the three investment funds. Our predecessor principals, together with their related parties, own a significant portion of the interests in the single-asset entities, and unaffiliated third parties own the remaining interests in the single-asset entities. Owners of the interests in the entities that we will acquire in the formation transactions, including our predecessor principals and certain of our executive officers, are referred to herein as the prior investors. Prior investors that will own units in our operating partnership or shares of our common stock following the consummation of the formation transactions are referred to in this prospectus as our continuing investors.

Prior to or concurrently with the completion of this offering, we will engage in formation transactions that are designed to:

- consolidate our asset management, property management, leasing, tenant improvement construction, acquisition, repositioning, redevelopment and financing businesses into our operating partnership;
- consolidate the ownership of our property portfolio under our operating partnership;
- facilitate this offering;
- enable us to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 2006;
- defer the recognition of taxable gain by certain continuing investors; and
- enable prior investors to obtain liquidity for their investments.

We structured the formation transactions to minimize potential conflicts of interest. None of the predecessor principals or our executive officers elected to receive any cash in the formation transactions, and instead will receive only shares of our common stock and/or operating partnership units. They will, however, receive an estimated $5.8 million in cash in respect of a final distribution payable to all holders of interests in the pre-formation transaction entities in connection with the closing of the formation transactions. The predecessor principals also recently contributed an additional $60.0 million to DERA, the stock of which will be exchanged for shares of our common stock, valued at the initial public offering price to the public, in the formation transactions. In addition, we will not enter into any tax protection agreements in connection with the formation transactions.

Pursuant to the formation transactions, the following have occurred or will occur on or prior to the completion of this offering. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus:

- We were formed as a Maryland corporation on June 28, 2005.
- Douglas Emmett Properties, LP, our operating partnership, was formed as a Delaware limited partnership on July 25, 2005. Douglas Emmett Management, Inc., a wholly owned subsidiary that we formed as a Delaware limited liability company under the name Douglas Emmett, LLC on July 25, 2005 and will convert to a Delaware corporation, owns the general partnership interest in our operating partnership.

In accordance with the formation transaction documents relating to the acquisitions of the institutional funds and the single-asset entities, each such entity will distribute to its equity interest holders, including our predecessor principals and certain of our executive officers, a good faith estimate of its net operating income, less a capital expense allowance, for the period commencing July 1, 2005 and ending on the closing date, which is expected to be approximately $25.0 million (including an estimated $5.3 million to be paid to our predecessor principals and executive officers) in the aggregate for all such entities. The payments will be made in cash concurrently with the closing of the formation transactions. "Net operating income" is defined in the applicable merger or contribution agreement as net income before unrealized appreciation (depreciation) in real estate investments and the fair value of derivatives, as set forth in each such entity's financial statements. We refer to these final operating distributions as the "pre-closing property distributions." The pre-closing property distributions are not subject to any post-closing adjustment.

In accordance with the formation transaction documents relating to the acquisitions of DERA, DECO and PLE, each such entity will distribute to our predecessor principals, the sole stockholders of each, its cash (other than the $60.0 million DERA contribution) and its other current assets in excess of current its liabilities (excluding accrued employee benefits and future lease obligations) so that, upon our acquisition of them, current assets and current liabilities will be netted to zero. In the event that the current liabilities of DERA, DECO and PLE exceed current assets, our predecessor principals will make a contribution in the amount of the difference. We currently expect our predecessor principals will receive a distribution of $0.5 million in the aggregate in respect of such assets. The payments will be made in cash by the respective operating company immediately prior to the closing of the formation transactions. We refer to these final operating distributions as the "pre-closing operating company distributions." The pre-closing operating company distributions are not subject to any post-closing adjustment.

We will acquire DERA and DECO pursuant to a series of merger transactions. Each of DERA and DECO will be merged into a newly formed merger subsidiary of ours. Thereafter, we will contribute the assets of such predecessor operating company to our operating partnership in exchange for units in our operating partnership. Our predecessor principals recently contributed $60.0 million to DERA, the stock of which will be exchanged for common stock in the formation transactions at the initial public offering price. In addition, our operating partnership will acquire PLE pursuant to a contribution transaction, in which the outstanding interests in PLE will be contributed to our operating partnership in exchange for units in our operating partnership.

We and our operating partnership will then acquire the remaining interests in the institutional funds, the investment funds and the single-asset entities through a series of merger and contribution transactions. In addition, we will redeem the preferred minority interests in two of the institutional funds for cash. Our operating partnership will also acquire outstanding minority interests in certain subsidiaries of the institutional funds through a contribution transaction. In these acquisitions, our prior investors will receive as consideration, pursuant to their prior irrevocable election, cash and/or units in our operating partnership or shares of our common stock. Each of our predecessor principals elected to receive units in our operating partnership and shares of our common stock in the formation transactions for their interests in the various entities being acquired. None of

our predecessor principals elected to receive cash in the formation transactions. The formation transaction consideration does not include the pre-closing property distributions or the pre-closing operating company distributions described above, which are also payable at closing.

As a closing condition to the formation transactions, the aggregate amount of cash paid in the formation transactions must equal at least 90% of the difference between the net proceeds from this offering (excluding the exercise of the underwriters' over-allotment option) and the aggregate amount of payments to preferred equity holders in certain of the institutional funds.

This requirement reflects our agreement with the prior investors that the proceeds from this offering should be used primarily to pay cash consideration in the formation transactions. In addition, the value of the total cash and equity consideration payable to prior investors must be at least $1.0 billion. Assuming an offering price based on the mid-point of the range of prices set forth on the cover page of this prospectus, we currently expect to pay to the prior investors $1.38 billion in cash and issue to the prior investors 50,512,427 operating partnership units and 58,617,573 shares of common stock in the aggregate in these merger and contribution transactions. The aggregate value of this consideration will be $3.57 billion. If the underwriters' over-allotment option is exercised in full, we expect to pay to the prior investors $1.55 billion in cash and issue to the prior investors 49,574,538 operating partnership units and 51,305,462 shares of common stock, with an aggregate consideration value of $3.57 billion. The aggregate consideration value does not include the pre-closing property distributions or the pre-closing operating company distributions described above.

We will sell 55,000,000 shares of our common stock in this offering and an additional 8,250,000 shares if the underwriters exercise their over-allotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for 55,000,000 units in our operating partnership (or 63,250,000 units if the underwriters' over-allotment option is exercised in full).

Effective upon completion of this offering, we will grant to our predecessor principals and executive officers a total of 1,044,000 long-term incentive units in our operating partnership, or LTIP units, and options to purchase a total of 5,742,221 shares of our common stock at the initial public offering price, of which 870,000 LTIP units and 5,155,556 options will be fully vested upon issuance.

In connection with the foregoing transactions, we will assume approximately $2.36 billion of debt. In addition, as a result of the financing transactions described in the next bullet, including the use of proceeds therefrom, we expect to have approximately $2.75 billion of total debt outstanding, excluding loan premium, upon consummation of this offering, the formation transactions and the financing transactions.

In connection with this offering and the formation transactions, we have entered into agreements with Eurohypo AG and Barclays Capital to amend our existing $1.76 billion secured financing to increase the term loans by $545.0 million, which we refer to herein as the modified term loan. The closing of the modified term loan is contingent on satisfaction of customary conditions and the consummation of this offering. We expect to use the full amount of the increase upon consummation of this offering, together with the net proceeds from this offering, cash on hand and the $60.0 million DERA contribution, to pay cash consideration in the formation transactions, to repay certain outstanding indebtedness, to redeem outstanding preferred minority interests in certain entities to be acquired in the formation transactions, to pay related fees and expenses and to pay the pre-closing property distributions. We have also entered into an agreement with Bank of America, N.A. and Banc of America Securities, LLC to provide a $250.0 million senior secured revolving credit facility, which we expect will be in place and undrawn at the closing of this offering, assuming a price per share in this offering at the mid-point of the range of prices set forth on the cover page of this prospectus. The senior secured revolving credit facility will contain an accordion feature that would allow us to increase the availability thereunder by $250.0 million, to $500.0 million, under specified circumstances. In this prospectus, we refer to our modified term loan and our new senior secured revolving credit facility as our financing transactions. For more information see "Business and Properties Description of Certain Debt."

Consequences of this Offering, the Formation Transactions and the Financing Transactions

The completion of this offering, the formation transactions and the financing transactions will have the following consequences. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus:

- Our operating partnership will directly or indirectly own the assets of our historical operating companies and the fee simple or other interests in all of our properties that were previously owned by the institutional funds and the single-asset entities.

- Purchasers of our common stock in this offering will own 48.4% of our outstanding common stock, or 32.3% on a fully diluted basis. If the underwriters' over-allotment option is exercised in full, purchasers of our common stock in this offering will own 55.2% of our outstanding common stock, or 37.2% on a fully diluted basis.

- The continuing investors, including our predecessor principals and our executive officers, that elected to receive common stock in the formation transactions will own 51.6% of our outstanding common stock, or 67.7% on a fully diluted basis. If the underwriters' over-allotment option is exercised in full, the continuing investors, including our predecessor principals and our executive officers, will own 44.8% of our outstanding common stock, or 62.8% on a fully diluted basis.

- A wholly owned subsidiary of ours will be the sole general partner of our operating partnership. We will own 68.9% of the operating partnership units and the continuing investors, including our predecessor principals and our executive officers, that elected to receive units in the formation transactions will own 31.1%. If the underwriters' over-allotment option is exercised in full, we will own 69.4% of the operating partnership units and the continuing investors, including our predecessor principals and our executive officers, will own 30.6%.

- We will jointly elect with PLE to treat PLE as a taxable REIT subsidiary, or TRS. PLE will continue to provide construction services in connection with certain improvements to tenant suites and common areas in our properties. In addition, PLE will undertake certain activities that we (and our pass-through subsidiaries) might otherwise be precluded from undertaking under the REIT rules. As a TRS, PLE is generally subject to corporate income tax on its earnings, which will have the effect of reducing the cash flow available to make distributions to our stockholders. PLE also is not obligated to make distributions to our operating partnership, which may reduce our cash flow and our ability to make distributions to our stockholders.

- The employees of our historical operating companies will become our employees.

- We expect to have total consolidated indebtedness of approximately $2.75 billion, excluding loan premium.

The aggregate historical net tangible book value of the assets we will acquire in the formation transactions was approximately $478.0 million as of June 30, 2006. In exchange for these assets, we will assume or discharge $2.54 billion in indebtedness and preferred equity, and we will pay $1.38 billion in cash, and we will issue 50,512,427 operating partnership units and 58,617,573 shares of our common stock with a combined aggregate value for such cash, operating partnership units and common stock of $3.57 billion. If the underwriters' over-allotment option is exercised in full, we will assume or discharge $2.54 billion in indebtedness and preferred equity, and we will pay $1.55 billion in cash, and we will issue 49,574,538 operating partnership units and 51,305,462 shares of our common stock with a combined aggregate value for such cash, operating partnership units and common stock of $3.57 billion. The value of the operating partnership units and the common stock that we will issue for the assets to be acquired in the formation transactions will increase or decrease if our common stock price increases or decreases. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of our assets.

For an analysis of how this information would change if the share price in the offering is not equal to the mid-point of the range of prices set forth on the cover page of this prospectus, please refer to "Pricing Sensitivity Analysis" included elsewhere in this prospectus.

Our Structure

The following diagram depicts our ownership structure upon completion of this offering and the formation transactions, based on the mid-point of the range of prices set forth on the cover page of this prospectus. The diagram reflects outstanding vested LTIP units, but not stock options.[1]

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(1) If the underwriters exercise their over-allotment option in full, our public stockholders, predecessor principals and executive officers and other continuing investors will own 55.2%, 12.2% and 32.6%, respectively, of our outstanding common stock, and we, our predecessor principals and executive officers and other continuing investors will own 69.4%, 17.6% and 13.0% of the outstanding units in our operating partnership, respectively.

(2) On a fully diluted basis, our public stockholders will own 32.3% of our outstanding common stock, our predecessor principals and executive officers will own 28.3% of our outstanding common stock, and all other continuing investors as a group will own 39.4% of our outstanding common stock.

(3) If the underwriters exercise their over-allotment option in full, on a fully diluted basis, our public stockholders will own 37.2% of our common stock, our predecessor principals and executive officers will own 28.3% of our outstanding common stock, and all other continuing investors as a group will own 34.5% of our outstanding common stock.

(4) PLE is our taxable REIT subsidiary. See " Consequences of this Offering, the Formation Transactions and the Financing Transactions."

Benefits to Related Parties

In connection with this offering, employment arrangements, the formation transactions and the financing transactions, our predecessor principals and certain of our executive officers will receive material benefits, including the following. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus:

- Mr. Emmett will own 4.9% of our outstanding common stock, or 11.3% on a fully diluted basis, or 11.3% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $381.1 million, net of option exercise price, represented by 5,567,452 shares, 13,457,837 units, 30,000 vested LTIP units and 177,778 vested stock options.

- Mr. Kaplan will own 2.5% of our outstanding common stock, or 6.2% on a fully diluted basis, or 6.2% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $159.9 million, net of option exercise price, represented by 2,801,467 shares, 4,774,210 units, 420,000 vested LTIP units and 2,488,889 vested stock options.

- Mr. Panzer will own 2.5% of our outstanding common stock, or 6.2% on a fully diluted basis, or 6.2% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $161.2 million, net of option exercise price, represented by 2,801,467 shares, 4,839,466 units, 420,000 vested LTIP units and 2,488,889 vested stock options.

- Mr. Anderson will own 2.5% of our outstanding common stock, or 4.6% on a fully diluted basis, or 4.6% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $155.2 million, represented by 2,783,726 shares and 4,976,414 units.

- Mr. William Kamer, our Chief Financial Officer, will own 0.0% of our outstanding common stock, or 0.02% on a fully diluted basis, or 0.02% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $0.8 million, represented by 40,749 units.

- Ms. Barbara J. Orr, our Chief Accounting Officer, will own 0.0% of our outstanding common stock, or 0.01% on a fully diluted basis, or 0.01% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $0.4 million, represented by 20,374 units.

- Mr. Allan B. Golad, our Senior Vice President, Property Management, will own 0.0% of our outstanding common stock, or 0.01% on a fully diluted basis, or 0.01% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $0.5 million, represented by 23,212 units.

- Mr. Michael J. Means, our Senior Vice President, Commercial Leasing, will own 0.0% of our outstanding common stock, or 0.01% on a fully diluted basis, or 0.01% on a fully diluted basis if the underwriters' over-allotment option is exercised in full, in each case with a total value of $0.4 million, represented by 20,374 units.

- Mr. Andres R. Gavinet, our Executive Vice President of Finance, will not receive any common stock, operating partnership units, vested LTIP units or vested stock options.

- In accordance with the formation transaction documents relating to the acquisitions of the historical operating companies, our predecessor principals, as the sole stockholders of DERA, DECO and PLE, will receive the pre-closing operating company distributions. We currently expect our predecessor principals to receive the following estimated distributions: $200,000 for Mr. Emmett, $100,000 for Mr. Kaplan, $100,000 for Mr. Panzer and $100,000 for Mr. Anderson.

In accordance with the formation transaction documents relating to the acquisitions of the institutional funds and the single-asset entities, our predecessor principals and certain of our executive officers, as prior investors in those entities, will receive the pre-closing property distributions, the value of which is expected to be approximately as follows: $2,582,224 for Mr. Emmett, $872,564 for Mr. Kaplan, $884,652 for Mr. Panzer, $919,969 for Mr. Anderson, $2,932 for Mr. Kamer, $1,466 for Ms. Orr, $2,029 for Mr. Golad, $1,466 for Mr. Means.

An immediate increase in the net tangible book value of their investment in us of $21.29 per share, representing an aggregate increase of approximately $896.5 million.

Employment agreements for Mr. Kaplan, our Chief Executive Officer and President, Mr. Panzer, our Chief Operating Officer, and Mr. Kamer, our Chief Financial Officer, providing for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances.

Indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against our continuing investors who will become our officers and/or directors, in their capacities as such.

Repayment of $15 million of indebtedness secured by the Owensmouth land and guaranteed by Mr. Emmett's limited personal guarantee. See "Certain Relationships and Related Transactions."

Repayment to Mr. Emmett of an aggregate of $281,841, plus accrued interest of $2,162 as of June 30, 2006, loaned by Mr. Emmett to the single-asset entity that owns the Brentwood Court property. See "Certain Relationships and Related Transactions."

Effective upon completion of this offering, we will grant 30,000, 420,000 and 420,000 fully vested LTIP units, respectively, to each of Messrs. Emmett, Kaplan and Panzer, and 101,500, 15,000, 15,000, 15,000 and 15,000 unvested LTIP units, respectively, to each of Mr. Kamer, Mr. Gavinet, Ms. Orr, Mr. Golad and Mr. Means.

Effective upon completion of this offering, we will grant fully vested options to purchase 177,778, 2,488,889 and 2,488,889 shares of our common stock respectively, at the initial public offering price, to each of Messrs. Emmett, Kaplan and Panzer, and unvested options to purchase 386,667, 44,444, 44,444, 44,444 and 44,444 shares of our common stock respectively, at the initial public offering price, to each of Mr. Kamer, Mr. Gavinet, Ms. Orr, Mr. Golad and Mr. Means.

Continuing investors, including our predecessor principals, holding shares of our common stock or units in our operating partnership as a result of the formation transactions will have rights beginning 14 months after the completion of this offering:

to cause our operating partnership to redeem any or all of their units in our operating partnership for cash equal to the then-current market value of one share of common stock, or, at our election, to exchange each of such units for which a redemption notice has been received for shares of our common stock on a one-for-one basis;

to cause us to register shares of our common stock that may be issued in exchange for such units in our operating partnership upon issuance or for resale under the Securities Act; and

to cause us to register such shares of common stock for resale under the Securities Act.

We have not obtained any third-party appraisals of the properties and other assets to be acquired by us in connection with this offering or the formation transactions. The consideration to be given by us for our properties and other assets in the formation transactions may exceed the fair market value of these properties and assets. See "Risk Factors Risks Related to Our Properties and Our Business The price we will pay for the assets to be acquired by us in the formation transactions may exceed their aggregate fair market value."

For an analysis of how this information would change if the share price in the offering is not equal to the mid-point of the range of prices set forth on the cover page of this prospectus, please refer to "Pricing Sensitivity Analysis" included elsewhere in this prospectus.

Restrictions on Transfer

Under the agreement governing our operating partnership, holders of units in our operating partnership do not have redemption or exchange rights and may not otherwise transfer their units, except under certain limited circumstances, for a period of 14 months after consummation of this offering. In addition, the predecessor principals and our executive officers and directors have agreed with the underwriters, subject to certain exceptions, not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into common stock (including units in our operating partnership) owned by them at the completion of this offering or thereafter acquired by them for a period of 360 days after the completion of this offering. All other continuing investors have agreed with the underwriters, subject to certain exceptions, not to sell or otherwise transfer or encumber any such securities owned by them at the completion of this offering for a period of 180 days after the completion of this offering. Such transfer restrictions may be lifted with the consent of each of Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc.

Restrictions on Ownership of Our Capital Stock

Our charter documents generally prohibit any person from actually or constructively owning more than 5.0% of the outstanding shares of our common stock, subject to certain exceptions. Our charter documents, however, permit exceptions to be made for stockholders with the approval of our board of directors.

Conflicts of Interest

Following the completion of this offering, there will be conflicts of interest with respect to certain transactions between the holders of units in our operating partnership and our stockholders. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of units in our operating partnership, which would make those transactions less desirable to holders of such units. Our predecessor principals and certain of our executive officers will hold both operating partnership units and shares of our common stock upon completion of this offering and the formation transactions.

Our predecessor principals and certain of our executive officers have ownership interests in our historical operating companies, the institutional funds, the investment funds and/or the single-asset entities that we will acquire in the formation transactions upon completion of this offering. Pursuant to a representation, warranty and indemnity agreement that we have entered into with our predecessor principals as part of the formation transactions, our predecessor principals made limited representations and warranties to us regarding potential material adverse impacts on the entities and assets to be acquired by us in a formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties. Such indemnification is limited, however, to $20.0 million in shares of our common stock and operating partnership units to be deposited into an escrow fund at closing of the formation transactions (or, if less, the fair market value of such shares and units) and is subject to a $1.0 million deductible. See "Risk Factors We may pursue less vigorous enforcement of terms of merger and other agreements because of conflicts of interest with certain of our officers." In addition, we expect that certain of our predecessor principals and executive officers will enter into employment agreements with us pursuant to which they will agree, among other things, not to engage in certain business activities in competition with us and pursuant to which they will devote substantially full-time attention to our affairs. See "Management Employment Agreements."

We may choose not to enforce, or to enforce less vigorously, our rights under these agreements due to our ongoing relationship with our predecessor principals and our executive officers.

We did not conduct arm's-length negotiations with our predecessor principals with respect to all of the terms of the formation transactions. In the course of structuring the formation transactions, our predecessor principals had the ability to influence the type and level of benefits that they and our other officers will receive from us. In addition, we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors, including our predecessor principals and certain of our executive officers, in connection with the formation transactions. As a result, the price to be paid by us to the prior investors, including our predecessor principals and certain of our executive officers, for the acquisition of the assets in the formation transactions may exceed the fair market value of those assets.

We have adopted policies that are designed to eliminate or minimize certain potential conflicts of interest, and the limited partners of our operating partnership have agreed that in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as general partner of our operating partnership, to such limited partners, we are under no obligation to give priority to the interests of such limited partners. See "Policies with Respect to Certain Activities Conflict of Interest Policies" and "Description of the Partnership Agreement of Douglas Emmett Properties, LP."

This Offering

Common stock offered by us	55,000,000 shares
Common stock to be outstanding after this offering	113,617,573 shares(1)
Common stock and units in our operating partnership to be outstanding after this offering	165,000,000 shares / units(2)
Common stock and units in our operating partnership to be outstanding after this offering, assuming full exercise of the underwriters' over-allotment option	165,000,000 shares / units(2)(3)
Use of proceeds(3)	We intend to use the net proceeds of this offering to pay a portion of the cash consideration to prior investors due in connection with the formation transactions.
New York Stock Exchange symbol	"DEI"

(1) Includes 13,954,112 shares owned by our predecessor principals and executive officers and 44,663,461 shares owned by our other continuing investors. Excludes 9,713,778 shares available for future issuance under our stock incentive plan, 1,044,000 LTIP units and 5,742,222 shares underlying options to be granted under our stock incentive plan upon consummation of the offering.

(2) Includes 50,512,427 operating partnership units not owned by us expected to be outstanding following the consummation of the formation transactions and 870,000 fully vested LTIP units to be issued under our stock incentive plan upon consummation of the offering.

(3) If the underwriters' over-allotment option is exercised in full, the aggregate number of our outstanding shares and units will not change, as we intend to use cash in the amount of the gross proceeds to pay more cash consideration and less equity consideration in the formation transactions described herein.

Dividend Policy

We intend to pay cash dividends to holders of our common stock. We intend to pay a pro rata dividend with respect to the period commencing on the completion of this offering and ending December 31, 2006 based on $0.175 per share for a full quarter. On an annualized basis, this would be $0.70 per share, or an annual dividend rate of approximately 3.5%, based on the mid-point of the range set forth on the cover page of this prospectus. We intend to maintain our initial dividend rate for the twelve month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Dividends made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and the capital requirements of our company. We do not intend to reduce the expected dividend per share if the underwriters' over-allotment option is exercised.

Our Tax Status

We intend to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ending December 31, 2006. We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our REIT taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax on REIT taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property. See "Federal Income Tax Considerations."

Summary Historical and Pro Forma Financial and Operating Data

The following table sets forth summary financial and operating data on (1) a pro forma basis for our company (which includes the historical operating companies, the institutional funds and the single-asset entities) and (2) an historical basis for our "predecessor." Our "predecessor" includes DERA, as the accounting acquirer, and the institutional funds, and excludes DECO, PLE and the single-asset entities. Our predecessor owned 42 office properties, the fee interest in two parcels of land that we lease to third parties under long-term ground leases and six multifamily properties as of June 30, 2006. DERA consolidated the institutional funds because it had control over major decisions, including decisions related to property sales or refinancings. We have not presented historical financial information for Douglas Emmett, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and activity in connection with this offering, the formation transactions and the financing transactions, and because we believe that a discussion of the results of Douglas Emmett, Inc. would not be meaningful. In addition, we have not presented historical financial information for DECO, PLE or the single-asset entities because we believe that a discussion of the predecessor is more meaningful.

You should read the following summary financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation," our unaudited pro forma consolidated financial statements and related notes, the audited consolidated historical financial statements and related notes of our predecessor, and the other financial statements included elsewhere in this prospectus.

The summary historical consolidated financial and operating data as of and for the years ended December 31, 2003, 2004 and 2005 have been derived from the audited historical consolidated financial statements of our predecessor. The summary historical consolidated balance sheet information as of June 30, 2006 and the consolidated statements of operations data for the six months ended June 30, 2005 and 2006 have been derived from the unaudited consolidated financial statements of our predecessor. In the opinion of management, the summary unaudited historical consolidated financial information for the interim periods presented includes all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for interim periods are not necessarily indicative of the results to be obtained for the full fiscal year.

Our summary unaudited pro forma consolidated financial and operating data have been derived from our unaudited pro forma consolidated financial statements included elsewhere in this prospectus and assume a share price in this offering at the mid-point of the range set forth on the cover page of this prospectus. Our unaudited pro forma consolidated financial and operating data as of and for the six months ended June 30, 2006 and for the year ended December 31, 2005 are derived from the audited and unaudited financial statements of our predecessor, DECO, PLE, and the single-asset entities included elsewhere in this prospectus and are presented as if the formation transactions, the financing transactions, this offering, the $60.0 million DERA contribution and the application of the net proceeds thereof, had all occurred on June 30, 2006 for the pro forma consolidated balance sheet and on January 1, 2005 for the pro forma consolidated statements of operations. Additionally the pro forma consolidated statements of operations are presented as if the acquisition of the Villas at Royal Kunia, consummated on March 1, 2006, along with the related financing, had occurred on January 1, 2005.

	Six Months Ended June 30,			Year Ended December 31,			
	Company Pro Forma	Historical Predecessor		Company Pro Forma	Historical Predecessor		
	2006	2006	2005	2005	2005	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	(In thousands)						
Statement of Operations Data:							
Revenues:							
Office rental:							
Rental revenue[1]	$175,792	$150,519	$144,200	$338,150	$297,551	$249,402	$246,369
Tenant recoveries	9,101	8,903	6,599	14,979	14,632	9,439	9,386
Parking and other income	20,470	20,031	18,648	37,123	36,383	27,797	27,557
Total office revenue	205,363	179,453	169,447	390,252	348,566	286,638	283,312
Multifamily rental:							
Rental revenue [2]	30,198	25,900	21,360	61,015	43,942	32,787	31,070
Parking and other income	944	824	560	1,909	1,280	1,006	924
Total multifamily revenue	31,142	26,724	21,920	62,924	45,222	33,793	31,994
Total revenue	236,505	206,177	191,367	453,176	393,788	320,431	315,306
Operating Expenses:							
Office rental	57,902	61,132	59,021	113,939	119,879	103,407	96,771
Multifamily rental	8,427	8,696	7,315	16,312	15,347	13,219	11,765
General and administrative expenses	7,354	3,136	3,193	14,997	6,457	5,646	5,195
Depreciation and amortization [3]	98,714	53,616	57,672	221,720	113,170	91,306	92,559
Total operating expenses	172,397	126,580	127,201	366,968	254,853	213,578	206,290
Operating income	64,108	79,597	64,166	86,208	138,935	106,853	109,016
Gain on investment in interest contracts, net		59,967	6,300		81,666	37,629	23,583
Interest and other income	1,715	2,548	746	544	2,264	1,463	514
Interest expense [4]	(85,399)	(58,055)	(52,356)	(175,846)	(115,674)	(95,125)	(94,783)
Deficit recovery (distributions) from/(to) minority partners, net [5]		6,248	(47,652)		(28,150)	(57,942)	
Income (loss) before minority interest expense	(19,576)	90,305	(28,796)	(89,094)	79,041	(7,122)	38,330
Minority Interest:							
Minority interest expense in consolidated real estate partnerships		(64,434)	(8,843)		(79,756)	(47,144)	(30,944)
Minority interest in operating partnership	(6,096)			(27,744)			
Preferred minority investor		(8,050)	(7,755)		(15,805)	(2,499)	
Income (loss) from continuing operations	(13,480)	17,821	(45,394)	(61,350)	(16,520)	(56,765)	7,386
Income from discontinued operations, net of minority interest						174	239

	Six Months Ended June 30,			Year Ended December 31,			
Net income / (loss)	$(13,480)	$17,821	$(45,394)	$(61,350)	$(16,520)	$(56,591)	$7,625

	Six Months Ended June 30,		Year Ended December 31,			
	Company Pro Forma	Historical Predecessor	Company Pro Forma	Historical Predecessor		
	2006	2006	2005	2005	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)			
	(In thousands except per share data)					
Balance Sheet Data (at end of period):						
Investment in real estate, net	$ 5,864,616	$ 2,707,477		$ 2,622,484	$ 2,398,980	$ 2,222,854
Total assets	6,084,744	3,056,568		2,904,647	2,585,697	2,356,296
Secured notes payable	2,781,000	2,305,500		2,223,500	1,982,655	1,716,200
Total liabilities	3,112,014	2,401,940		2,313,922	2,069,473	1,842,971
Minority interests in real estate partnerships		741,694		688,516	579,838	496,838
Minority interests in operating partnership	925,738					
Stockholders' / owners' equity	2,046,992	(87,066)		(97,791)	(63,614)	16,487
Total liabilities and stockholders' / owners' equity	6,084,744	3,056,568		2,904,647	2,585,697	2,356,296
Per Share Data:						
Pro forma earnings (loss) per share basic and diluted						
Pro forma weighted average common shares outstanding basic and diluted						
Other Data:						
Cash flows from						
Operating activities		69,967		127,811	92,767	113,950
Investing activities		(138,340)		(231,157)	(223,574)	2,163
Financing activities		60,593		103,768	167,817	(116,322)
Funds from operations before minority interest (6)	$79,138		$132,626			
EBITDA before minority interest (7)	164,537		308,472			
Number of properties (at end of period)	55	48	55	47	45	43

(1) Pro forma rental revenue on our office portfolio includes straight line rent of $14.8 million for the six months ended June 30, 2006 and $29.6 million for the year ended December 31, 2005. Pro forma rental revenues on our office portfolio also includes amortization of above- and below-market rents of $11.8 million for the six months ended June 30, 2006 and $23.5 million for the year ended December 31, 2005.

(2) Pro forma rental revenue on our multifamily portfolio includes amortization of above- and below-market rents of $2.5 million for the six months ended June 30, 2006 and $9.2 million for the year ended December 31, 2005. Pro forma rental revenue on our multifamily portfolio for the year ended December 31, 2005 includes $3.4 million of below market lease value which amortizes into rental revenue over a period of less than one year.

(3) Pro forma depreciation and amortization for the year ended December 31, 2005 includes approximately $16.8 million of in-place lease value relating to our multifamily assets which amortizes over a period of less than one year.

(4) Pro forma and historical interest expense for the year ended December 31, 2005 includes loan cost write-offs of $9.8 million related to the refinancing of certain secured notes payable.

(5) Represents a charge equal to the amount of cash distributions by the institutional funds to their limited partners in excess of the carrying amount of such limited partners' interest. As we do not expect to make cash distributions in excess of the carrying amount of the minority interests in the operating partnership, these amounts have been eliminated from the pro forma amounts for each period presented.

(6)

We calculate funds from operations before minority interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that results from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. FFO should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma funds from operations before minority interests to net loss for the periods presented (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2006	**Year Ended December 31, 2005**
Net loss	$(13,480)	$ (61,350)
Adjustments:		
Minority interest in operating partnership	(6,096)	(27,744)
Real estate depreciation and amortization	98,714	221,720
Funds from operations before minority interest [(a)]	$ 79,138	$ 132,626

(a) Pro forma funds from operations for the year ended December 31, 2005 includes (1) $9.8 million of loan write off costs included in interest expense related to the refinancing of certain secured notes payable and (2) $3.4 million of below market lease value included in multifamily rental revenue which amortizes over a period of less than one year.

(7) EBITDA before minority interest represents net income (loss) before interest expense, interest income, income tax expense, depreciation and amortization and minority interest in operating partnership. We present EBITDA before minority interest primarily as a supplemental performance measure because we believe it facilitates operating performance comparisons from period to period by backing out potential differences caused by non-operational variances. Because EBITDA before minority interest facilitates internal comparisons of our historical financial position and operating performance on a more consistent basis, we also intend to use EBITDA before minority interest for business planning purposes, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities. In addition, we believe EBITDA before minority interest and similar measures are widely used by financial analysts as a measure of financial performance of other companies in our industry. EBITDA before minority interest has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA before minority interest does not reflect cash requirements for such replacements;
- it does not reflect changes in, or cash requirements for, our working capital requirements;
- it does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness; and
- other REITs may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA before minority interest should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA before minority interest only supplementally. For more information, see the consolidated financial statements and the related notes of our predecessor and the other financial statements included elsewhere in this prospectus.

A reconciliation of our pro forma EBITDA before minority interest to net loss, the most directly comparable GAAP performance measure, is provided below (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Net loss	$(13,480)	$ (61,350)
Adjustments:		
Interest expense	85,399	175,846
Depreciation and amortization	98,714	221,720
Minority interest in operating partnership	(6,096)	(27,744)
EBITDA before minority interest[a]	$ 164,537	$ 308,472

(a) Pro forma EBITDA before minority interest for the year ended December 31, 2005 includes $3.4 million of below market lease value included in multifamily rental revenue which amortizes over a period of less than one year.

RISK FACTORS

Investment in our common stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of common stock offered by this prospectus. The occurrence of any of the following risks might cause you to lose all or part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Forward-Looking Statements."

Risks Related to Our Properties and Our Business

All of our properties are located in Los Angeles County, California and Honolulu, Hawaii, and we are dependent on the Southern California and Honolulu economies and are susceptible to adverse local regulations and natural disasters in those areas.

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

The price we will pay for the assets to be acquired by us in the formation transactions may exceed their aggregate fair market value.

We have not obtained any third-party appraisals of the properties and other assets to be acquired by us from certain of our affiliates and from unaffiliated third parties in connection with this offering or the formation transactions. The value of the cash, units in our operating partnership and shares of our common stock that we will pay or issue as consideration for the assets that we will acquire will increase or decrease if our common stock is priced above or below the mid-point of the range shown on the front cover of this prospectus. The initial public offering price of our common stock will be determined in consultation with the underwriters based on the history and prospects for the industry in which we compete, our financial information, the ability of our management and our business potential and earning prospects, the prevailing securities markets at the time of this offering, and the recent market prices of, and the demand for, publicly traded shares of generally comparable companies. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of such assets. As a result, the price to be paid by us to these affiliates and third parties for the acquisition of the assets in the formation transactions may exceed the fair market value of those assets. The aggregate historical combined net tangible book value of the assets to be acquired by us in the formation transactions was approximately $478.0 million as of June 30, 2006.

Our operating performance is subject to risks associated with the real estate industry.

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

- adverse changes in international, national or local economic and demographic conditions;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- reductions in the level of demand for commercial space and residential units, and changes in the relative popularity of properties;
- increases in the supply of office space and multifamily units;
- fluctuations in interest rates, which could adversely effect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- increases in expenses, including, without limitation, insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, and we may be restricted in passing on these increases to our tenants;
- the effects of rent controls, stabilization laws and other laws or covenants regulating rental rates; and
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990, or ADA.

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

We will have a substantial amount of indebtedness outstanding following this offering, which may affect our ability to pay dividends, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.

As of June 30, 2006, on a pro forma basis, our total consolidated indebtedness would have been approximately $2.75 billion, excluding loan premium, and we may incur significant additional debt for various purposes, including, without limitation, to fund future acquisition and development activities and operational needs. Upon completion of this offering, we expect to have an additional $250.0 million available for use under our senior secured revolving credit facility, assuming a pricing at the mid-point of the range set forth on the cover page of this prospectus.

Our senior secured revolving credit facility will also contain an accordion feature that will allow us to increase the availability thereunder by $250.0 million upon specified circumstances.

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

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations;
- we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements, these agreements may not effectively hedge interest rate fluctuation risk, and, upon the expiration of any hedge agreements we do have, we will be exposed to then-existing market rates of interest and future interest rate volatility with respect to indebtedness that is currently hedged;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases; and
- our default under any of our indebtedness with cross default provisions could result in a default on other indebtedness.

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

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time.

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

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

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

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

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

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

Terrorism and other factors affecting demand for our properties could harm our operating results.

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

We face intense competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

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

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

We may be unable to renew leases or lease vacant space.

As of June 30, 2006, leases representing approximately 5.9% of the square footage of the properties in our office portfolio will expire in the remainder of 2006, and an additional approximately 6.9% of the square footage of the properties in our office portfolio was available for lease. In addition, as of June 30, 2006, approximately 0.4% of the units in our multifamily portfolio was available for lease, and substantially all of the leases in our multifamily portfolio are renewable on an annual basis at the tenant's option and, if not renewed or terminated, automatically convert to month-to-month. We cannot assure you that leases will be renewed or that our properties will be re-leased at rental rates equal to or above our existing rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. Accordingly, portions of our office and multifamily properties may remain vacant for extended periods of time. In addition, some existing leases currently provide tenants with options to renew the terms of their leases at rates that are less than the current market rate or to terminate their leases prior to the expiration date thereof.

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

Real estate investments are generally illiquid.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinance of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Furthermore, the value of our Studio Plaza and One Westwood properties may be adversely affected by the contractual rights of first offer that exist with respect to such properties. We may give similar contractual rights in the future, which could affect the value of the subject property.

Because we own real property, we are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.

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

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

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

We may incur significant costs complying with laws, regulations and covenants that are applicable to our properties.

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

In addition, federal and state laws and regulations, including laws such as the ADA, impose further restrictions on our operations. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA. If one or more of the properties in our portfolio is not in compliance with the ADA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to you.

Rent control or rent stabilization legislation and other regulatory restrictions may limit our ability to increase rents and pass through new or increased operating costs to our tenants.

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

We may be unable to complete acquisitions that would grow our business, and even if consummated, we may fail to successfully integrate and operate acquired properties.

Our planned growth strategy includes the disciplined acquisition of properties as opportunities arise. Our ability to acquire properties on favorable terms and successfully integrate and operate them is subject to the following significant risks:

- we may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, publicly traded REITs and investment funds;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- competition from other potential acquirers may significantly increase the purchase price of a desired property;
- we may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on favorable terms;
- we may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- agreements for the acquisition of office properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and we may spend significant time and money on potential acquisitions that we do not consummate;

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

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

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

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

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

We may be unable to successfully expand our operations into new markets.

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

We are exposed to risks associated with property development.

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

- the availability and pricing of financing on favorable terms or at all;

- the availability and timely receipt of zoning and other regulatory approvals; and

- the cost and timely completion of construction (including risks beyond our control, such as weather or labor conditions, or material shortages).

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

We are assuming liabilities in connection with the formation transactions, including unknown liabilities.

As part of the formation transactions, we will assume existing liabilities of our historical operating companies, the institutional funds, the investment funds and the single-asset entities, including, but not limited to, liabilities in connection with our properties, some of which may be unknown or unquantifiable at the time this offering is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with the entities prior to this offering, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. In connection with the formation transactions, we entered into a representation, warranty and indemnity agreement with our predecessor principals pursuant to which they made limited representations and warranties to us regarding potential material adverse impacts on the properties and entities to be acquired by us in the formation transactions and agreed to indemnify us with respect to claims for breaches of those representations and warranties brought by us within one year of the consummation of this offering. However, such indemnification is limited to $20.0 million in shares of our common stock and/or operating partnership units to be deposited into an escrow fund at the closing of the formation transactions (or, if less, the fair market value of such shares and units) and is subject to a $1.0 million deductible. Our predecessor principals are not required to add shares of our common stock or operating partnership units to the escrow in the event that the value of our common stock (and therefore, the units) decreases. Accordingly, such indemnification may not be sufficient to cover all liabilities assumed, and we are not entitled to indemnification from any other sources in connection with the formation transactions. In addition, because many liabilities, including tax liabilities, may not be identified within such period, we may have no recourse against our predecessor principals for these liabilities. See "Tax Risks Related to Ownership of REIT Shares We and the operating partnership may inherit tax liabilities from the entities to be acquired in the formation transactions."

If we default on the leases to which some of our properties are subject, our business could be adversely affected.

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

The cash available for distribution to stockholders may not be sufficient to pay dividends at expected levels, nor can we assure you of our ability to make distributions in the future. We may use borrowed funds to make distributions.

Our expected annual distributions for the 12 months following the consummation of this offering of $0.70 per share are expected to be approximately 109.1% of estimated cash available for distribution. If cash available for distribution generated by our assets for such twelve month period is less than our estimate, or if such cash available for distribution decreases in future periods from expected levels, our ability to make the expected distributions could result in a decrease in the market price of our common stock. See "Dividend Policy."

All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder's adjusted tax basis in their shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock. See "Federal Income Tax Considerations Taxation of Stockholders." If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. In particular, our portfolio of properties may be reassessed as a result of this offering. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be impacted, and our ability to pay expected dividends to our stockholders could be adversely affected.

Risks Related to Our Organization and Structure

We may pursue less vigorous enforcement of terms of merger and other agreements because of conflicts of interest with certain of our officers.

Our predecessor principals and certain of our executive officers have ownership interests in the other entities to be acquired in the formation transactions. Following the completion of this offering and the formation transactions, under the representation, warranty and indemnification agreement with our predecessor principals, we will be entitled to indemnification in the event of breaches of the limited representations and warranties made by our predecessor principals with respect to potential material adverse impacts on the entities and properties to be acquired by us. Such indemnification is limited and we are not entitled to any other indemnification in connection with the formation transactions. See " We are assuming liabilities in connection with the formation transaction, including unknown liabilities" above. In addition, we expect that certain members of our senior management team, including some of our predecessor principals, will enter into employment agreements with us pursuant to which they will agree, among other things, not to engage in certain business activities in competition with us and pursuant to which they will devote substantially full-time attention to our affairs. See "Management Employment Agreements." We may choose not to enforce, or to enforce less vigorously, our rights under these agreements due to our ongoing relationship with our predecessor principals and our executive officers.

Our predecessor principals exercised significant influence with respect to the terms of the formation transactions.

We did not conduct arm's-length negotiations with our predecessor principals with respect to all of the terms of the formation transactions. In the course of structuring the formation transactions, our predecessor principals had the ability to influence the type and level of benefits that they and our other officers will receive from us. In addition, our predecessor principals had substantial pre-existing ownership interests in our historical operating companies, the institutional funds, the investment funds and the single-asset entities and will receive substantial economic benefits as a result of the formation transactions. The formation transaction documents provide that the individual allocations of the total formation transaction value to each prior investor will be determined by the provisions of the applicable partnership agreement or organizational document of the relevant institutional fund(s), investment fund(s) and/or single-asset entit(y/ies) relating to distributions of distributable net proceeds from sales of properties. Under these provisions, the amount allocated to our predecessor principals vis-a-vis the other prior investors increases as the total formation transaction value increases. Also, certain of our predecessor principals have assumed management and/or director positions with us, for which they will obtain certain other benefits such as employment agreements, stock option or LTIP unit grants and other compensation.

Tax consequences to holders of operating partnership units upon a sale or refinancing of our properties may cause the interests of our senior management to differ from your own.

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

Our senior management team will have significant influence over our affairs.

Upon completion of this offering, our senior management team will own approximately 9.8% of our outstanding common stock, or 23.7% on a fully diluted basis. As a result, our senior management team, to the extent they vote their shares in a similar manner, will have influence over our affairs and could exercise such influence in a manner that is not in the best interests of our other stockholders, including by attempting to delay, defer or prevent a change of control transaction that might otherwise be in the best interests of our stockholders. If our senior management team exercises their redemption rights with respect to their operating partnership units and we issue common stock in exchange therefor, our senior management team's influence over our affairs would increase substantially.

Our growth depends on external sources of capital which are outside of our control.

In order to maintain our qualification as a REIT, we are required under the Code to annually distribute at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain financing on favorable terms or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash dividends; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or pay dividends to you necessary to maintain our qualification as a REIT.

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

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

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

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

- redemption rights of qualifying parties;
- transfer restrictions on our operating partnership units;
- the ability of the general partner in some cases to amend the partnership agreement without the consent of the limited partners; and
- the right of the limited partners to consent to transfers of the general partnership interest and mergers under specified circumstances.

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

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

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

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

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

Our charter, bylaws, the partnership agreement for our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See "Material Provisions of Maryland Law and of Our Charter and Bylaws Removal of Directors," " Consideration of Non-Stockholder Constituencies," " Control Share Acquisitions," " Advance Notice of Director Nominations and New Business" and "Description of the Partnership Agreement of Douglas Emmett Properties, LP."

Under their employment agreements, certain of our executive officers will have the right to terminate their employment and receive severance if there is a change of control.

In connection with this offering, we are entering into employment agreements with Messrs. Kaplan, Panzer and Kamer. These employment agreements provide that each executive may terminate his employment under certain conditions, including after a change of control, and receive severance based on two or three times (depending on the officer) his annual total of salary, bonus and incentive compensation such as LTIP units, options or outperformance grants plus a "gross up" for any excise taxes under Section 280G of the Code. Because of the effects of averaging equity grants under the agreements, and assuming a constant number of fully diluted shares outstanding after the offering and no compensation or grants beyond that contractually committed, the aggregate severance payments for these executive officers (before any gross up) will decline from approximately $0.62 per fully diluted share in 2006 and 2007 to approximately $0.35 per fully diluted share in 2008 and to $0.27 per fully diluted share in 2009. In addition, these executive officers would not be restricted from competing with us after their departure. See "Management Employment Agreements" for further details about the terms of these employment agreements.

Our fiduciary duties as sole stockholder of the general partner of our operating partnership could create conflicts of interest.

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

The loss of any member of our senior management or certain other key executives could significantly harm our business.

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

We have no experience operating as a publicly traded REIT.

We have no experience operating as a publicly traded REIT. In addition, certain members of our board of directors and all but one of our executive officers have no experience in operating a publicly traded REIT. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements and comply with the Sarbanes-Oxley Act of 2002. Failure to maintain REIT status would have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to you.

If we fail to establish and maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

In the past, we have reported our results to the investors in the institutional funds on a fund-by-fund basis, and we have not separately reported audited results for DECO, PLE or the single-asset entities. We have generally maintained separate systems and procedures for each institutional fund, as well as our non-predecessor entities, which makes it more difficult for us to evaluate and integrate their systems and procedures on a reliable company-wide basis. In addition, we were not required to report our results on a GAAP basis. In connection with our operation as a public company, we will be required to report our operations on a consolidated basis under GAAP and, in some cases, on a property by property basis. We are in the process of implementing an internal audit function and modifying our company-wide systems and procedures in a number of areas to enable us to report on a consolidated basis under GAAP as we continue the process of integrating the financial reporting of our predecessor, DECO, PLE and the single-asset entities. If we fail to implement proper overall business controls, including as required to integrate our diverse predecessor and non-predecessor entities and support our growth, our results of operations could be harmed or we could fail to meet our reporting obligations.

Our board of directors may change significant corporate policies without stockholder approval.

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

Compensation awards to our management may not be tied to or correspond with our improved financial results or share price.

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

Risks Related to This Offering

The historical internal rates of return attributable to the institutional funds may not be indicative of our future results or an investment in our common stock.

We have presented in this prospectus under "Management's Discussion and Analysis of Financial Condition and Results of Operations" internal rate of return, or IRR, and average annual operating return information relating to the average historical performance of the institutional funds. When considering this information you should bear in mind that the historical results of the institutional funds may not be indicative of the future results that you should expect from us or any investment in our common stock. In particular, our results could vary significantly from the historical results due to the fact that:

- we are acquiring the properties and other assets in the formation transactions at values in excess of their book value, which may also be in excess of their fair market value;

- we will not benefit from any value that was created in the properties prior to our acquisition;

- we purchased many of our properties at a relative low point in the Los Angeles County real estate market;

- the positive economic and other trends affecting the Los Angeles County real estate market in recent years may not continue at the same level;

- we will be operating all of the acquired properties and other assets under one on-going company, as opposed to individual investment partnerships with defined terms;

- we will be operating as a public company, and, as such, our cost structure will vary from our historical cost structure;

- we may not incur indebtedness at the same level relative to the value of our properties as was incurred by the institutional funds;

- our approaches to disposition and refinancing of properties and the use of proceeds of such transactions are likely to differ from those of the institutional funds;

- our dividend policy will differ from that of the institutional funds;

- the value realized by our stockholders will depend not only on the cash generated by our properties but also by the market price for our common stock, which may be influenced by a number of other factors;

- the size and type of investments that we make as a public company, and relative riskiness of those investments, may differ materially from those of the institutional funds, which could significantly impact the rates of return expected from those investments;

- we may enter into joint ventures that could manage and lease properties differently than we have historically; and

- as described elsewhere in this prospectus, our future results are subject to many uncertainties and other factors that could cause our returns to be materially lower than the returns previously achieved by the institutional funds.

Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock.

As of June 30, 2006, the aggregate historical net tangible book value of the assets to be acquired by us in the formation transactions was approximately $478.0 million, or $4.38 per share of our common stock held by our continuing investors, assuming the exchange of units in our operating partnership for shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the consummation of this offering and the formation transactions will be less than the initial public offering price. The purchasers of our common stock offered hereby will experience immediate and substantial dilution of $3.09 per share in the pro forma net tangible book value per share of our common stock.

The number of shares of our common stock available for future sale, including by our affiliates and other continuing investors, could adversely affect the market price of our common stock, and future sales by us of shares of our common stock may be dilutive to existing stockholders.

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of units in our operating partnership or exercise of any options, or the perception that such sales might occur could adversely affect the market price of the shares of our common stock. The exchange of units in our operating partnership for common stock, the exercise of any stock options or the vesting of any restricted stock granted to certain directors, executive officers and other employees under our stock incentive plan, the issuance of our common stock or units in our operating partnership in connection with property, portfolio or business acquisitions and other issuances of our common stock or units in our operating partnership could have an adverse effect on the market price of the shares of our common stock. Also, continuing investors that will hold 58,617,573 shares of our outstanding common stock and 50,512,427 operating partnership units on a pro forma basis, assuming a per share price based on the mid-point of the range set forth on the cover page of this prospectus, are parties to agreements that provide for registration rights. The exercise of these registration rights could depress the price of our common stock. In addition, continuing investors that will hold $633.4 million of our common stock and units in our operating partnership in the aggregate, assuming a per share price based on the mid-point of the range set forth on the cover page of this prospectus, elected to receive cash in the formation transactions rather than these shares or units. However, due to limits on available cash, these continuing investors will receive such common stock or operating partnership units in lieu thereof. The existence of this equity held by such continuing investors, as well as units in our operating partnership, options, or shares of our common stock reserved for issuance as restricted shares or upon exchange of units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales by us of shares of our common stock may be dilutive to existing stockholders.

Increases in market interest rates may result in a decrease of the value of our common stock.

One of the factors that will influence the price of our common stock will be the dividend yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. Market interest rates have recently increased and may continue to do so. An increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield and, if we are unable to pay such yield, the market price of our common stock could decrease.

The market price of our common stock could be adversely affected by our level of cash dividends.

The market value of the equity securities of a REIT is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

There has been no public market for our common stock prior to this offering.

Prior to this offering, there has been no public market for our common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our common stock will be resold at or above the initial public offering price. The initial public offering price of our common stock has been determined by agreement among us and the underwriters, but there can be no assurance that our common stock will not trade below the initial public offering price following the completion of this offering. See "Underwriting." The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

Tax Risks Related to Ownership of REIT Shares

Our failure to qualify as a REIT would result in higher taxes and reduce cash available for dividends.

We intend to operate in a manner so as to qualify as a REIT for federal income tax purposes. Although we do not intend to request a ruling from the Internal Revenue Service, or IRS, as to our REIT status, we expect to receive an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, or

Skadden Arps, with respect to our qualification as a REIT. Stockholders should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Skadden Arps will, if issued, represent only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets, the sources of our income, and the nature, construction, character and intended use of our properties. The opinion of Skadden Arps will, if issued, be expressed as of the date issued, and will not cover subsequent periods. Opinions of counsel impose no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law.

Furthermore, both the validity of the tax opinions and our continued qualification as a REIT depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by tax counsel. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our common stock. Unless entitled to relief under certain Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as dividend income to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock. See "Federal Income Tax Considerations" for a discussion of material federal income tax consequences relating to us and our common stock.

Dividends payable by REITs generally do not qualify for the reduced tax rates.

Tax legislation enacted in 2003 and 2006 reduces the maximum tax rate for dividends payable to individuals from 38.6% to 15.0% through 2010. Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity.

We generally must distribute annually at least 90% of our net taxable income, excluding any net capital gain, in order to qualify as a REIT. In addition, we will be subject to corporate income tax to the extent that we distribute less than 100% of our net taxable income including any net capital gain.

We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the distribution requirements of the Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations. We also will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

We and the operating partnership may inherit tax liabilities from the entities to be acquired in the formation transactions.

Pursuant to the formation transactions, we will acquire all of the assets and liabilities, including any tax liabilities, of DERA, DECO and other entities, including a REIT, and the operating partnership will acquire all of the assets and liabilities, including any tax liabilities, of the institutional funds, PLE, the investment funds and the single-asset entities. If the other acquired entity that is a REIT failed to qualify as a REIT, or if DERA, DECO or PLE failed to qualify as an S corporation, we could assume a material federal income tax liability in connection with the mergers. In addition, to qualify as a real estate investment trust, under these circumstances we would be required to distribute any earnings and profits acquired from the acquired REIT, DERA or DECO prior to the close of the taxable year in which the mergers occur. Similarly, if any of the institutional funds, the investment funds or the single-asset entities failed to qualify as a partnership for federal income tax purposes, the operating partnership could assume a material federal income tax liability in connection with the mergers. No rulings from the IRS will be requested and no opinions of counsel will be rendered regarding the federal income tax treatment of any of the entities to be acquired in the formation transactions. Accordingly, no assurance can be given that DERA, DECO and PLE have qualified as S corporations, that the acquired REIT has qualified as a REIT or that the institutional funds, the investment funds or the single-asset entities have qualified as partnerships for federal income tax purposes, or that these entities do not have any other tax liabilities.

We intend to take the position that each of the mergers of DERA and DECO and the acquired REIT qualify as a tax-free reorganization under the Code. If any of these mergers does not so qualify, the merger would be treated as a taxable asset sale in which DERA, DECO or the acquired REIT, as applicable, would be required to recognize taxable gain. In such a case, if DERA or DECO did not qualify as S corporations or the acquired REIT did not qualify as a REIT, then we could assume a material income tax liability in connection with the applicable merger. No rulings from the IRS will be requested and no opinions of counsel will be rendered regarding the federal income tax treatment of the acquisition of the acquired REIT or the mergers of DERA or DECO. Accordingly, no assurance can be given that such mergers will be treated as tax-free reorganizations.

In connection with the formation transactions, we and the operating partnership will receive representations and warranties that, except as would not have a material adverse effect, the institutional funds, the investment funds, the single-asset entities, the acquired REIT, DERA, DECO and PLE have each paid all taxes due and payable. Although the occurrence of the events described above may constitute a breach of such representations and warranties, in the absence of fraud, recourse will be limited to the $20.0 million (or, if less, the fair market value) in our shares of common stock and/or operating partnership units to be deposited by our predecessor principals into the escrow fund at closing for a one-year period and subject to a $1.0 million deductible. As a result, if a breach occurs, but such breach is discovered more than one year after the closing of the formation transaction or exceeds the amount held in escrow, we and/or the operating partnership will not have an effective remedy.

We may have carryover tax basis on our assets as a result of the formation transactions.

Although we expect that the contribution of interests to us by certain participants in the formation transactions were fully taxable transactions, thereby resulting in a fair market value tax basis for such assets, no assurance can be given that the IRS would not attempt to recharacterize this part of the formation transactions as a tax-deferred exchange transaction. If the IRS were successful, we would generally take a carryover tax basis in such assets that is lower than the respective fair market values of such assets. This position would give rise to lower depreciation deductions that would have the effect of (1) increasing the distribution requirement imposed on us, and (2) decreasing the extent to which our distributions are treated as tax free "return of capital" distributions. Consequently, if the IRS were successful in such an assertion, it could, among other things, adversely affect our ability to satisfy the REIT distribution requirement.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus. In particular, statements pertaining to our capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. Any statement contained in this prospectus that is not a statement of historical fact may be considered a forward-looking statement. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. You should not rely on forward-looking statements as predictions of future events. Forward-looking statements involve numerous risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statement made by us. These risks and uncertainties include, but are not limited to:

- adverse developments in the economies or real estate markets of Southern California and Honolulu;
- decreased rental rates and increased tenant incentives or vacancy rates;
- defaults on, early terminations of or non-renewal of leases by tenants;
- fluctuations in interest rates;
- changes in real estate and zoning laws and increases in real property tax rates;
- changes in rent control laws and regulations;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- potential losses from adverse weather conditions and natural disasters;
- lack or insufficient amounts of insurance;
- the consequences of any future terrorist attacks;
- our failure to successfully identify and complete acquisitions or operate acquired properties;
- our inability to successfully expand into new markets or submarkets;
- risks associated with property development;
- conflicts of interest with our officers; and
- our failure to maintain our status as a REIT.

For a more detailed discussion of these and other risks, please read carefully the information under the caption "Risk Factors." You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us. We undertake no obligation to publicly release any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus, except as required by applicable law.

USE OF PROCEEDS

We estimate we will receive gross proceeds from this offering of $1.10 billion, or approximately $1.27 billion if the underwriters' over-allotment option is exercised in full. After deducting the underwriting discount and estimated expenses of this offering, we expect to receive net proceeds from this offering of approximately $1.03 billion, or approximately $1.18 billion if the underwriters' over-allotment option is exercised in full.

We will contribute the net proceeds of this offering to our operating partnership. In addition:

- we have entered into agreements to amend our existing $1.76 billion secured financing with Eurohypo AG and Barclays Capital upon consummation of this offering to increase the amount of the term loan by $545.0 million at the existing interest rate of LIBOR plus 0.85%; and

- we have entered into an agreement to obtain, upon consummation of this offering, a $250.0 million senior secured revolving credit facility, with an accordion feature that will allow us to increase the availability thereunder by $250.0 million to $500.0 million, under specified circumstances. We expect our senior secured revolving credit facility will be undrawn at the closing of this offering, assuming that this offering prices at the mid-point of the range set forth on the cover page of this prospectus.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources," "Structure and Formation of Our Company Formation Transactions" and "Business and Properties Description of Certain Debt" for a description of the refinancing transactions and the senior secured revolving credit facility. Our operating partnership will subsequently use the net proceeds received from us, the net proceeds from the financing transactions, the $60.0 million DERA contribution and cash on hand as set forth in the table below. See our unaudited pro forma consolidated financial statements and related notes contained elsewhere in this prospectus.

The table below assumes that this offering, the formation transactions and the financing transactions had been consummated, and all payments by us set forth below had occurred, on June 30, 2006. Cash on hand and exact payment amounts will differ from estimates due to amortization of principal, accrual of additional prepayment fees, amounts due pursuant to the pre-closing property distributions, and incurrence of additional transaction expenses. This table identifies sources of funds arising from the refinancing transactions and this offering with specific uses for the convenience of the reader; however, sources of funds from this offering and the refinancing transactions may be commingled and have not been earmarked for particular purposes.

Sources (in thousands)		Uses (in thousands)	
Gross proceeds of this offering	$ 1,100,000	Cash consideration pursuant to formation transactions	$ 1,032,354
		Underwriters' discount and other costs[(1)]	67,646
Subtotal	**$ 1,100,000**	**Subtotal**	**$ 1,100,000**
Gross proceeds from the modified term loan	$ 545,000	Cash consideration pursuant to formation transactions	$ 202,319
		Retire existing debt:	
		Variable rate debt of the single asset entities	50,921
		The Trillium	100,500
		Redemption of preferred minority interests	184,000
		Redemption premium cost	2,830
		Refinancing fees	4,430
Subtotal	**$ 545,000**	**Subtotal**	**$ 545,000**
Cash on hand	$ 90,000	Cash consideration pursuant to formation transactions[(2)]	$ 150,000
Cash contributed to DERA by predecessor principals	60,000		
Subtotal	**$ 150,000**		
Total sources	**$ 1,795,000**	**Total uses**	**$ 1,795,000**

(1) Excludes offering costs totalling approximately $7,104 that have been paid by us as of June 30, 2006 with funds advanced by the entities being acquired in the formation transactions.

(2) We currently estimate cash on hand at closing to be approximately $147.7 million after our predecessor entities have made the pre-closing property distributions of approximately $25.0 million and the pre-closing operating company distributions of approximately $0.5 million.

If the underwriters exercise their overallotment option in full, we will use cash in the amount of the additional gross proceeds to increase the cash payments to the prior investors in the formation transactions and thereby to correspondingly reduce the equity consideration payable to such investors.

As set forth in the table above, in connection with the financing transactions, we expect to repay approximately $151.4 million of outstanding indebtedness, including accrued interest, with a weighted average interest rate of 4.9% and a weighted average maturity of 2.0 years as of June 30, 2006.

The aggregate historical net tangible book value of the assets to be acquired by us in the formation transactions was approximately $478.0 million as of June 30, 2006. Based on the mid-point of the range set forth on the cover page of this prospectus, we will assume or discharge $2.54 billion in indebtedness and preferred equity, and we will pay consideration in the formation transactions with an aggregate value of $3.57 billion (consisting of cash, shares of our common stock and operating partnership units) in exchange for these assets. The initial public offering price of our common stock does not necessarily bear any relationship to the book value or the fair market value of these assets, but instead will be determined in consultation with the underwriters. Among the factors to be considered in determining that initial public offering price are the history and prospects for the industry in which we compete, our financial information, the ability of our management and our business potential and earning prospects, the prevailing securities markets at the time of this offering, and the recent market prices of, and the demand for, publicly traded shares of generally comparable companies. We have not obtained any third-party appraisals of the assets to be acquired in connection with this offering or the formation transactions. As a result, the consideration to be given by us for the assets to be acquired by us in the formation transactions may exceed their fair market value.

For an analysis of how this information would change if the share price in the offering is not equal to the mid-point of the range of prices set forth on the cover page of this prospectus, please refer to "Pricing Sensitivity Analysis" included elsewhere in this prospectus.

DIVIDEND POLICY

We intend to pay regular quarterly dividends to holders of our common stock. We intend to pay a pro rata initial dividend with respect to the period commencing on the completion of this offering and ending December 31, 2006, based on $0.175 per share for a full quarter. On an annualized basis, this would be $0.70 per share, or an annual distribution rate of approximately 3.5% based on a price per share equal to the mid-point of the range of prices set forth on the cover page of this prospectus. We estimate that this initial annual distribution rate will represent approximately 109.1% of estimated cash available for distribution for the 12 months ending June 30, 2007. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the 12 months ending June 30, 2007, which we have calculated based on adjustments to our pro forma income before minority interests for the year ended December 31, 2005. This estimate was based on our predecessor's historical operating results and does not take into account any growth. In estimating our cash available for distribution for the 12 months ending June 30, 2007, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for investing activities, such as acquisitions, other than a provision for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make other distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We currently intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including maintaining our status as a REIT, restrictions under applicable law and our credit agreements and other factors described below. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. Our dividend policy may require us to borrow under our unsecured credit facility to pay dividends.

We anticipate that, at least initially, our distributions will exceed our then current and then accumulated earnings and profits as determined for federal income tax purposes due to the write-off of prepayment fees that we expect to pay and non-cash expenses, primarily depreciation and amortization charges that we expect to incur, in connection with the formation transactions and this offering. Therefore, a portion of these distributions may represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a stockholder under current federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his or her common stock. Instead, such distributions will reduce the adjusted tax basis of the common stock. In that case, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a stockholder's adjusted tax basis in his or her common stock, they will be treated as a gain from the sale or exchange of such stock. We expect to pay our first dividend in 2007, which will include a payment with respect to the period commencing on the completion of this offering and ending December 31, 2006. Such dividends relating to the taxable year ending December 31, 2006 may be treated as paid by us and received by the stockholder on December 31, 2006. We expect that 100% of our estimated initial dividend will represent a return of capital for the tax period ending December 31, 2006. The percentage of our stockholder distributions (if any) that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see "Federal Income Tax Considerations Taxation of Stockholders."

We cannot assure you that our estimated dividends will be made or sustained or that our board of directors will not change our dividend policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors."

Federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income including capital gains. For more information, please see "Federal Income Tax Considerations." We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and we may need to borrow funds to make some distributions.

The following table describes our pro forma income for the year ended December 31, 2005, and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending June 30, 2007 (amounts in thousands except share data, per share data, square footage data, units and percentages):

Pro forma income available to our common shareholders for the twelve months ended December 31, 2005	**$**	**(61,350)**
Less: Pro forma income available to our common shareholders for the six months ended June 30, 2005		34,472
Add: Pro forma income available to our common shareholders for the six months ended June 30, 2006		(13,480)
Pro forma income available to our common shareholders for the twelve months ended June 30, 2006	**$**	**(40,358)**
Add: Pro forma minority interest for the twelve months ended June 30, 2006		(18,251)
Pro forma income before minority interest for the twelve months ended June 30, 2006	**$**	**(58,609)**
Add: Pro forma real estate depreciation and amortization		202,534
Add: Net increases in contractual rent income in our office portfolio[(1)]		44,793
Less: Net decreases in contractual rent income due to lease expirations in our office portfolio, assuming no renewals[(2)]		(26,687)
Less: Net effects of straight line rents and fair market value adjustments to tenant leases[(3)]		(58,490)
Add: Non-cash compensation expense[(4)]		1,500
Add: Non-cash interest expense[(5)]		35,985

Estimated cash flow from operating activities for the twelve months ending June 30, 2007	**$**	**141,026**
Estimated cash flows used in investing activities:		
Less: Estimated annual provision for recurring tenant improvement and leasing commissions[6][7]		(31,824)
Less: Estimated annual provision for recurring capital expenditures office[7][8]		(2,542)
Less: Estimated annual provision for recurring capital expenditures multifamily[7][9]		(734)
Total estimated cash flows used in investing activities		(35,100)
Estimated cash flows used in financing activities		
Estimated cash available for distribution for the twelve months ending June 30, 2007	**$**	**105,926**
Our share of estimated cash available for distribution[10]		72,940
Minority interests' share of estimated cash available for distribution		32,986
Total estimated initial annual distributions to stockholders	**$**	**79,559**
Estimated initial annual distributions per share[11]	$	0.70
Payout ratio based on our share of estimated cash available for distribution[12]		109.1%

(1) Represents the net increases in contractual rental income in our office portfolio net of expenses from new leases and renewals through September 7, 2006 that were not in effect for the entire twelve month period ended June 30, 2006 or signed through September 7, 2006 that will go into effect during the twelve months ending June 30, 2007.

(2) Assumes no lease renewals or new leases for leases expiring after June 30, 2006 unless a new or renewal lease had been entered into by September 7, 2006, or such tenant was under a month-to-month lease as of September 7, 2006.

(3) Represents the conversion of estimated rental revenues for the twelve months ending June 30, 2006 from a straight-line accrual basis, which includes amortization of lease intangibles, to a cash basis recognition.

(4) Pro forma non-cash compensation expense related to the LTIP units and stock options which vest 25% per year over a four year period for the twelve months ended June 30, 2006.

(5) Pro forma non-cash interest expense for the twelve months ended June 30, 2006 includes amortization of financing costs, interest expense related to the mark-to-market of our swap agreements, and loan premium amortization.

(6) Reflects estimated provision for tenant improvement costs and leasing commissions for the twelve months ending June 30, 2007 based on the weighted average tenant improvement costs and leasing commissions expenditures for renewed and retenanted space at the office properties in our portfolio incurred during 2003, 2004 and 2005 and for the six months ended June 30, 2006,

multiplied by the number of net rentable square feet of leased space for which leases expire in our portfolio during the twelve months ended June 30, 2007.

	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Six Months Ended June 30, 2006	Weighted Average 2003 June 30, 2006
Average tenant improvement costs and leasing commissions per square foot	$ 23.11	$ 33.01	$ 21.75	$ 18.06	$ 25.56
Square feet for which leases expire during the twelve months ending June 30, 2007					1,245,085
Total estimated tenant improvement and leasing commissions for the twelve months ending June 30, 2007 (in thousands)					$ 31,824

(7)

The weighted average tenant improvement costs, leasing commissions and estimated recurring capital expenditures reflect the obligations allocable to the indicated period, even though a portion of those costs is typically paid in the subsequent periods. As of June 30, 2006, the portion of those costs incurred but unpaid totaled approximately $7.9 million of which approximately $1.2 million of commitments related to capital expenditures.

(8)

For the twelve months ending June 30, 2007, the estimated cost of recurring building improvements at the office properties in our portfolio is approximately $2.5 million, based on the weighted average annual capital expenditures cost of $0.22 per square foot at the office properties in our portfolio incurred during 2003, 2004 and 2005 and for the six months ended June 30, 2006, multiplied by the net rentable square feet in our office portfolio.

	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Six Months Ended June 30, 2006	Weighted Average 2003 June 30, 2006
Recurring capital expenditures (excluding tenant improvements and leasing commissions) per square foot	$ .21	$ .17	$ .23	$ .18	$ .22
Total rentable square feet					11,554,297
Total estimated recurring capital expenditures office properties (in thousands)					$ 2,542

(9)

For the twelve months ending June 30, 2007, the estimated cost of recurring building improvements at the multifamily properties in our portfolio is approximately $0.7 million, based on the weighted average annual capital expenditures cost of $256 per unit at the multifamily properties in our portfolio incurred during 2003, 2004 and 2005 and for the six months ended June 30, 2006, multiplied by the total number of units in our multifamily portfolio.

	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Six Months Ended June 30, 2006	Weighted Average 2003 June 30, 2006

	Year Ended December 31,				
Recurring capital expenditures per unit	82	$ 277	$ 183	$ 354	$ 256
Total units	$				2,868
Total estimated recurring capital expenditures multifamily properties (in thousands)					$ 734

(10)
Our share of estimated cash available for distribution and estimated initial annual cash distributions to our stockholders is based on an estimated approximately 68.9% aggregate partnership interest in our operating partnership.

(11)
Based on a total of 113,617,573 shares of our common stock to be outstanding after this offering, including 55,000,000 shares to be sold in this offering.

(12)
Calculated as estimated initial annual distribution per share divided by our share of estimated cash available for distribution per share for the twelve months ending June 30, 2007. As described under "Notes to Unaudited Pro Forma Consolidated Financial Statements Pricing Sensitivity Analysis," as the offering price increases from the mid-point of the range of prices set forth on the cover page of this prospectus, our interest expense would increase and our interest income would decrease. As a result, if the offering price increases by $1.00 from the mid-point of the range, our payout ratio based on our share of estimated cash available for distribution would increase to 110.9%.

CAPITALIZATION

The following table sets forth the historical consolidated capitalization of our predecessor as of June 30, 2006 and our pro forma consolidated capitalization as of June 30, 2006, giving effect to the formation transactions, the financing transactions and this offering, including the use of the net proceeds as set forth in "Use of Proceeds." You should read this table in conjunction with "Use of Proceeds," "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources," our unaudited pro forma consolidated financial statements and related notes, the consolidated financial statements and notes thereto of our predecessor and the other financial statements appearing elsewhere in this prospectus.

	As of June 30, 2006	
	Predecessor Historical	**Company Pro Forma**
	(In thousands except per share amounts)	
Debt:		
Secured notes payable[(1)(2)]	$ 2,305,500	$ 2,781,000
Minority interests in real estate partnerships	741,694	
Minority interest in our operating partnership		925,738
Stockholders' equity (deficit):		
Common stock and additional paid in capital		2,046,992
Retained earnings (deficit)	(27,066)	
Notes receivable from stockholders[(3)]	(60,000)	
Total stockholders' equity (deficit)	(87,066)	2,046,992
Total capitalization	**$ 2,960,128**	**$ 5,753,730**

(1) We also expect to enter into a new senior secured revolving credit facility, which will be undrawn at the closing of this offering, assuming that this offering prices at the midpoint of the range set forth on the cover page of this prospectus.

(2) Pro forma amount includes loan premium of $31.0 million.

(3) Represents the DERA contribution made on March 15, 2006. The predecessor principals expect to repay the notes at or prior to the time of this offering.

DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. At June 30, 2006, we had a net tangible book value of approximately $478.0 million, or $4.38 per share of our common stock held by continuing investors, assuming the exchange of units in our operating partnership into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under "Use of Proceeds," and the formation transactions, the financing transactions, the deduction of underwriting discounts and commissions, and estimated offering and formation transaction expenses, the pro forma net tangible book value at June 30, 2006 attributable to common stockholders, including the effects of the grant of options and LTIP units to key employees, would have been $2.79 billion, or $16.91 per share of our common stock. This amount represents an immediate increase in net tangible book value of $21.29 per share to continuing investors and an immediate dilution in pro forma net tangible book value of $3.09 per share from the assumed public offering price of $20.00 per share of our common stock to new public investors. See "Risk Factors Risks Related to This Offering Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock." The following table illustrates this per share dilution:

Assumed initial public offering price per share		$ 20.00
Net tangible book value per share before the formation and refinancing transactions and this offering(1)	(4.38)	
Net increase in pro forma net tangible book value per share attributable to the formation and refinancing transactions and this offering	21.29	
Pro forma net tangible book value per share after the formation and refinancing transactions and this offering(2)		16.91
Dilution in pro forma net tangible book value per share to new investors(3)		$ 3.09

(1) Net tangible book value per share of our common stock before the formation and refinancing transactions and this offering is determined by dividing net tangible book value based on June 30, 2006 net book value of the tangible assets (consisting of total assets less intangible assets, which are comprised of goodwill (if applicable), deferred financing and leasing costs, acquired above-market leases and acquired in place lease value, net of liabilities to be assumed, excluding acquired below market leases and acquired above-market ground leases) of our predecessor by the number of shares of our common stock held by continuing investors after this offering, assuming the conversion into shares of our common stock on a one-for-one basis of the operating partnership units to be issued in connection with the formation transactions.

(2) Based on pro forma net tangible book value of approximately $2.79 billion divided by the sum of 165,000,000 shares of our common stock and operating partnership units to be outstanding after this offering, not including 5,916,221 shares of common stock issuable upon exercise of outstanding stock options and unvested LTIP units granted under our stock incentive plan.

(3) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation and financing transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

For an analysis of how this information would change if the share price in the offering is not equal to the mid-point of the range of prices set forth on the cover page of this prospectus, please refer to "Pricing Sensitivity Analysis" included elsewhere in this prospectus.

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth selected historical financial and operating data on (1) a pro forma basis for our company (which includes the historical operating companies, the institutional funds and the single-asset entities) and (2) a historical basis for our "predecessor." Our "predecessor" includes DERA, as the accounting acquirer, and the institutional funds, and excludes DECO, PLE and the single-asset entities. Our predecessor owned 42 office properties, the fee interest in two parcels of land that we lease to third parties under long-term ground leases and six multifamily properties as of June 30, 2006. DERA consolidated the institutional funds because it had control over major decisions, including decisions related to property sales or refinancings. We have not presented historical financial information for Douglas Emmett, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and activity in connection with this offering, the formation transactions and the financing transactions, and because we believe that a discussion of the results of Douglas Emmett, Inc. would not be meaningful. In addition, we have not presented historical financial information for DECO, PLE or the single-asset entities because we believe that a discussion of the predecessor is more meaningful.

You should read the following selected financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated historical financial statements and related notes of our predecessor.

The selected historical consolidated financial and operating data as of and for the years ended December 31, 2003, 2004 and 2005 have been derived from the audited historical consolidated financial statements of our predecessor. The selected historical consolidated financial and operating data as of and for the years ended December 31, 2001 and 2002, the selected historical consolidated balance sheet information as of June 30, 2006 and the consolidated statements of operations data for the six months ended June 30, 2005 and 2006 have been derived from the unaudited consolidated financial statements of our predecessor. In the opinion of management, the selected unaudited historical consolidated financial information for the interim periods presented includes all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for interim periods are not necessarily indicative of the results to be obtained for the full fiscal year.

Our selected unaudited pro forma consolidated financial and operating data have been derived from our unaudited pro forma consolidated financial statements included elsewhere in this prospectus and assume a share price in this offering at the mid-point of the range set forth on the cover page of this prospectus. Our unaudited pro forma consolidated financial and operating data as of and for the six months ended June 30, 2006 and for the year ended December 31, 2005 are derived from the audited and unaudited financial statements of our predecessor, DECO, PLE, and the single-asset entities included elsewhere in this prospectus and are presented as if the formation transactions, the financing transactions, this offering, the $60.0 million DERA contribution and the application of the net proceeds thereof, had all occurred on June 30, 2006 for the pro forma consolidated balance sheet and on January 1, 2005 for the pro forma consolidated statements of operations. Additionally the pro forma consolidated statements of operations are presented as if the acquisition of the Villas at Royal Kunia, consummated on March 1, 2006, along with the related financing, had occurred on January 1, 2005.

	Six Months Ended June 30,			Year Ended December 31,					
	Company Pro Forma	Historical Predecessor		Company Pro Forma	Historical Predecessor				
	2006	2006	2005	2005	2005	2004	2003	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)				(Unaudited)	(Unaudited)
	(In thousands)								
Statement of Operations Data:									
Revenues:									
Office rental:									
Rental revenue[1]	$175,792	$150,519	$144,200	$338,150	$297,551	$249,402	$246,369	$215,825	$176,496
Tenant recoveries	9,101	8,903	6,599	14,979	14,632	9,439	9,386	7,789	5,312
Parking and other income	20,470	20,031	18,648	37,123	36,383	27,797	27,557	21,413	21,605
Total office revenue	205,363	179,453	169,447	390,252	348,566	286,638	283,312	245,027	203,413
Multifamily rental:									
Rental revenue [2]	30,198	25,900	21,360	61,015	43,942	32,787	31,070	31,960	28,581
Parking and other income	944	824	560	1,909	1,280	1,006	924	762	638
Total multifamily revenue	31,142	26,724	21,920	62,924	45,222	33,793	31,994	32,722	29,219
Total revenue	236,505	206,177	191,367	453,176	393,788	320,431	315,306	277,749	232,632
Operating Expenses:									
Office rental	57,902	61,132	59,021	113,939	119,879	103,407	96,771	83,450	67,192
Multifamily rental	8,427	8,696	7,315	16,312	15,347	13,219	11,765	11,685	11,070
General and administrative expenses	7,354	3,136	3,193	14,997	6,457	5,646	5,195	3,877	3,591
Depreciation and amortization [3]	98,714	53,616	57,672	221,720	113,170	91,306	92,559	76,753	57,524
Total operating expenses	172,397	126,580	127,021	366,968	254,853	213,578	206,290	175,765	139,377
Operating income	64,108	79,597	64,166	86,208	138,935	106,853	109,016	101,984	93,255
Gain (loss) on investment in interest contracts, net		59,967	6,300		81,666	37,629	23,583	(47,644)	(17,133)
Interest and other income	1,715	2,548	746	544	2,264	1,463	514	2,294	1,764
Interest expense [4]	(85,399)	(58,055)	(52,356)	(175,846)	(115,674)	(95,125)	(94,783)	(81,121)	(73,712)
Deficit recovery (distributions) from/(to) minority partners, net [5]		6,248	(47,652)		(28,150)	(57,942)			
Income (loss) before minority interest expense	(19,576)	90,305	(28,796)	(89,094)	79,041	(7,122)	38,330	(24,487)	4,174
Minority Interest:									
Minority interest expense in consolidated		(64,434)	(8,843)		(79,756)	(47,144)	(30,944)	29,889	1,846

	Six Months Ended June 30,			Year Ended December 31,					
real estate partnerships									
Minority interest in operating partnership	(6,096)			(27,744)					
Preferred minority investor		(8,050)	(7,755)		(15,805)	(2,499)			
Income (loss) from continuing operations	(13,480)	17,821	(45,394)	(61,350)	(16,520)	(56,765)	7,386	5,402	6,020
Income from discontinued operations, net of minority interest						174	239	11,470	474
Net income / (loss)	$(13,480)	$17,821	$(45,394)	$(61,350)	$(16,520)	$(56,591)	$7,625	$16,872	$6,494

	Six Months Ended June 30,		Year Ended December 31,					
	Company Pro Forma	Historical Predecessor	Company Pro Forma	Historical Predecessor				
	2006	2006	2005	2005	2004	2003	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)				(Unaudited)	(Unaudited)
	(In thousands, except per share data)							
Balance Sheet Data (at end of period):								
Investment in real estate, net	$ 5,864,616	$ 2,707,477		$ 2,622,484	$ 2,398,980	$ 2,222,854	$ 2,293,636	$ 2,082,191
Total assets	6,084,744	3,056,568		2,904,647	2,585,697	2,356,296	2,415,429	2,168,433
Secured notes payable	2,781,000	2,305,500		2,223,500	1,982,655	1,716,200	1,577,188	1,390,758
Total liabilities	3,112,014	2,401,940		2,313,922	2,069,473	1,842,971	1,689,934	1,459,183
Minority interests in real estate partnerships		741,694		688,516	579,838	496,838	708,444	695,423
Minority interests in operating partnership	925,738							
Stockholders' / owners' equity	2,046,992	(87,066)		(97,791)	(63,614)	16,487	17,051	13,827
Total liabilities and stockholders' / owners' equity	6,084,744	3,056,568		2,904,647	2,585,697	2,356,296	2,415,429	2,168,433
Per Share Data:								
Pro forma earnings (loss) per share basic and diluted								
Pro forma weighted average common shares outstanding basic and diluted								
Other Data:								
Cash flows from								
Operating activities		69,967		127,811	92,767	113,950		
Investing activities		(138,340)		(231,157)	(223,574)	2,163		
Financing activities		60,593		103,768	167,817	(116,322)		
Funds from operations before minority interest (6)	$79,138		$132,626					
EBITDA before minority interest (7)	164,537		308,472					
Number of properties (at end of period)	55	48	55	47	45	43	46	46

(1) Pro forma rental revenue on our office portfolio includes straight line rent of $14.8 million for the six months ended June 30, 2006 and $29.6 million for the year ended December 31, 2005. Pro forma rental revenue on our office portfolio also includes amortization of above- and below-market rents of $11.8 million for the six months ended June 30, 2006 and $23.5 million for the year ended December 31, 2005.

(2) Pro forma rental revenue on our multifamily portfolio includes amortization of above- and below-market rents of $2.5 million for the six months ended June 30, 2006 and $9.2 million for the year ended December 31, 2005. Pro forma rental revenue on our multifamily portfolio for the year ended December 31, 2005 includes $3.4 million of below market lease value which amortizes into rental revenue over a period of less than one year.

(3) Pro forma depreciation and amortization for the year ended December 31, 2005 includes approximately $16.8 million of in-place lease value relating to our multifamily assets which amortizes over a period of less than one year.

(4)

Pro forma and historical interest expense for the year ended December 31, 2005 includes loan cost write-offs of $9.8 million related to the refinancing of certain secured notes payable.

(5)

Represents a charge equal to the amount of cash distributions by the institutional funds to their limited partners in excess of the carrying amount of such limited partners' interest. As we do not expect to make cash distributions in excess of the carrying amount of the minority interests in the operating partnership, these amounts have been eliminated from the pro forma amounts for each period presented.

(6)

We calculate funds from operations before minority interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that results from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. FFO should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma funds from operations before minority interests to net loss for the periods presented (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2006	**Year Ended December 31, 2005**
Net loss	$(13,480)	$ (61,350)
Adjustments:		
Minority interest in operating partnership	(6,096)	(27,744)
Real estate depreciation and amortization	98,714	221,720
Funds from operations before minority interest[(a)]	$ 79,138	$ 132,626

(a) Pro forma funds from operations for the year ended December 31, 2005 includes (1) $9.8 million of loan write off costs included in interest expense related to the refinancing of certain secured notes payable and (2) $3.4 million of below market lease value included in multifamily rental revenue which amortizes over a period of less than one year.

(7) EBITDA before minority interest represents net income (loss) before interest expense, interest income, income tax expense, depreciation and amortization and minority interest in operating partnership. We present EBITDA before minority interest primarily as a supplemental performance measure because we believe it facilitates operating performance comparisons from period to period by backing out potential differences caused by non-operational variances. Because EBITDA before minority interest facilitates internal comparisons of our historical financial position and operating performance on a more consistent basis, we also intend to use EBITDA before minority interest for business planning purposes, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities. In addition, we believe EBITDA before minority interest and similar measures are widely used by financial analysts as a measure of financial performance of other companies in our industry. EBITDA before minority interest has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA before minority interest does not reflect cash requirements for such replacements;
- it does not reflect changes in, or cash requirements for, our working capital requirements;
- it does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness; and
- other REITs may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA before minority interest should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA before minority interest only supplementally. For more information, see the consolidated financial statements and the related notes of our predecessor and the other financial statements included elsewhere in this prospectus.

A reconciliation of our pro forma EBITDA before minority interest to net loss, the most directly comparable GAAP performance measure, is provided below (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Net loss	$(13,480)	$ (61,350)
Adjustments:		
Interest expense	85,399	175,846
Depreciation and amortization	98,714	221,720
Minority interest in operating partnership	(6,096)	(27,744)
EBITDA before minority interest[(a)]	$ 164,537	$ 308,472

(a) Pro forma EBITDA before minority interest for the year ended December 31, 2005 includes $3.4 million of below market lease value included in multifamily rental revenue which amortizes over a period of less than one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial Data," "Structure and Formation of Our Company," our pro forma consolidated financial statements and related notes and the historical consolidated financial statements and related notes of our "predecessor," included elsewhere in this prospectus. Our "predecessor" includes Douglas Emmett Realty Advisors, Inc., or DERA, as the accounting acquirer, and its consolidated subsidiaries, nine California real estate limited partnerships that own, directly or indirectly, office and multifamily properties and fee interests in land subject to ground leases. We refer to these nine limited partnerships as the "institutional funds." In the formation transactions described below, we will acquire our predecessor, as well as Douglas, Emmett and Company, or DECO, P.L.E. Builders, Inc., or PLE, and seven California limited partnerships and one California limited liability company, which we refer to collectively as the "single-asset entities." Each single-asset entity owns, directly or indirectly, one multifamily or office property (or, in one case, a fee interest in land subject to a ground lease). As used in this section, unless the context otherwise requires, "we," "us," "our" and "our company" mean our predecessor for the periods presented and Douglas Emmett, Inc. and its consolidated subsidiaries upon consummation of this offering and the formation transactions.

Overview

Our Company. Douglas Emmett, Inc. is a Maryland corporation formed on June 28, 2005 to continue and expand the operations of DERA, DECO and PLE and their predecessor entities, which we refer to as our historical operating companies. We are engaged in acquiring, owning, managing, repositioning and redeveloping real estate consisting primarily of office (including ancillary retail space) and multifamily properties located in Los Angeles County, California and Honolulu, Hawaii. For all periods presented, DERA was the general partner of, and had responsibility for the asset management of, our predecessor. As of each of December 31, 2005 and June 30, 2006, our predecessor owned 42 office properties and the fee interest in two parcels of land that we lease to third parties under long-term ground leases, and as of December 31, 2005 and June 30, 2006, our predecessor owned five and six multifamily properties, respectively. As of each of December 31, 2005 and June 30, 2006, the single-asset entities owned four office properties, three multifamily properties and the fee interest in one parcel of land that we lease to third parties under long-term ground leases, and for all periods presented were under the common management of DECO. DECO provides property management and leasing services to all of the properties to be acquired in the formation transactions, and PLE provides construction services in connection with improvements to tenant suites and common areas in the properties.

Douglas Emmett, Inc. has not had any corporate activity since its formation, other than the issuance of 100 shares of its common stock to two of our predecessor principals in connection with the initial capitalization of the company and activities in preparation for this offering and the formation transactions. Accordingly, we believe that a discussion of the results of Douglas Emmett, Inc. would not be meaningful, and we have therefore set forth below a discussion regarding the historical operations of our predecessor only. Our predecessor does not include DECO, PLE or the single-asset entities, collectively the "non-predecessor entities." For periods after consummation of this offering, our operations will include their operations. We have not included a separate discussion of the financial condition and results of operations of DECO, PLE or the single-asset entities because we believe that a discussion of our predecessor is more meaningful for investors. However, we have included elsewhere in this prospectus: (1) financial statements of DECO as of December 31, 2004 and 2005 and June 30, 2006, for the years ended December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2005 and 2006; and (2) combined statements of revenues and certain expenses of the single-asset entities for the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2005 and 2006. Given the size of PLE's operation, we have not included separate financial statements as we do not believe that PLE's historical financial information is meaningful to an understanding of our operations.

Acquisitions, Dispositions and Repositionings. The following sets forth the acquisition, disposition and repositioning activity for our predecessor for the periods presented. There were no such activities at the non-predecessor entities during these periods.

Office Property Acquisitions

August 2004 two office properties for an aggregate gross purchase price of $59.0 million, one in Beverly Hills, California and one in Honolulu, Hawaii. These properties consist of one building each and contain a total of 311,230 rentable square feet.

November 2004 one office property in Honolulu, Hawaii that consists of two buildings containing 472,172 rentable square feet for an aggregate gross purchase price of $114.5 million.

January 2005 one office property in Woodland Hills, California that consists of four buildings containing 660,651 rentable square feet for an aggregate gross purchase price $162.0 million (including the assumption of $100.5 million in debt).

Multifamily Property Acquisitions

January 2005 one multifamily property in Honolulu, Hawaii that consists of 696 units for an aggregate gross purchase price of $108.5 million.

March 2006 one multifamily property in Honolulu, Hawaii that consists of 402 units for an aggregate gross purchase price of $114.0 million.

Dispositions

July 2003 one office property located in Los Angeles, California that consists of one building containing 46,529 rentable square feet for gross proceeds of $10.4 million.

October 2003 two office properties located in Beverly Hills, California that consist of two buildings containing 219,563 rentable square feet for aggregate gross proceeds of $57.3 million.

August 2004 one office property located in Burbank, California that consists of one building containing 106,660 rentable square feet for gross proceeds of $39.5 million.

The properties disposed of in 2003 were included in discontinued operations for the year ended December 31, 2003, and the property disposed of in 2004 was included in discontinued operations for each of the years ended December 31, 2003 and 2004 and, therefore, such properties did not impact the results of continuing operations for all comparable periods.

Repositionings. A property is generally selected for repositioning at the time we purchase it. We often strategically purchase properties with large vacancies or expected near-term lease roll-over and use our well-developed knowledge of the property and submarket to determine the optimal use and tenant mix. Generally, a repositioning consists of a range of improvements to a property. A repositioning may involve a complete structural renovation of a building to significantly upgrade the character of the property, or it may involve targeted remodeling of common areas and tenant spaces to make the property more attractive to certain identified tenants. Although each repositioning effort is unique and determined based on the property, tenants and overall trends in the general market and specific submarket, each repositioning has resulted in a period of varying degrees of depressed rental revenue and occupancy levels for the affected property, which impacts our results and, accordingly, comparisons of our performance from period to period. The repositioning process generally occurs in stages over the course of months or even years. During the periods presented, we had a number of

on-going repositioning efforts on six of our office properties representing 14 buildings and approximately 4.2 million rentable square feet, which we refer to below as the repositioning properties. The repositioning properties exclude properties acquired during the periods presented that are undergoing repositioning efforts, as these properties are discussed within the context of acquisitions.

Significant Financing Transactions

Historical. In December 2004, we refinanced $218.0 million of indebtedness, secured by four multifamily properties, at floating interest rates of Discount Mortgage-Backed Securities, or DMBS, plus 0.45% and 0.63%, with $293.0 million of indebtedness, secured by the same properties, at a floating interest rate of DMBS plus 0.60%, in order to increase the principal amount and extend the maturities on the loans from 2008 to 2011. In June 2005, we entered into swap transactions to fix the interest rate on these loans at 4.70%. In the discussion below, we refer to this transaction as the "December 2004 refinancing." In August 2005, we refinanced approximately $1.70 billion of indebtedness, secured by 40 office properties, at a weighted-average interest rate (after giving effect to related interest rate contracts and assuming London Interbank Offered Rate, or LIBOR, of 3.87% as of August 2005) of approximately 5.09% with $1.76 billion of term indebtedness, secured by 30 office properties, at an interest rate (after giving effect to related interest rate contracts) of approximately 4.93%. The purpose of this transaction was to lower the interest rate spread on the applicable loans, unencumber ten of the properties that had previously been securing the debt, and extend the maturity of the existing debt from between 2006 and 2009 to 2012. In the discussion below, we refer to this transaction as the "August 2005 refinancing."

Concurrent with this Offering. We have entered into agreements to amend our existing $1.76 billion secured term loan with Eurohypo AG and Barclays Capital to increase the principal amount of the term loan by $545.0 million at the same interest rate of LIBOR plus 0.85% and on substantially the same terms, but with additional properties securing the loan. We expect to use the entire $545.0 million in connection with this offering, the formation transactions and the financing transactions. We refer to this contemplated refinancing as our "modified term loan." The closing of the modified term loan is contingent on satisfaction of customary conditions and the consummation of this offering. We have also entered into an agreement with Bank of America, N.A. and Banc of America Securities LLC to provide a senior secured revolving credit facility allowing borrowings of up to $250.0 million (or $500.0 million pursuant to an accordion feature), which we expect to be undrawn at the completion of this offering, assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus. On a pro forma basis as of June 30, 2006, we would have had total indebtedness of $2.75 billion, excluding loan premium, and our ratio of debt to total market capitalization would have been 45.5%, assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus. Our total market capitalization is defined as the sum of the market value of our outstanding common stock, plus the aggregate value of outstanding operating partnership units not owned by us, including vested LTIP units, plus the book value of our total consolidated indebtedness, excluding loan premium. For additional information regarding the modified term loan and the senior secured revolving credit facility, please refer to " Liquidity and Capital Resources" below and "Business and Properties Description of Certain Debt."

Formation Transactions. Concurrently with this offering, we will complete the formation transactions, pursuant to which we will acquire, through a series of merger and contribution transactions, all of the interests in our predecessor and the non-predecessor entities. As a result of the formation transactions, we will acquire a total of 55 properties (42 office properties and six multifamily properties from our predecessor, and four office properties and three multifamily properties from the single-asset entities) as well as certain fee interests in three parcels of land subject to ground leases and the other assets and operations of our predecessor and the non-predecessor entities. To acquire the interests in these entities from the holders thereof, or the "prior investors," we will issue to the prior investors an aggregate of 58,617,573 shares of our common stock and 50,512,427 units in our operating partnership with an aggregate value of $2.18 billion, assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus, and we will pay to the prior investors $1.38 billion in cash, which would be provided from the net proceeds of this offering, the financing transactions and cash on hand, including the $60.0 million capital contribution made by our predecessor principals in March 2006 to DERA. In the formation transactions, the predecessor principals will receive shares of our common stock valued at the price to the public in this offering for their DERA stock.

If the underwriters' over-allotment option is exercised in full, we will use the additional gross proceeds of $165.0 million (assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus) to increase the cash consideration payable to the prior investors, and to correspondingly reduce the equity consideration payable to them. In such case, the prior investors would receive an aggregate of 51,305,462 shares of our common stock and 49,574,538 units in our operating partnership with an aggregate value of $2.02 billion, assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus, and we would pay them $1.55 billion in cash. As a result, our outstanding shares of common stock on a fully diluted basis would not change. The additional underwriters' commissions of $8.7 million would be financed with borrowings on our senior secured revolving credit facility.

Because DERA is the accounting acquiror, any interests contributed by or purchased from DERA in the formation transactions will be recorded at historical cost. The acquisition of interests other than those directly owned by DERA in the formation transactions will be accounted for as an acquisition under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* and recorded at the estimated fair value of acquired assets and assumed liabilities corresponding to their ownership interests. The fair values of tangible assets acquired are determined on an as-if-vacant basis. The as-if-vacant fair value will be allocated to land, building, tenant improvements and the value of in-place leases based on our own market knowledge and published market data, including current rental rates, expected downtime to lease up vacant space, tenant improvement construction costs, leasing commissions and recent sales on a per square foot basis for comparable properties in our sub-markets. The estimated fair value of acquired in-place at-market leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease this property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which generally ranges up to 8-12 months. Above-market and below-market in-place lease values are recorded as an asset or liability based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease for office property leases and our estimate of the remaining life of the tenancy for multifamily property tenants. The fair value of the variable rate debt assumed was determined using current market interest rates for comparable debt financings.

Upon consummation of this offering and the formation transactions, we expect our operations to be carried on through Douglas Emmett Properties, LP, our operating partnership, which we formed on July 25, 2005. Consummation of the formation transactions will enable us to consolidate our asset management, property management, leasing, tenant improvement construction, acquisition and financing businesses into our operating partnership; consolidate the ownership of our property portfolio under our operating partnership; facilitate this offering; and qualify as a real estate investment trust for federal income tax purposes commencing with the taxable year ending December 31, 2006. As a result, we expect to be a fully integrated, self-administered and self-managed real estate company with approximately 400 employees providing substantial in-house expertise in asset management, property management, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

Revenue Base. We operate our business in two segments: office and multifamily. Historically, the office segment has represented a substantial majority of our overall business. Although our multifamily segment has grown recently with the purchases of Moanalua Hillside Apartments in January 2005 and Villas at Royal Kunia in March 2006, we expect that our office segment will remain larger than our multifamily segment. For the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, the office segment contributed 89.9%, 89.5%, 88.5% and 87.0%, respectively, of our predecessor's total revenue, while the multifamily segment contributed 10.1%, 10.5%, 11.5% and 13.0%, respectively, of such revenue. As of December 31, 2003 and 2004, our predecessor owned 39 and 41 office properties, respectively, and four multifamily properties. As of December 31, 2005 and June 30, 2006, our predecessor owned 42 office properties, and as of December 31, 2005 and June 30, 2006, they owned five and six multifamily properties, respectively. As of June 30, 2006 these office properties were approximately 93.0% leased at an average annualized rent per leased square foot of $30.44, and these multifamily properties were approximately 99.6% leased at an average monthly rent per leased unit of $1,677. Upon consummation of this offering and the formation transactions, we will acquire from our predecessor and the non-predecessor entities an aggregate of 46 office properties and nine multifamily properties, as well as the fee interests in three parcels of land subject to ground leases, in one of which we will own a one-sixth undivided tenancy-in-common interest. All of these properties are located in Los Angeles County, California and Honolulu, Hawaii. Our portfolio will contain a total of approximately 11.6 million office rentable square feet and 2,868 multifamily units.

Leases

Office Leases. Historically, our predecessor primarily leased office properties to tenants on a full service gross or triple net lease basis, and we expect to continue to do so in the future. A full service gross lease has a base year expense stop, whereby the tenant pays a stated amount of expenses as part of the rent payment, while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant's proportionate square footage in the property. The increased property operating expenses billed are reflected in operating expense and amounts recovered from tenants are reflected as tenant recoveries in the statements of income. In a triple net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses are billed to the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. Our tenants in Los Angeles County, California predominantly have full service gross leases, and our tenants in Honolulu, Hawaii predominantly have triple net leases.

Multifamily Leases. Our multifamily leases generally have a one-year term that automatically transfers to month-to-month upon expiration of the term. Tenants normally pay a base rental amount, usually quoted in terms of a monthly rate for the respective unit.

Deficit Distributions to Minority Partners. Deficit distributions to minority partners are recorded as an expense in the statements of operations of our predecessor. When the institutional funds made cash distributions to their limited partners unaffiliated with DERA in excess of the carrying amount of such limited partners' interests, a charge equal to the amount of such excess distributions was recorded as deficit distributions to minority partners, even though there was no effect or cost relating to our operations. We do not expect to make cash distributions in excess of the carrying amount of the minority interests in the operating partnership after completion of this offering and the formation transactions.

Interest Rate Contracts. Any change in fair value of interest rate contracts of our predecessor was recorded as a gain or loss in the statement of operations because such contracts did not qualify as effective hedges under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133, as amended by SFAS 138). As discussed in more detail below under " Liquidity and Capital Resources Interest Rate Risk." In conjunction with this offering, we intend to enter into a series of interest rate swaps that effectively offset any future changes in the fair value of all of our existing interest rate contracts. These new interest rate contracts will also not qualify for hedge accounting under SFAS 133. Our existing interest rate contracts resulted in an asset with a fair value of $137.5 million and a liability with a fair value of $11.6 million as of June 30, 2006. These offsetting interest rate contracts will result in these values being "locked-in" on the offering date. We will collect over the remaining life of these interest rate contracts an amount equal to the net fair value recorded.

We also intend to enter into a new series of interest rate swap contracts that will effectively hedge our variable rate debt from future changes in interest rates. Unlike the interest rate contracts described above, we expect the new interest rate contracts to qualify for cash flow hedge accounting treatment under SFAS 133, and as such, all future changes in fair value of the new interest rate contracts for periods after this offering will be recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of the new interest rate contracts' change in fair value is immediately recognized in earnings.

Historical Investment Performance of the Institutional Funds

DERA has been the general partner and asset manager of each of the nine institutional funds throughout their history. Our historical operating companies have been responsible for all acquisition, disposition, asset management, property management, leasing, and development/redevelopment activities for the institutional funds. The activities of the institutional funds have comprised all of the investment activity of DERA since its inception.

The table below presents the internal rate of return, or IRR, and the average annual operating return of each of the institutional funds since its respective date of inception. The calculations of IRR reflect the distribution of consideration in the formation transactions based on per share or unit amounts of $20.00, the mid-point of the range set forth on the cover page of this prospectus, and the other assumptions and methodologies set forth in the footnotes to the table.

When considering the data in the table below, you should consider that the historical results of the institutional funds may not be indicative of the future results that you should expect from an investment in our common stock. In particular, our results could vary significantly from the historical results due to the fact that:

- we are acquiring the properties and other assets in the formation transactions at values in excess of their book value, which may also be in excess of their fair market value;
- we will not benefit from any value that was created in the properties prior to our acquisition;
- we purchased many of our properties at a relative low point in the Los Angeles County real estate market;
- the positive economic and other trends affecting the Los Angeles County real estate market in recent years may not continue at the same level;
- we will be operating all of the acquired properties and other assets under one on-going company, as opposed to individual investment partnerships with defined terms;
- we will be operating as a public company, and, as such, our cost structure will vary from our historical cost structure;
- we may not incur indebtedness at the same level relative to the value of our properties as was incurred by the institutional funds;

our approaches to disposition and refinancing of properties and the use of proceeds of such transactions are likely to differ from those of the institutional funds;

our dividend policy will differ from that of the institutional funds;

the value realized by our stockholders will depend not only on the cash generated by our properties but also by the market price for our common stock, which may be influenced by a number of other factors;

the size and type of investments that we make as a public company, and relative riskiness of those investments, may differ materially from those of the institutional funds, which could significantly impact the rates of return expected from those investments;

we may enter into joint ventures that could manage and lease properties differently than we have historically; and

as described elsewhere in this prospectus, our future results are subject to many uncertainties and other factors that could cause our returns to be materially lower than the returns previously achieved by the institutional funds.

Other factors that may cause future results to be materially lower than the returns previously achieved by the institutional funds include the additional risks, uncertainties and other factors that are described elsewhere in this prospectus, including under "Risk Factors." In assessing the significance of the IRR for any particular fund, it is important to note that higher IRRs are generally more readily achieved over shorter periods, which therefore tend not to be representative of longer term investment performance of a particular institutional fund.

The following table sets forth a summary of contributions, distributions, consideration received in the formation transactions and internal rates of return of the nine institutional funds:

Fund	Inception Date[(1)]	Aggregate Net Contributions[(2)(3)]	Aggregate Net Distributions[(2)(4)]	Value of Consideration in Formation Transactions[(5)]	Average Annual Operating Return[(6)]	Internal Rate of Return[(7)]
Douglas Emmett Realty Fund	Feb 1994	$ 88,800,000	$ 211,282,459	207,742,259	12.72%	20.44%
Douglas Emmett Realty Fund No. 2	Sept 1994	21,212,121	49,609,741	49,589,772	12.93%	21.36%
Douglas Emmett Realty Fund 1995	Feb 1996	186,449,990	368,083,536	305,665,549	12.86%	21.98%
Douglas Emmett Realty Fund 1996	May 1997	190,485,001	307,339,006	354,097,126	10.44%	23.90%
Douglas Emmett Realty Fund 1997	July 1998	246,030,003	235,313,003	591,248,323	7.91%	20.37%
Douglas Emmett Realty Fund 1998	Aug 1999	144,527,986	97,560,753	456,245,924	6.42%	23.90%
Douglas Emmett Realty Fund 2000	June 2001	263,956,878	52,756,002	816,001,694	5.62%	32.11%
Douglas Emmett Realty Fund 2002	July 2004	152,080,988	6,025,006	307,237,467	3.82%	43.93%
Douglas Emmett Realty Fund 2005	Feb 2006	43,000,000		80,745,790	4.95%	157.32%

(1) Date on which the subscription period for the fund ended and the investment period began. Any contribution activity occurring prior to beginning of a fund's investment period was deemed to occur at the beginning of the investment period in accordance with the partnership agreement for the fund.

(2) All contributions and distributions are deemed to be made on the last day of the month and, if contributions and distributions are made in the same month, the aggregate amounts of each are netted against each other for purposes of calculating any particular month's cash flow.

(3) Includes contributions made by all partners in each institutional fund, including the general partner. If in a single month both capital contributions are made by partners and cash distributions are made to partners, then Aggregate Net Contributions only includes the net amount, if any, by which aggregate capital contributions exceed aggregate cash distributions.

(4)

Includes distributions made to all partners in each institutional fund, including the carried interest and other distributions to the general partner. Excludes asset management, property management, leasing and construction fees paid to the general partner and its affiliates as such fees are expenses of the respective institutional fund and thus are not investment returns attributable to the interest of the general partner. If in a single month both capital contributions are made by partners and cash distributions are made to partners, then Aggregate Net Distributions only includes the net amount, if any, by which aggregate cash distributions exceed aggregate capital contributions.

(5) Includes the value of the cash, operating partnership units and common stock to be paid with respect to the partnership interests in each institutional fund (including the carried interest of the general partner) in the formation transactions, based on a per share or unit amount of $20.00, the mid-point of the range set forth on the cover page of this prospectus.

(6) "Average Annual Operating Return" is the average of the amounts for each year since a fund's inception (with partial periods annualized) obtained by dividing that fund's adjusted net income for that year by its net invested cash during that year. A fund's adjusted net income is calculated by subtracting from its GAAP net income the effects of depreciation, amortization, straight lining rents, sales and the consideration from the formation transactions, but still includes the effects of higher interest costs resulting from additional refinancing proceeds. Net invested cash for each fund is the weighted average of outstanding originally invested equity for each year reflecting inter-year adjustments for increases due to new investor contributions and decreases due to the original capital invested allocable to single asset sales. Accordingly, adjusted net income is not intended to include returns generated by unrealized appreciation or proceeds from refinancings, sales or the formation transactions, although it may include the indirect effects of refinancings or sales on interest expense.

(7) IRR is a method to analyze investments that accounts for the time value of money and represents the rate of return on a capital investment over a holding period expressed as a percentage of the investment. IRR is generally defined as the discount rate that makes the net present value of cash outflows (the cost of the investment) equal the net present value of cash inflows (returns on the investment). Each IRR in the table above was calculated using net distributions and net contributions as described in footnotes (1) through (4) above and assuming that on the closing date of this offering (for these purposes assumed to be October 31, 2006) a final distribution is made in the amount set forth above under "Value of Consideration in Formation Transactions." Each IRR was calculated using monthly cash flows, and the monthly rate was converted to an annual percentage rate.

Factors That May Influence Our Operating Results

Business and Strategy. We expect to continue our strategy of growth through proactive asset and property management at existing properties and through selective acquisitions, repositioning and redevelopment. Our core strategy has been to own and operate office and multifamily properties within submarkets that are supply constrained, have high barriers to entry, exhibit strong economic characteristics and offer proximity to high-end executive housing and key lifestyle amenities. We often acquire properties with significant vacancies upon acquisition that we believe we can manage and lease in a manner that will increase their cash flow. In addition, we intend to continue to redevelop and reposition properties to increase rental and occupancy rates at these properties.

Since 2003, we experienced increasing occupancy rates in our Los Angeles County office properties, which we believe was due in part to the general economic recovery that took place after the relative economic slowdown that began in late 2000. We also saw rental rate growth, which typically follows occupancy growth, beginning in 2005. In addition, we have generally experienced fairly stable occupancy rates at our multifamily properties in recent years, and we began to see rental rate growth in 2005, as a result of higher demand. We expect these trends to continue in the near term as a result of continuing positive factors affecting our markets, growth of the local economy and the lease-up of our repositioning properties.

We expect to continue to acquire properties subject to existing mortgage financing and other indebtedness or to incur indebtedness in connection with acquiring or refinancing these properties. Historically, we have financed our properties with floating rate debt, where possible, hedged with interest rate swaps or caps, where appropriate, since we value the flexibility that this borrowing strategy affords. Debt service on such indebtedness will have a priority over any dividends with respect to our common stock.

Rental Revenue. We receive income primarily from rental revenue from our office and multifamily properties and parking garages at those properties. The amount of rental revenue generated by the properties in our portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. The properties that will comprise our initial portfolio upon completion of this offering and the formation transactions were approximately 93.1% leased for our office properties and approximately 99.6% leased for our multifamily properties. The amount of rental revenue generated by us also depends on our ability to maintain or increase rental rates at our properties. Future economic downturns or regional downturns affecting our submarkets that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods.

Scheduled Lease Expirations. Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets as well as the desirability of our individual properties. As of June 30, 2006, in addition to approximately 800,923 rentable square feet of currently available space in our office properties that will comprise our initial portfolio, leases representing approximately 5.9% and 11.1% of the rentable square footage of such portfolio are scheduled to expire during the six months ending December 31, 2006 and the twelve months ending December 31, 2007, respectively. The leases scheduled to expire in the six months ending December 31, 2006 and the twelve months ending December 31, 2007 represent approximately 6.8% and 13.0%, respectively, of the total annualized rent for our initial portfolio.

Conditions in Our Markets. The properties in our portfolio are located in either Los Angeles County, California or Honolulu, Hawaii. Positive or negative changes in economic or other conditions, adverse weather conditions and natural disasters in these markets may impact our overall performance.

Operating Expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years are generally passed on to tenants in our Los Angeles County office properties and are generally paid in full by tenants in our Hawaii office properties, as well as rental expenses on the two ground leases and the Harbor Court lease where we are the lessee. As a public company, we estimate our annual general and administrative expenses will increase by $6 million to $8 million initially due to increased legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters, compared to our predecessor's operations. In addition, properties in our portfolio may be reassessed after the consummation of this offering. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

Critical Accounting Policies

Our discussion and analysis of the historical financial condition and results of operations of our predecessor are based upon their consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in note 2 to the consolidated financial statements of our predecessor included elsewhere in this prospectus. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial conditions and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial conditions to those of other companies.

Consolidation of Limited Partnerships. In March 2005, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on Issue No. 04-05, *Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights*. EITF 04-5 clarifies certain aspects of Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*, and provides guidance on determining whether a sole general partner in a limited partnership should consolidate its investment in a limited partnership. DERA is the sole general partner of the institutional funds and the limited partners of the institutional funds do not have substantive "kick-out" or participation rights as defined by EITF 04-5. DERA early adopted the guidance of EITF 04-5 and has consolidated the institutional funds retrospectively.

The accompanying consolidated financial statements represent the historical financial statements of our predecessor, which include the accounts of DERA and the institutional funds. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Investment in Real Estate. Acquisitions of properties and other business combinations subsequent to June 30, 2001, the effective date of SFAS No. 141, *Business Combinations*, are accounted for utilizing the purchase method and, accordingly, the results of operations of acquired properties are included in our results of operations from the respective dates of acquisition. Estimates of future cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, buildings and improvements, equipment and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, acquired above- and below-market leases and tenant relationships. Initial valuations are subject to change until such information is finalized no later than 12 months from the acquisition date. Each of these estimates requires a great deal of judgment, and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations because if we were to allocate more value to land there would be no depreciation with respect to such amount. If we were to allocate more value to the buildings as opposed to allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the terms of the leases.

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

The estimated fair value of acquired in-place at-market leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimate includes the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which generally ranges up to 8-12 months.

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

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

The values allocated to land, buildings, site improvements, tenant improvements, and in-place leases are depreciated on a straight-line basis using an estimated life of 40 years for buildings, 15 years for site improvements, and the respective lease term for tenant improvements and in-place leases. The values of above- and below-market leases are amortized over the life of the related lease and recorded as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The amortization of acquired in-place leases is recorded as an adjustment to depreciation and amortization in the consolidated statements of operations. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off. Interest, insurance and property tax costs incurred during the period of construction of real estate facilities are capitalized.

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

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

Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments are recognized on a monthly basis when earned.

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

We recognize gains on sales of real estate pursuant to the provisions of SFAS No. 66, *Accounting for Sales of Real Estate* (SFAS No. 66). The specific timing of a sale is measured against various criteria in SFAS No. 66 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, installment or cost recovery method.

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

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

Interest Rate Agreements. We manage our interest rate risk associated with borrowings by obtaining interest rate swap and interest rate cap contracts. No other derivative instruments are used.

In June 1998, the FASB issued SFAS No. 133. The statement requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of our stockholders' equity account. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Our investments in interest rate swap and interest rate cap contracts do not qualify as effective hedges, and as such, the changes in such contracts' fair market values are being recorded in earnings.

Historical Results of Operations

Comparison of six months ended June 30, 2006 to six months ended June 30, 2005

Our results of operations for the six months ended June 30, 2006 compared to the same period in 2005 were significantly affected by our repositioning and acquisition activities in both years. As a consequence, our results are not comparable from period to period due to the varying timing of acquisitions and lease up or increased vacancy resulting from repositioning activities. Therefore, in our discussion below, we have noted the results of our "Same Properties Portfolio" and our "Repositioning and Acquisition Properties" where relevant. We expect our repositioning efforts to continue to impact our current and future operating results. For example, our Warner Center Towers, Trillium and Bishop Place properties were 88.5%, 71.6% and 88.4% leased, respectively, as of June 30, 2006. Upon completion of our repositioning efforts at these properties, we expect that we will be able to significantly increase their occupancy.

In our office portfolio, our Repositioning and Acquisition Properties include the results of Santa Monica Square, Warner Center Towers, 9601 Wilshire, Sherman Oaks Galleria, 1901 Avenue of the Stars, Studio Plaza, The Trillium, Beverly Hills Medical Center, Bishop Place and Harbor Court for both periods presented. As of June 30, 2006, the Repositioning and Acquisition properties represented 49.7% of our total office portfolio, based on rentable square feet. In addition, we acquired two properties, Moanalua Hillside Apartments in January 2005 and Royal Kunia in March 2006, in our multifamily portfolio. As of June 30, 2006, our multifamily acquisitions represented 40.1% of the total units in our multifamily portfolio. Our Same Properties Portfolio includes all properties other than our Repositioning and Acquisition Properties and our multifamily acquisitions. During the periods presented, we had no multifamily repositioning properties.

Revenue

Total Revenue. Total revenue consists of office revenue and multifamily revenue. Total revenues increased by $14.8 million, or 7.7%, to $206.2 million for the six months ended June 30, 2006 compared to $191.4 million for the six months ended June 30, 2005.

Office Revenue

Total Office Revenue. Total office revenue consists of rent, tenant recoveries and parking and other income. Total office portfolio revenue increased by $10.0 million, or 5.9%, to $179.5 million for the six months ended June 30, 2006 compared to $169.5 million for the six months ended June 30, 2005. Office revenue for the Same Properties Portfolio increased $3.1 million, or 3.3%, to $96.0 million for the six months ended June 30, 2006 compared to $92.9 million for the six months ended June 30, 2005. Office revenue for the Repositioning and Acquisition Properties increased $6.9 million, or 9.0%, to $83.4 million for the six months ended June 30, 2006 compared to $76.5 million for the six months ended June 30, 2005.

Rent. Rent includes rental revenues from our office properties, percentage rent on the retail space contained within office properties, and lease termination income. Total office portfolio rent increased by $6.3 million, or 4.4%, to $150.5 million for the six months ended June 30, 2006 compared to $144.2 million for the six months ended June 30, 2005, primarily due to increases in rents from our Same Properties Portfolio. Office rent for the Same Properties Portfolio increased $2.3 million, or 2.8%, to $82.6 million for the six months ended June 30, 2006 compared to $80.3 million for the six months ended June 30, 2005. The increase in the office Same Properties Portfolio was primarily due to gains in occupancy and rental rates charged to tenants. Excluding straight-line rents, the amortization of above-and below-market rents, lease termination income and other non-recurring items, our Same Properties Portfolio rents increased $3.1 million, or 3.9%, to $80.5 million for the six months ended June 30, 2006 compared to $77.4 million for the six months ended June 30, 2005. Office rent for our Repositioning and Acquisition Properties increased $4.1 million, or 6.4%, to $68.0 million for the six months ended June 30, 2006 compared to $63.9 million for the six months ended June 30, 2005. The increase was primarily due to occupancy gains.

Tenant Recoveries. Total office portfolio tenant recoveries increased by $2.3 million, or 34.9%, to $8.9 million for the six months ended June 30, 2006 compared to $6.6 million for the six months ended June 30, 2005. Tenant reimbursements at the Repositioning and Acquisition Properties increased $2.0 million, or 40.6%, to $6.8 million for the six months ended June 30, 2006 compared to $4.8 million for the six months ended June 30, 2005. Office tenant recoveries for the office Same Properties Portfolio increased $0.3 million, or 19.4%, to $2.1 million for the six months ended June 30, 2006 compared to the $1.8 million for six months ended June 30, 2005, primarily due to gains in occupancy and recoveries related to increases in operating expenses discussed below.

Parking and Other Income. Total office portfolio parking and other income increased by $1.4 million, or 7.4%, to $20.0 million for the six months ended June 30, 2006 compared to $18.6 million for the six months ended June 30, 2005. Office parking and other income for the Repositioning and Acquisition Properties increased $0.9 million, or 11.2%, to $8.7 million for the six months ended June 30, 2006 compared to $7.8 million for the six months ended June 30, 2005. Office parking and other income for the Same Properties Portfolio increased $0.5 million, or 4.7%, to

$11.3 million for the six months ended June 30, 2006 compared to $10.8 million for the six months ended June 30, 2005. This increase was primarily due to gains in occupancy.

Multifamily Revenue

Total Multifamily Revenue. Total multifamily revenue consists of rent and parking and other income. Total multifamily portfolio revenue increased by $4.8 million, or 21.9%, to $26.7 million for the six months ended June 30, 2006 compared to $21.9 million for the six months ended June 30, 2005, primarily due to our multifamily acquisitions. Multifamily revenue for these acquisitions increased $3.3 million, or 79.0%, to $7.5 million for the six months ended June 30, 2006 compared to $4.2 million for the six months ended June 30, 2005. Multifamily revenue for the Same Properties Portfolio increased $1.5 million, or 8.4%, to $19.2 million for the six months ended June 30, 2006 compared to $17.7 million for the six months ended June 30, 2005.

Rent. Total multifamily portfolio rent increased by $4.5 million, or 21.3%, to $25.9 million for the six months ended June 30, 2006 compared to $21.4 million for the six months ended June 30, 2005, primarily due to the timing of our multifamily acquisitions during each period presented. Multifamily rent for these acquisitions increased $3.1 million, or 77.6%, to $7.2 million for the six months ended June 30, 2006 compared to $4.0 million for the six months ended June 30, 2005 primarily due to the timing of our multifamily acquisitions. Multifamily rent for the Same Properties Portfolio increased $1.4 million, or 8.1%, to $18.7 million for the six months ended June 30, 2006 compared to $17.3 million for the six months ended June 30, 2005. As of June 30, 2006, 355 units, or approximately 43% of our Santa Monica multifamily units, are under leases signed prior to a 1999 change in California Law that allows landlords to reset rents to market rates when a tenant moves out. Approximately $0.4 million of the multifamily Same Properties Portfolio increase was due to the rollover to market rents of 53 of these rent-controlled units, or "Pre-1999 Units," since January 1, 2005. The remainder of the increase was primarily due to increases in rents charged to other tenants.

Parking and Other Income. Total multifamily portfolio parking and other income increased by $0.2 million, or 47.1%, to $0.8 million for the six months ended June 30, 2006 compared to $0.6 million for the six months ended June 30, 2005, primarily due to our multifamily acquisitions.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of office and multifamily rental expense as well as general and administrative expenses and depreciation and amortization. Total operating expenses decreased by $0.6 million, or 0.5%, to $126.6 million for the six months ended June 30, 2006 compared to $127.2 million for the six months ended June 30, 2005.

Office Rental. Total portfolio office rental expense increased by $2.1 million, or 3.6%, to $61.1 million for the six months ended June 30, 2006 compared to $59.0 million for the six months ended June 30, 2005, primarily due to increases in the Same Properties Portfolio. Office rental expense for the Same Properties Portfolio increased $1.9 million, or 6.3%, to $31.9 million for the six months ended June 30, 2006 compared to $30.0 million for the six months ended June 30, 2005, primarily due to increases in contractual expenses including janitorial and security costs, higher utility costs due to increases in rates and warmer than normal weather in 2006.

Multifamily Rental. Total multifamily portfolio rental expense increased by $1.4 million, or 18.9%, to $8.7 million for the six months ended June 30, 2006 compared to $7.3 million for the six months ended June 30, 2005, primarily due to our multifamily acquisitions. Multifamily rental expense for these acquisitions increased $0.8 million, or 56.0%, to $2.1 million for the six months ended June 30, 2006 compared to $1.3 million for the six months ended June 30, 2005. Rental expense for the multifamily Same Properties Portfolio increased $0.6 million, or 10.4%, to $6.6 million for the six months ended

June 30, 2006 compared to $6.0 million for the six months ended June 30, 2005, primarily due to higher utility costs due to increases in utility rates and warmer than normal weather in 2006.

General and Administrative. General and administrative expenses for the six months ended June 30, 2006 were comparable to the six months ended June 30, 2005. We expect future general and administrative expenses to be higher as we increase staffing and set up the infrastructure necessary to operate as a public company.

Depreciation and Amortization. Depreciation and amortization expense decreased $4.1 million, or 7.0%, to $53.6 million for the six months ended June 30, 2006 compared to $57.7 million for the six months ended June 30, 2005. The decrease was primarily due to a decrease in amortization related to the values of in-place leases of our Moanalua Hillside Apartments acquired in January 2005, which expired primarily in 2005. This decrease was partially offset by depreciation related to our Royal Kunia acquisition in March 2006.

Non-Operating Income and Expenses

Gain on Investments in Interest Rate Contracts, Net. Gain on investments in interest rate contracts, net increased $53.7 million, or 851.9%, to $60.0 million for the six months ended June 30, 2006 compared to $6.3 million for the six months ended June 30, 2005. The increase was primarily due to increases in the value of interest rate swap contracts caused by increases in interest rates and an increase in the notional amount of interest rate swaps outstanding to $2.21 billion as of June 30, 2006 from $1.66 billion as of June 30, 2005 as part of the August 2005 and December 2004 refinancings.

Interest and Other Income. Interest and other income increased $1.8 million, or 241.6%, to $2.5 million for the six months ended June 30, 2006 compared to $0.7 million for the six months ended June 30, 2005. The increase was primarily due to an increase in average cash balances and higher short-term interest rates during for the six months period ended June 30, 2006 compared to the period ended June 30, 2005.

Interest Expense. Interest expense increased $5.7 million, or 10.9%, to $58.1 million for the six months ended June 30, 2006 compared to $52.4 million for the six months ended June 30, 2005. Approximately $1.6 million of the increase related to the purchase of one multifamily property in March 2006, which was financed with $82.0 million in debt at an effective interest rate (after taking into account the effect of the interest rate swap contract) of 5.62%. The remaining increase was primarily due to an increase in the effective interest rates over the 2005 comparable period.

Deficit Recovery (Distributions) from/(to) Minority Partners, Net. Deficit recovery (distributions) from/(to) minority partners, net was a $6.2 million recovery for the six months ended June 30, 2006 compared to a net $47.7 million distribution for the six months ended June 30, 2005. The increase was primarily due to a distribution in the first six months of 2005 related to a preferred investor contribution that did not occur in the first six months of 2006. Additionally, in the first six months of 2006, net income exceeded distributions to the limited partners, resulting in the reversal of a portion of the deficit distribution expense incurred in prior periods.

Minority Interest

Minority interest increased $55.9 million, or 336.7%, to $72.5 million for the six months ended June 30, 2006 compared to $16.6 million for the six months ended June 30, 2005. The increase was primarily due to an increase in net income before deficit distributions and increased capital contributions from minority investors.

Comparison of year ended December 31, 2005 to year ended December 31, 2004

Our results of operations for the year ended December 31, 2005 compared to the same period in 2004 were significantly affected by our repositioning and acquisition activities in both years. As a consequence, our results are not comparable from period to period. Therefore, in our discussion below, we have noted the results of our "Same Properties Portfolio" and our "Repositioning and Acquisition Properties" where relevant.

In our office portfolio, our Repositioning and Acquisition Properties include the results of Santa Monica Square, Warner Center Towers, 9601 Wilshire, Sherman Oaks Galleria, 1901 Avenue of the Stars, Studio Plaza, Beverly Hills Medical Center, Harbor Court, Bishop Place and The Trillium for both periods presented. As of December 31, 2005, the Repositioning and Acquisition properties represented 49.7% of our total office portfolio, based on rentable square feet. In addition, we acquired one property, Moanalua Hillside Apartments, in our multifamily portfolio. As of December 31, 2005, our multifamily acquisition represented 29.8% of the total units in our multifamily portfolio. Our Same Properties Portfolio includes all properties other than our Repositioning and Acquisition Properties and our multifamily acquisition. During the period presented, we had no multifamily repositioning properties.

Revenue

Total Revenue. Total revenues increased by $73.4 million, or 22.9%, to $393.8 million for the year ended December 31, 2005 compared to $320.4 million for the year ended December 31, 2004.

Office Revenue

Total Office Revenue. Total office portfolio revenue increased by $62.0 million, or 21.6%, to $348.6 million for the year ended December 31, 2005 compared to $286.6 million for the year ended December 31, 2004, primarily due to the Repositioning and Acquisition Properties. Office revenue for the Repositioning and Acquisition Properties increased $56.0 million, or 54.6%, to $158.5 million for the twelve months ended December 31, 2005 compared to $102.5 million for the twelve months ended December 31, 2004. Office revenue for the Same Properties Portfolio increased $6.0 million, or 3.3%, to $190.1 million for the twelve months ended December 31, 2005 compared to $184.1 million for the twelve months ended December 31, 2004.

Rent. Total office portfolio rent increased by $48.1 million, or 19.3%, to $297.5 million for the year ended December 31, 2005 compared to $249.4 million for the year ended December 31, 2004, primarily due to the Repositioning and Acquisition Properties. Office rent for the Repositioning and Acquisition Properties increased $43.2 million, or 48.3% to $132.5 million for the twelve months ended December 31, 2005 compared to $89.3 million for the twelve months ended December 31, 2004. Office rent for the Same Properties Portfolio increased $5.0 million, or 3.1%, to $165.1 million for the twelve months ended December 31, 2005 compared to $160.1 million for the twelve months ended December 31, 2004. This increase was primarily due to increases in occupancy and rental rates charged to tenants which were partially offset by a $1.7 million decrease in lease termination income. Excluding straight-line rents, the amortization of above- and below-market rents, lease termination income and other non-recurring items, our Same Properties Portfolio rents increased $5.0 million, or 3.2%, to $158.6 million for the twelve months ended December 31, 2005 compared to $153.6 million for the twelve months ended December 31, 2004.

Tenant Recoveries. Total office portfolio tenant recoveries increased by $5.2 million, or 55.0%, to $14.6 million for the year ended December 31, 2005 compared to $9.4 million for the year ended December 31, 2004, primarily due to the Repositioning and Acquisition Properties partially offset by the Same Properties Portfolio. Office tenant recoveries for the Repositioning and Acquisition Properties increased $5.7 million, or 113.8%, to $10.6 million for the twelve months ended

December 31, 2005 compared to $4.9 million for the twelve months ended December 31, 2004. Office tenant recoveries for the Same Properties Portfolio decreased $0.5 million, or 10.5%, to $4.0 million for the twelve months ended December 31, 2005 compared to $4.5 million for the twelve months ended December 31, 2004. This decrease was primarily due to resetting of base year expense stops related to leases signed in 2005.

Parking and Other Income. Total office portfolio parking and other income increased by $8.6 million, or 30.9%, to $36.4 million for the year ended December 31, 2005 compared to $27.8 million for the year ended December 31, 2004, primarily due to the Repositioning and Acquisition Properties. Office parking and other income for the Repositioning and Acquisition Properties increased $7.1 million, or 86.2%, to $15.4 million for the twelve months ended December 31, 2005 compared to $8.3 million for the twelve months ended December 31, 2004. Office parking and other income for the Same Properties Portfolio increased $1.5 million, or 7.6%, to $21.0 million for the twelve months ended December 31, 2005 compared to $19.5 million for the twelve months ended December 31, 2004. The increase was primarily due to gains in occupancy.

Multifamily Revenue

Total Multifamily Revenue. Total multifamily portfolio revenue increased by $11.4 million, or 33.8%, to $45.2 million for the year ended December 31, 2005 compared to $33.8 million for the year ended December 31, 2004, primarily due to an $8.9 million increase resulting from the acquisition of Moanalua Hillside Apartments in January 2005. Multifamily revenue for the Same Properties Portfolio increased $2.5 million, or 7.3%, to $36.3 million for the twelve months ended December 31, 2005 compared to $33.8 million for the twelve months ended December 31, 2004.

Rent. Total multifamily portfolio rent increased by $11.1 million, or 34.0%, to $43.9 million for the year ended December 31, 2005 compared to $32.8 million for the year ended December 31, 2004, primarily due to an $8.6 million increase resulting from the acquisition referenced above. Multifamily rent for the Same Properties Portfolio increased $2.5 million, or 7.8%, to $35.3 million for the twelve months ended December 31, 2005 compared to $32.8 million for the twelve months ended December 31, 2004. Approximately $0.9 million of this increase was due to the rollover to market rents of 90 Pre-1999 Units since January 1, 2004. The remainder of the increase was primarily due to increases in rents charged to other tenants.

Parking and Other Income. Total multifamily portfolio parking and other income increased by $0.3 million, or 27.2%, to $1.3 million for the year ended December 31, 2005 compared to $1.0 million for the year ended December 31, 2004, primarily due to a $0.4 million increase resulting from the acquisition referenced above. Multifamily parking and other income for the Same Properties Portfolio decreased $0.1 million, or 9.1%, to $0.9 million for the twelve months ended December 31, 2005 compared to $1.0 million for the twelve months ended December 31, 2004.

Operating Expenses

Total Operating Expenses. Total operating expenses increased by $41.3 million, or 19.3%, to $254.9 million for the year ended December 31, 2005 compared to $213.6 million for the year ended December 31, 2004.

Office Rental. Total portfolio office rental expense increased by $16.5 million, or 15.9%, to $119.9 million for the year ended December 31, 2005 compared to $103.4 million for the year ended December 31, 2004, primarily due to the Repositioning and Acquisition Properties. Office rental expenses for the Repositioning and Acquisition Properties increased $16.0 million, or 38.7%, to $57.3 million for the twelve months ended December 31, 2005 compared to $41.3 million for the twelve months ended December 31, 2004. Office rental expenses for the Same Properties Portfolio increased

$0.5 million, or 0.8%, to $62.6 million for the twelve months ended December 31, 2005 compared to $62.1 million for the twelve months ended December 31, 2004.

Multifamily Rental. Total multifamily portfolio rental expense increased by $2.1 million, or 16.1%, to $15.3 million for the year ended December 31, 2005 compared to $13.2 million for the year ended December 31, 2004, primarily due to the $2.9 million increase resulting from the acquisition of Moanalua Hillside Apartments partially offset by a decrease in the Same Properties Portfolio. Multifamily rental expense for the Same Properties Portfolio decreased $0.8 million, or 5.8%, to $12.4 million for the twelve months ended December 31, 2005 compared to $13.2 million for the twelve months ended 2004. This decrease was primarily due to a $1.1 million litigation settlement recorded in 2004.

General and Administrative. General and administrative expenses increased $0.9 million, or 14.4%, to $6.5 million for the year ended December 31, 2005 compared to $5.6 million for the year ended December 31, 2004. The increase was primarily due to increases in personnel costs related to annual merit increases.

Depreciation and Amortization. Depreciation and amortization expense increased $21.9 million, or 23.9%, to $113.2 million for the year ended December 31, 2005 compared to $91.3 million for the year ended December 31, 2004. The increase was due to the acquisition of three office properties in late 2004 and the acquisition of one office property and one multifamily property in early 2005.

Non-Operating Income and Expenses

Gain on Investments in Interest Rate Contracts, Net. Gain on investments in interest rate contracts, net increased $44.1 million, or 117.0%, to $81.7 million for the year ended December 31, 2005 compared to $37.6 million for the year ended December 31, 2004. The increase was primarily due to increases in the value of interest rate swap contracts caused by increases in interest rates and an increase in the notional amount of interest rate swaps outstanding from $1.51 billion as of December 31, 2004 to $2.12 billion as of December 31, 2005 as part of the August 2005 and December 2004 refinancings.

Interest and Other Income. Interest and other income increased $0.8 million, or 54.8%, to $2.3 million for the year ended December 31, 2005 compared to $1.5 million for the year ended December 31, 2004. The increase was primarily due to an increase in average cash balances and higher short-term interest rates during 2005 as compared to 2004.

Interest Expense. Interest expense increased $20.6 million, or 21.6%, to $115.7 million for the year ended December 31, 2005 compared to $95.1 million for the year ended December 31, 2004. The increase was partially due to $9.8 million in accelerated loan fee amortization from the write-off of deferred loan costs as part of the August 2005 refinancing and $12.4 million from the acquisition of three office properties in late 2004 and one office and one multifamily property in January 2005 offset by $2.9 million in defeasance and prepayment penalties incurred in 2004, but not in 2005.

Deficit Distributions to Minority Partners, Net. Deficit distributions to minority partners, net decreased to $28.2 million for the year ended December 31, 2005 compared to $57.9 million for the year ended December 31, 2004. The decrease was due to net income exceeding distributions to the limited partners in three of the institutional funds, resulting in the reversal of a portion of the deficit distribution expense incurred in prior periods.

Minority Interest

Minority interest increased $46.0 million, or 92.5%, to $95.6 million for the year ended December 31, 2005 compared to $49.6 million for the year ended December 31, 2004. The increase was primarily due to an increase in net income before deficit distributions and increased capital contributions from minority investors.

Comparison of year ended December 31, 2004 to year ended December 31, 2003

Our results of operations for the year ended December 31, 2004 compared to the same period in 2003 were significantly affected by our repositioning and acquisition activities in both years. As a consequence, our results are not comparable from period to period. Therefore, in our discussion below, we have noted the results of our "Same Properties Portfolio" and our "Repositioning and Acquisition Properties" where relevant.

In our office portfolio, our Repositioning and Acquisition Properties include the results of Santa Monica Square, Warner Center Towers, 9601 Wilshire, Sherman Oaks Galleria, 1901 Avenue of the Stars, Studio Plaza, Beverly Hills Medical Center, Harbor Court and Bishop Place. As of December 31, 2004, the Repositioning and Acquisition properties represented 46.6% of our total office portfolio, based on rentable square feet. We had no respositionings or acquisitions in our multifamily portfolio during this period. Therefore, the multifamily discussion below is on a same-store basis.

Revenue

Total Revenue. Total revenues increased by $5.1 million, or 1.6%, to $320.4 million for the year ended December 31, 2004 compared to $315.3 million for the year ended December 31, 2003.

Office Revenue

Total Office Revenue. Total office portfolio revenue increased by $3.3 million, or 1.2%, to $286.6 million for the year ended December 31, 2004 compared to $283.3 million for the year ended December 31, 2003, primarily due to the Same Properties Portfolio, partially offset by the Repositioning and Acquisition Properties. Office revenue for the Same Properties Portfolio increased $5.4 million, or 3.0%, to $184.1 million for the twelve months ended December 31, 2004 compared to $178.7 million for the twelve months ended December 31, 2003. Office revenue for the Repositioning and Acquisition Properties decreased $2.1 million, or 2.0%, to $102.5 million for the twelve months ended December 31, 2003 compared to $104.6 million for the twelve months ended December 31, 2003.

Rent. Total office portfolio rent increased by $3.0 million, or 1.2%, to $249.4 million for the year ended December 31, 2004 compared to $246.4 million for the year ended December 31, 2003, primarily due to the increases at the Same Properties Portfolio, partially offset by the Repositioning and Acquisition Properties. Office rent for the Repositioning and Acquisition Properties decreased $3.0 million, or 3.3%, to $89.3 million for the twelve months ended December 31, 2004 compared to $92.3 million for the twelve months ended December 31, 2003. This decrease was primarily due to vacancies attributable to our repositioning efforts. Office rent for the Same Properties Portfolio increased $6.0 million, or 3.9%, to $160.1 million for the twelve months ended December 31, 2004 compared to $154.1 million for the twelve months ended December 31, 2003. This increase was primarily due to increases in occupancy, a $1.8 million increase in straight-line rent and a $1.0 million increase in lease termination income. Excluding straight-line rents, the amortization of above- and below-market rents, lease termination income and other non-recurring items, our Same Properties Portfolio rents increased $3.3 million, or 2.2%, to $153.6 million for the twelve months ended December 31, 2004 compared to $150.3 million for the twelve months ended December 31, 2003.

Tenant Recoveries. Total office portfolio tenant recoveries of $9.4 million for the year ended December 31, 2004 was comparable to $9.4 million for the year ended December 31, 2003.

Parking and Other Income. Total office portfolio parking and other income increased by $0.2 million, or 0.9%, to $27.8 million for the year ended December 31, 2004 compared to

$27.6 million for the year ended December 31, 2003 primarily due to the Repositioning and Acquisiton Properties. Office parking and other income for the Repositioning and Acquisition Properties increased $0.2 million, or 2.4%, to $8.3 million for the twelve months ended December 31, 2004 compared to $8.1 million for the twelve months ended December 31, 2003.

Multifamily Revenue

Total Multifamily Revenue. Total multifamily portfolio revenue increased by $1.8 million, or 5.6%, to $33.8 million for the year ended December 31, 2004 compared to $32.0 million for the year ended December 31, 2003.

Rent. Total multifamily portfolio rent increased by $1.7 million, or 5.5%, to $32.8 million for the year ended December 31, 2004 compared to $31.1 million for the year ended December 31, 2003. Approximately $0.8 million of this increase was due to rollover to market rents of 85 Pre-1999 Units since January 1, 2003, and the remainder of the increase was primarily due to increases in rents charged to tenants.

Parking and Other Income. Total multifamily portfolio parking and other income increased by $0.1 million, or 8.9%, to $1.0 million for the year ended December 31, 2004 compared to $0.9 million for the year ended December 31, 2003, primarily due to increased parking rental rates.

Operating Expenses

Total Operating Expenses. Total operating expenses increased by $7.3 million, or 3.5%, to $213.6 million for the year ended December 31, 2004 compared to $206.3 million for the year ended December 31, 2003.

Office Rental. Total portfolio office rental expense increased by $6.6 million, or 6.9%, to $103.4 million for the year ended December 31, 2004 compared to $96.8 million for the year ended December 31, 2003, primarily due to the Repositioning and Acquisition Properties. Office rental expense for the Repositioning and Acquisition Properties increased $6.3 million, or 18.1%, to $41.3 million for the twelve months ended December 31, 2004 compared to $35.0 million for the twelve months ended December 31, 2003. Office rental expenses for the Same Properties Portfolio increased approximately $0.3 million, or 0.5%, to $62.1 million for the twelve months ended December 31, 2004 compared to $61.8 million for the twelve months ended December 31, 2003.

Multifamily Rental. Total multifamily portfolio rental expense increased by $1.4 million, or 12.4%, to $13.2 million for the year ended December 31, 2004 compared to $11.8 million for the year ended December 31, 2003, due primarily to a $1.1 million litigation settlement recorded in 2004.

General and Administrative. General and administrative expenses increased $0.4 million, or 8.7%, to $5.6 million for the year ended December 31, 2004 compared to $5.2 million for the year ended December 31, 2003. The increase was primarily due to increases in personnel costs related to annual merit increases.

Depreciation and Amortization. Depreciation and amortization expense decreased $1.3 million, or 1.4%, to $91.3 million for the year ended December 31, 2004 compared to $92.6 million for the year ended December 31, 2003. The decrease was primarily due to a decrease in intangibles amortization at our Warner Center property related to accelerated depreciation and amortization in 2003 on tenant improvements for early tenant expirations and renewals, primarily offset by acquisitions in late 2004.

Non-Operating Income and Expenses

Gain on Investments in Interest Rate Contracts, Net. Gain on investments in interest rate contracts, net increased $14.0 million, or 59.6%, to $37.6 million for the year ended December 31, 2004 compared to $23.6 million for the year ended December 31, 2004. The increase was primarily due to increases in the value of interest rate swap contracts caused by increases in interest rates, offset by a slight decrease in the notional amount of interest rate swap contacts outstanding from $1.60 billion as of December 31, 2003 to $1.51 billion as of December 31, 2004.

Interest and Other Income. Interest and other income increased $1.0 million, or 184.6%, to $1.5 million for the year ended December 31, 2004 compared to $0.5 million for the year ended December 31, 2003. The increase was primarily due to higher average interest-earning cash balances in 2004 and slightly higher short-term interest rates.

Interest Expense. Interest expense increased $0.3 million, or 0.4%, to $95.1 million for the year ended December 31, 2004 compared to $94.8 million for the year ended December 31, 2003. The increase relates to $0.7 million increase from defeasance costs and prepayment penalties on the extinguishment of debt in 2004 versus 2003, and $0.4 million in interest expense relating to the financing of three office properties purchased in late 2004, partially offset by a decrease in the effective interest rates, after taking into account the effect of the interest rate contracts on hedged floating rate borrowings and the interest rates on our floating rate borrowings.

Deficit Distributions to Minority Partners, Net. Deficit distributions to minority partners were $57.9 million for the year ended December 31, 2004 compared to zero for the year ended December 31, 2003. The 2004 distributions related to preferred equity proceeds in excess of retained earnings that were allocated to minority partners.

Minority Interest

Minority interest increased $18.7 million, or 60.4%, to $49.6 million for the year ended December 31, 2004 compared to $30.9 million for the year ended December 31, 2003. The increase was primarily due to increased capital contributions from minority investors.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

On a pro forma basis as of June 30, 2006, we would have had total indebtedness of $2.75 billion, excluding loan premium, or approximately 45.5% of our total market capitalization. Other than as described below in connection with the expected refinancing transaction, upon consummation of this offering and the formation transactions, we will retain substantially all of the debt encumbering the properties in our portfolio as originated by the institutional funds and the single-asset entities. On a pro forma basis as of June 30, 2006, 80.2% of our consolidated indebtedness (excluding the loan premium) would have been effectively fixed rate.

In connection with the completion of this offering and the formation transactions, we have entered into agreements with Eurohypo AG and Barclays Capital to amend our existing $1.76 billion secured financing to increase the amount of the term loans by $545.0 million at the existing interest rate of LIBOR plus 0.85%. We refer to this as our "modified term loan." The closing of the modified term loan is contingent on satisfaction of customary conditions and the consummation of this offering. We expect to borrow the full amount of the increase at the closing of this offering. We expect to use the proceeds from the modified term loan, together with the net proceeds of this offering, cash on hand and the $60.0 million DERA contribution, to pay $1.38 billion in cash to prior investors in the formation transactions, assuming this offering prices at the mid-point of the range set forth on the cover page of this prospectus, to redeem preferred stock at two of the institutional funds, including payment of associated premiums, of $186.8 million, to pay the pre-closing property distributions estimated to be $25.0 million, to repay certain variable rate debt totaling approximately $50.9 million and to pay $21.4 million in fees and expenses. In addition, shortly after this offering we expect to repay the outstanding $100.5 million loan secured by our property, the Trillium, which matures in January 2007. We may prepay the Trillium loan beginning in October 2006 without penalty. The modified term loan will be secured by 34 of our office properties and the fee interest in one parcel of land subject to a ground lease and will contain representations, warranties, covenants, other agreements and events of default substantially similar to the existing loan. We do not currently expect to hedge the additional borrowing under the modified term loan. We expect that the Trillium property will be unencumbered upon repayment of the Trillium loan.

In addition, we have entered into an agreement with Bank of America, N.A. and Banc of America Securities LLC to provide a $250.0 million senior secured revolving credit facility, with an accordion feature that would allow us to increase the availability thereunder by $250.0 million to $500.0 million, under specified circumstances. We expect the senior secured revolving credit facility to be undrawn at the closing of this offering, assuming a price in this offering at the mid-point of the range set forth on the cover page of this prospectus. We intend to use this new senior secured revolving credit facility for general corporate purposes, including to fund acquisitions, redevelopment and repositioning opportunities, to provide funds for tenant improvements and capital expenditures, and to provide working capital. We do not currently have any specific agreements or commitments to consummate any acquisitions. The senior secured revolving credit facility will be secured by nine office properties. In addition, the senior secured revolving credit facility will contain representations, warranties, covenants, other agreements and events of default customary for agreements of this type with comparable companies. The closing of the senior secured revolving credit facility will be contingent on the consummation of this offering and the satisfaction of customary conditions. The Trillium property and our four other unencumbered properties may be added as security for the senior secured revolving credit facility in the future, if and when additional capacity is added under the accordion feature of this facility.

For more information regarding the modified term loan and our senior secured revolving credit facility, see "Business and Properties Description of Certain Debt."

During 2003, 2004 and 2005 our distributions to minority interests exceeded our cash flow from operations. We funded those excess distributions from proceeds related to our debt refinancing activities, contributions from our preferred minority investor and proceeds from assets sales. Debt refinancing activity contributed $94.5 million of proceeds to the distributions in 2004. Such debt will remain outstanding upon the closing of this offering as part of our $2.75 billion (excluding the loan premium) of outstanding indebtedness. Please refer to " Consolidated Indebtedness to be Outstanding After this Offering and Giving Effect to the Financing Transactions" for additional information regarding our outstanding indebtedness upon completion of this offering and "Structure and Formation of Our Company Formation Transactions" for additional information regarding the redemption of the preferred interest in connection with the consummation of this offering and the formation transactions.

We have historically financed our operations, acquisitions and development through the use of short-term acquisition lines of credit and replaced those lines with long-term secured floating rate mortgage debt. To mitigate the impact of fluctuations in short-term interest rates that would impact our cash flow from operations, we generally enter into interest rate swap or interest rate cap agreements.

The nature of our business, and the requirements imposed by REIT rules that we distribute a substantial majority of our income on an annual basis, will cause us to have substantial liquidity needs over both the short term and the long term. We expect that our short-term liquidity needs will consist primarily of funds necessary to pay operating expenses associated with our properties, interest expense and scheduled principal payments on our debt, expected dividends to our stockholders required to maintain our REIT status (including distributions to persons who hold units in our operating partnership), recurring capital expenditures, ground lease payments and payments under the Harbor Court lease. When we lease space to new office tenants, or renew leases for existing office tenants, we also incur expenditures for tenant improvements and leasing commissions. For the years ended December 31, 2003 through 2005 and the six months ended June 30, 2006, the weighted average annual tenant improvements for our office portfolio were $17.40 per square foot of leased space and their leasing commission costs were $8.16 per square foot of leased space.

The total costs of tenant improvements and leasing commissions during a particular period are impacted by the number of tenants that renew their lease upon expiration, the amount of vacant space we expect to lease and overall real estate fundamentals at the time leases are negotiated. Based on the approximately 1,250,000 rentable square feet of office space subject to leases that will expire during the twelve months ending June 30, 2007 and the factors described above, we expect the recurring costs of tenant improvements and leasing commissions to be approximately $26.0 million during the twelve months ending June 30, 2007. These costs do not include the non-recurring leasing costs related to our repositioning efforts at Warner Center Towers, Trillium and Bishop Place that were underwritten at the time these assets were acquired.

For the years ended December 31, 2003 through 2005 and the six months ended June 30, 2006, the weighted average annual cost of recurring capital expenditures for our office portfolio (not including tenant improvements and commissions) was approximately $0.22 per square foot. We consider recurring capital expenditures to consist of capital expenditures that are not related to a repositioning effort for an existing property or to capital improvements that were underwritten at the time of acquisition, regardless of the recurrence frequency of the project. Although we have no commitments to do so, we currently are considering several large projects within our office portfolio during the twelve months ending June 30, 2007, including waterproofing, building curtain walls and elevator modernization projects whose recurrence cycles are between fifteen and twenty years. In the event we undertake a number of these projects during this time, we expect our recurring capital expenditures to increase from our predecessor's weighted average annual cost of $0.22 per square foot to approximately $0.50 per square foot for the twelve months ending June 30, 2007.

We expect our repositioning efforts at Warner Center Towers to require approximately $6.4 million of capital expenditures over the next 12 to 24 months, at the Trillium to require approximately $6.7 million of capital expenditures over the next 12 to 24 months, and at Bishop Place to require approximately $1.2 million of capital expenditures over the next 12 months. For a description of our repositioning efforts at these properties, see "Business and Properties Business and Growth Strategies."

For the years ended December 31, 2003 through 2005 and the six months ended June 30, 2006, recurring capital expenditures weighted average costs for our multifamily portfolio were approximately $256 per unit. Our historical recurring capital expenditures for our multifamily properties have traditionally been low because we expense, rather than characterize as recurring capital expenditures, our make ready costs associated with the turnover of units. Based on the projects that we plan to undertake during the twelve months ending June 30, 2007, we expect our weighted average annual recurring capital expenditures to increase to approximately $400 per unit for the twelve months ending June 30, 2007.

We typically characterize as non-recurring capital expenditures the significant renovation costs associated with the turnover of rent-controlled units in Santa Monica that have not been renovated in over 20 years. Therefore, our non-recurring capital expenditures will vary significantly from year to year depending on the number of rent-controlled units turning over and discretionary projects undertaken.

We expect non-recurring capital expenditures from the turnover of these rent controlled units will be approximately $0.5 million for the twelve months ending June 30, 2007.

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

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, redevelopment and repositioning of properties, non-recurring capital expenditures, and repayment of indebtedness at maturity. We do not expect that we will have sufficient funds on hand to cover all of these long-term cash requirements. We will seek to satisfy these needs through cash flow from operations, long-term secured and unsecured indebtedness, including our amended term loan and our senior secured revolving credit facility, the issuance of debt and equity securities, including units in our operating partnership, property dispositions and joint venture transactions.

Commitments

The following table sets forth our principal obligations and commitments, excluding periodic interest payments, on a pro forma basis as of June 30, 2006 that will be outstanding after this offering:

	Payment due by period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-2 years**	**3-4 years**	**More than 5 years**
Long-term debt obligations	$ 2,750,000	$	$	$	$ 2,750,000
Minimum lease payments	143,557	1,675	6,566	6,841	128,475
Purchase commitments related to capital expenditures associated with tenant improvements and repositioning and other purchase obligations	7,948	7,948			
Total	$ 2,901,505	$ 9,623	$ 6,566	$ 6,841	$ 2,878,475

On a pro forma basis as of June 30, 2006, we would have had long-term indebtedness outstanding of $2.75 billion, excluding loan premium. We expect our senior secured revolving credit facility to be undrawn at the closing of this offering, assuming a price per share in this offering at the mid-point of the range set forth on the cover page of this prospectus.

As of June 30, 2006, we pay $0.6 million per annum for the ground lease on Bishop Place through February 28, 2009, and $0.7 million per annum through February 28, 2019; thereafter, payments are determined by mutual agreement through December 31, 2086. We pay $1.3 million per annum for the ground lease on One Westwood through May 7, 2083. Rent may be increased annually based upon economic criteria defined in the lease agreement. We have the right to purchase the leased land for an amount equal to its fair market value in the 12 months subsequent to May 8, 2008. In addition, as of June 30, 2006, we had leased the office and other commercial portions of the Harbor Court condominium project. We pay $1.4 million per annum (net of abatement) for the lease on Harbor Court through May 26, 2014 and $2.0 million per annum from May 31, 2014 through May 26, 2024. After May 26, 2024, future rent increases occur every ten years based on market rates until expiration on May 26, 2074. We have the option to purchase the fee interest in the office and other commercial portions of Harbor Court by assuming the debt of $27.5 million at any time prior to May 31, 2014.

Consolidated Indebtedness to be Outstanding After this Offering and Giving Effect to the Financing Transactions

On a pro forma basis as of June 30, 2006, we would have had total consolidated indebtedness outstanding of $2.75 billion, excluding loan premium, secured by 34 of our properties, or approximately 45.5% of our total market capitalization. In addition, 80.2% of our consolidated indebtedness would have been effectively fixed rate on a pro forma basis as of June 30, 2006. The weighted average interest rate on our consolidated indebtedness would have been 5.20% (based on the 30-day LIBOR rate at June 30, 2006 of 5.48% and after giving effect to our interest rate contracts). No scheduled loan principal payments will be due on this indebtedness from the estimated consummation date of this offering through June 30, 2007. On a pro forma basis as of June 30, 2006, we would have had $545.0 million, or 19.8%, of our outstanding long-term debt (excluding the loan premium) exposed to fluctuations in short term interest rates. We expect that our senior secured revolving credit facility will be undrawn at the closing of this offering, assuming a price per share in this offering at the mid-point of the range set forth on the cover page of this prospectus.

The following table sets forth certain information with respect to the indebtedness outstanding as of June 30, 2006 on a pro forma basis.

Loan	Principal Balance	Fixed/Floating Rate	Effective Annual Interest Rate(1)	Maturity Date	Swap Maturity Date
		(Dollars in thousands)			
Variable Rate Swapped to Fixed Rate					
Modified Term Loan(2)(3)	$ 1,755,000	LIBOR + 0.85%	4.92%	09/01/12	08/01/10-08/01/12
Barrington Plaza, Pacific Plaza	153,000	DMBS(4) + 0.60	4.70	12/22/11	08/01/11
555 Barrington, The Shores	140,000	DMBS + 0.60	4.70	12/22/11	08/01/11
Moanalua Hillside Apartments	75,000	DMBS + 0.76	4.86	02/01/15	08/01/11
Villas at Royal Kunia	82,000	LIBOR + 0.62	5.62	02/01/16	03/01/12
Subtotal	**$ 2,205,000**				
Variable Rate					
Modified Term Loan(2)	545,000	LIBOR + 0.85	6.33%	09/01/12	N/A
Subtotal	**2,750,000**				
Loan Premium(5)	31,000				
Total	**$ 2,781,000**				

(1) Includes the effect of interest rate contracts, where applicable, and assumes a LIBOR rate of 5.48% as of June 30, 2006.

(2) Loans are secured by the following properties and combined in seven separate cross collateralized pools: Studio Plaza, Gateway Los Angeles, Bundy/Olympic, Brentwood Executive Plaza, Palisades Promenade, 12400 Wilshire, First Federal Square, 11777 San Vicente, Landmark II, Sherman Oaks Galleria, Second Street Plaza, Olympic Center, MB Plaza, Valley Office Plaza, Coral Plaza, Westside Towers, Valley Executive Tower, Encino Terrace, Westwood Place, Century Park Plaza, Lincoln/Wilshire, 100 Wilshire, Encino Gateway, Encino Plaza, 1901 Avenue of the Stars, Columbus Center, Warner Center Towers, Beverly Hills Medical Center, Harbor Court, Bishop Place, Brentwood Court, Brentwood Medical Plaza, Brentwood San Vicente Medical, San Vicente Plaza, and Owensmouth.

(3) Includes $1.11 billion swapped to 4.89% until August 1, 2010; $322.5 million swapped to 4.98% until August 1, 2011; and $322.5 million swapped to 5.02% until August 1, 2012.

(4) Fannie Mae Discount Mortgage-Backed Security (DMBS). The Fannie Mae DMBS generally tracks 90-day LIBOR.

(5) Represents mark-to-market adjustment on variable rate debt associated with office properties.

Off Balance Sheet Arrangements

At June 30, 2006, we did not have any off-balance sheet arrangements.

Interest Rate Risk

In June 1998, the FASB issued SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133, as amended by SFAS No. 138). The statement requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of stockholders equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Our existing investments in interest rate swap and interest rate cap contracts do not qualify as effective hedges, and as such, the changes in such contracts' fair market values are being recorded in earnings. For the six months ended June 30, 2006 and 2005, our predecessor recognized gains relating to the fair market value change of their interest rate contracts of $60.0 million and $6.3 million. For the years ended December 31, 2005, 2004 and 2003, our predecessor recognized gains relating to the fair market value change of our interest rate contracts of $81.7 million, $37.6 million and $23.6 million, and made payments related to the termination of certain interest rate contracts of $1.3 million, $7.7 million and $0.1 million, respectively.

In conjunction with this offering, we intend to enter into a series of interest rate swaps that effectively offset any future changes in fair value of all of our existing interest rate contracts. We expect that these new interest rate contracts, as well as our existing contracts, will not qualify as effective hedges under SFAS No. 133, and therefore will not qualify for hedge accounting. Although these new interest rate contracts are intended to offset any future changes in fair value of our existing interest rate contracts, and are thus not expected to be recorded in earnings, the $126.0 million net fair value of our existing interest rate contracts will be recorded in other assets and will be reduced by the cash flow difference between the existing interest rate contracts and the offsetting interest rate contracts over the remaining life of the contracts.

Concurrently with this offering, we intend to enter into a new series of interest rate swaps and interest rate cap contracts that will be substantially similar to our existing interest rate contracts. The new interest rate contracts are intended to replace our existing interest rate contracts as a hedge on our floating rate debt exposure. Unlike our existing interest rate contracts, we expect the new interest rate contracts to qualify for cash flow hedge accounting treatment under SFAS No. 133, and as such, all future changes in fair value of the new interest rate contracts will be recognized in other comprehensive income, which is a component of our equity account. Any ineffective portion of the new interest rate contracts' change in fair value is immediately recognized in earnings.

In connection with this offering and the formation transactions, we have marked to market $1.76 billion of assumed variable rate debt swapped to fixed rate related to our office properties. Based on changes in loan-to-value ratios on these loans and general market credit spread compression, the market rate on all of our assumed loans secured by office properties is LIBOR plus 0.50% versus the currently stated rate of LIBOR plus 0.85%. Based on the decrease in the interest rate spread, the market value of our assumed debt increased from $1.76 billion to $1.79 billion, representing a mark-to-market adjustment of $31.0 million. This mark-to-market adjustment will be amortized over the remaining term of each loan as a decrease in interest expense, using the effective interest method.

As of June 30, 2006, we had $2.21 billion of debt subject to interest rate contracts with a $126.0 million net fair value.

Cash Flows

Comparison of six months ended June 30, 2006 to six months ended June 30, 2005

Cash and cash equivalents were $100.5 million and $66.4 million, respectively, at June 30, 2006 and 2005.

Net cash provided by operating activities increased $9.8 million to $70.0 million for the six months ended June 30, 2006 compared to $60.2 million for the six months ended June 30, 2005. The increase was primarily due to a $2.9 million increase from the change in operating assets and liabilities. The remainder of the increase was due to the contribution from the acquisition of one multifamily property in March 2006 and improved operations at our office Same Store Portfolio and the repositioning properties.

Net cash used in investing activities decreased $54.7 million to $138.3 million for the six months ended June 30, 2006 compared to $193.0 million for the six months ended June 30, 2005. The decrease was due to a $56.0 million decrease in the cash used to acquire properties.

Net cash provided by financing activities decreased $30.8 million to $60.6 million for the six months ended June 30, 2006 compared to $91.4 million for the six months ended June 30, 2005. The decrease was due to a $5.6 million decrease in net borrowings and a $25.2 million net distribution to minority interests and stockholders.

Comparison of year ended December 31, 2005 to year ended December 31, 2004

Cash and cash equivalents were $108.3 million and $107.9 million, respectively, at December 31, 2005 and 2004.

Net cash provided by operating activities increased $35.0 million to $127.8 million for the year ended December 31, 2005 compared to $92.8 million for the year ended December 31, 2004. The increase was primarily due to the increased operating income from the acquisition of three office properties in late 2004 and one office and one multifamily property in January 2005, as well as increased operating income from the repositioning properties, offset by a $1.6 million decrease from the change in operating assets and liabilities.

Net cash used in investing activities increased $7.6 million to $231.2 million for the year ended December 31, 2005 compared to $223.6 million used in investing activities for the year ended December 31, 2004. During the year ended December 31, 2004, we acquired three properties, while during the year ended December 31, 2005, we acquired two properties, one of which included the assumption of $100.5 million of indebtedness. As a result, the amount of net cash used for acquisitions during 2005 decreased by $2.0 million over 2004. In addition, net cash used in investing activities decreased by $39.1 million as a result of having no property dispositions in 2005, offset by a decrease in capital expenditures from the repositioning properties.

Net cash provided by financing activities decreased $64.0 million to $103.8 million for the year ended December 31, 2005 compared to $167.8 million for the year ended December 31, 2004. The decrease was primarily due to a net decrease in borrowings, offset by lower net distributions.

Comparison of year ended December 31, 2004 to year ended December 31, 2003

Cash and cash equivalents were $107.9 million and $70.9 million, respectively, at December 31, 2004 and 2003.

Net cash provided by operating activities decreased $21.2 million to $92.8 million for the year ended December 31, 2004 compared to $114.0 million for the year ended December 31, 2003. The decrease was primarily due to a $17.0 million decrease in the change in operating assets and liabilities as well as the impact of a decrease in operating income from the repositioning properties, partially offset by the increased operating income from the acquisition of three office properties in late 2004.

Net cash used in investing activities decreased $225.8 million to $223.6 million used in investing activities for the year ended December 31, 2004 compared to $2.2 million provided by investing activities for the year ended December 31, 2003. The decrease was primarily due to the expenditure of $173.5 million to acquire three properties during the year ended December 31, 2004. The remainder of the decrease was the result of a $27.2 million decrease in net cash received from property dispositions as compared to the prior year period and an increase in capital expenditures on repositioning properties.

Net cash provided by financing activities increased $284.1 million to $167.8 million for the year ended December 31, 2004 compared to $116.3 million used in financing activities for the year ended December 31, 2003. The increase was primarily due to a $78.6 million net increase in borrowings and an increase in net contributions by minority interest partners.

Funds From Operations

We calculate funds from operations before minority interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of our pro forma funds from operations before minority interest for the periods presented to net loss, the nearest GAAP equivalent (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Net loss	$ (13,480)	$ (61,350)
Adjustments:		
Minority interest in operating partnership	(6,096)	(27,744)
Real estate depreciation and amortization	98,714	221,720
Funds from operations before minority interest [(1)]	$ 79,138	$ 132,626

(1) Pro forma funds from operations for the year ended December 31, 2005 includes (a) $9.8 million of loan write off costs in interest expense related to the refinancing of certain secured notes payable, and (b) $3.4 million of below market lease value included in multifamily rental revenue which amortizes over a period of less than one year.

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. Our multifamily properties are subject to one year leases. We believe this provides added flexibility to pass the impact of higher inflation on to tenants. However, six of our multifamily properties are subject to some form of rent regulation limiting annual increases in rents on existing tenants to amounts determined by local municipalities. Although new tenancies in our rent-regulated multifamily properties pay market rents upon occupancy, limits on rent increases may limit our ability to pass on the impact of higher inflation. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Newly Issued Accounting Standards

In May 2005, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 154, *Accounting Changes and Error Corrections A Replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS 154). This new standard replaces APB Opinion No. 20, *Accounting Changes,* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements.* Among other changes, SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS 154 also provides that a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and that correction of errors in previously issued financial statements should be termed a "restatement." SFAS 154 is now effective for accounting changes and correction of errors, however, we had no such items during the current quarter.

On December 16, 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS 123R). SFAS 123R requires that compensation cost relating to share-based payment transactions be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. The adoption of SFAS 123R on January 1, 2006 did not impact our consolidated financial statements in 2006.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143* (FIN 47). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, represents 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 a company's control. Under this standard, a liability for a conditional asset retirement obligation must be recorded if the fair value of the obligation can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. Environmental site assessments and investigations have identified 15 properties in our portfolio containing asbestos. If these properties undergo major renovations or are demolished, certain environmental regulations are in place, which specify the manner in which the asbestos must be handled and disposed. As of June 30, 2006, the obligations to remove the asbestos from these properties have indeterminable settlement dates, and therefore, we are unable to reasonably estimate the fair value of the conditional asset retirement obligation.

Quantitative and Qualitative Disclosure About Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. As more fully described in the interest rate risk section, we use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. In conjunction with this offering, we intend to enter into two new series of interest rate swap and interest rate cap contracts. The first series will effectively offset all future changes in fair value from our existing interest rate swap and interest rate cap contracts, and the second series will effectively replace the existing interest rate contracts and qualify for hedge accounting under SFAS 133. We only enter into contracts with major financial institutions based on their credit rating and other factors.

Upon completion of this offering, we expect to enter into interest rate swap agreements for approximately $2.21 billion of our variable rate debt. As a result, on a pro forma basis as of June 30, 2006, approximately 80.2% of our total indebtedness (excluding the loan premium) would have been subject to fixed interest rates.

If, after consideration of the interest rate swaps and interest rate cap contracts described above, LIBOR were to increase by 10%, or approximately 50 basis points, the increase in interest expense on the unhedged variable rate debt would decrease future earnings and cash flows by approximately $2.7 million annually. If LIBOR were to decrease by 10%, or approximately 50 basis points, the decrease in interest expense on the unhedged variable rate debt would be approximately $2.7 million annually.

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

As of June 30, 2006, on a pro forma basis, our total outstanding debt was approximately $2.75 billion, excluding loan premiums, which was comprised of $545.0 million of variable rate secured mortgage loans and $2.21 billion of variable rate secured mortgage loans swapped to fixed rates. As of June 30, 2006, the fair value of our pro forma variable rate secured mortgage loans that have been swapped to fixed rates was approximately $2.24 billion.

ECONOMIC AND MARKET OVERVIEW

Unless otherwise indicated, all information contained in this Economic and Market Overview section is derived from the market study prepared by Eastdil Secured.

Los Angeles Regional Economy

Los Angeles is a leading international gateway city with a large, dynamic and diverse economy. It is widely recognized as the most important financial, trade and cultural center in the western United States. The Los Angeles region is comprised of five major counties totaling over 35,000 square miles. These counties include Los Angeles County (4,752 square miles), Orange County (948 square miles), Riverside County (7,304 square miles), San Bernardino County (20,106 square miles) and Ventura County (2,208 square miles). As of December 31, 2005, the Los Angeles region had the largest metropolitan economy in California, the second largest metropolitan economy in the nation and accounted for more jobs than any U.S. region other than the New York metropolitan area. If the five-county Los Angeles region were viewed as an independent economy it would have ranked as the world's fifteenth largest, with $755 billion in annual gross domestic product. In addition, if the Los Angeles region were a separate state, it would have had the fourth largest population in the United States, with approximately 17.7 million residents, as of December 31, 2005.

The Los Angeles region has a diverse economic base that is driven by a robust service sector, including hospitality and leisure, health care, administrative and financial, legal and other professional services. The Los Angeles region is also the nation's largest metropolitan area for manufacturing, including apparel and textiles, machinery and equipment, minerals and metals and transportation equipment. Other leading industries affecting economic growth include trade and motion picture production. Additionally, recent increases in federal defense spending have contributed to a rebound in the aerospace industry. The Los Angeles region is home to the headquarters for many large corporations, including The Walt Disney Co., Occidental Petroleum Corp., Northrop Grumman Corp., Health Net, Inc., Mattel, Inc., KB Home, Amgen Inc. and Hilton Hotels Corp. In addition, Los Angeles County is widely recognized as the worldwide center of the entertainment industry.

The Los Angeles region is a major transportation and distribution hub for the southwest United States. The Los Angeles region is served by four major airports, including Los Angeles International Airport, which is the fifth-busiest airport in the world, serving over 75 major airlines and 61 million passengers annually. The Los Angeles region has two major seaports: the Port of Los Angeles and the Port of Long Beach. Combined, these ports are the largest in North America, ranking first in tonnage and dollar volume. The Port of Los Angeles ranks as the eighth busiest container port in the world. The Los Angeles Economic Development Council, or LAEDC, forecasts that the total value of two-way international trade passing through the Los Angeles customs district will increase by 12.2% in 2006 over 2005 to $330.9 billion, dominated by trade with China and Japan. Two major redevelopment projects are currently underway to enlarge both the Los Angeles and Long Beach ports, at total costs of $1.1 billion and $1.3 billion, respectively. The fifteen railroads that serve Southern California and link the region to the rest of the United States and Canada carry approximately eight billion tons of manufactured goods to and from the Los Angeles five-county region annually. The Los Angeles regional freeway system is recognized as one of the largest and most-utilized freeway systems in the world, comprising over 900 miles of interstate and state roadways for commuters and commerce.

Between 1995 and 2005, the five-county Los Angeles region experienced a gain of approximately 2.6 million residents, or a 16.8% total increase and a 1.6% compounded annual growth rate. The region's population is projected to increase by an additional 1.5% to 18.2 million residents in 2006. During the period from 1995 to 2005, total employment in the five-county Los Angeles region posted a net gain of over 1.0 million jobs, or a 17.7% total increase and a 1.6% compounded annual growth rate, and is projected to increase by 1.3% to 7.1 million jobs in 2006. These statistics compare favorably to the nation as a whole, with the Los Angeles region outpacing the national average between 1995 and 2005 by 5.4% in population growth and by 3.1% in job growth.

Los Angeles Five-County Area **Total Population**	**Los Angeles Five-County Area** **Total Non-Farm Employment**

Source: Los Angeles Economic Development Council.

Of the five counties in the Los Angeles region, Los Angeles County has the largest economy. As of December 31, 2005, Los Angeles County had an annual gross domestic product of $424 billion, making it the world's seventeenth largest economy. The largest industry sectors in Los Angeles County, based on employment statistics, are business, financial and professional management services, tourism, entertainment, including motion picture and television production, technology, bio-medical and international trade.

Los Angeles County Office Market

Overview

Los Angeles County is the second largest market for office space in the United States and has a total inventory of approximately 368 million rentable square feet of office space. The Los Angeles County office market is comprised of seven distinct markets which attract different types of tenants and investors. These markets are West Los Angeles, Downtown Los Angeles, South Bay, San Fernando Valley, Tri-Cities, the Hollywood/Wilshire Corridors and the San Gabriel Valley.

The Los Angeles County office market is unique among gateway cities because the premier office markets are located outside of the downtown office market. Proximity to one's residence is an important consideration in locating a business because of limited access to convenient public transportation in most areas of Los Angeles County. Therefore, the most desirable office markets and submarkets in Los Angeles County have grown in proximity to high-end executive housing, providing executives and other business decision-makers with shorter and more convenient commutes to and from their workplace. These markets are characteristically supply constrained and offer a high level of lifestyle amenities. As a result, these markets have commanded premium rents and higher occupancies compared to other markets in Los Angeles County. Our portfolio of Class-A office properties is concentrated in the West Los Angeles, San Fernando Valley and Tri-Cities markets. The table below illustrates the inventory of competitive office space, asking rates and occupancy levels for our markets, the other Los Angeles County office markets and Los Angeles County as a whole as of June 30, 2006.

Los Angeles County Office Markets
(As of June 30, 2006)

Market	Rentable Square Feet	Percent of Total	Asking Rents	Occupancy
Douglas Emmett Markets				
West Los Angeles	43,183,281	24.2%	$ 36.00	93.1%
San Fernando Valley	22,291,618	12.5	26.76	92.8
Tri-Cities	24,768,349	13.9	30.24	93.6
Total/Weighted Average Douglas Emmett Markets[1]	**90,243,248**	**50.6%**	**$ 32.14**	**93.2%**
Non-Douglas Emmett Markets				
Downtown Los Angeles	30,960,102	17.3%	$ 30.12	86.3%
South Bay	27,108,214	15.2	22.44	84.1
Hollywood/Wilshire	17,194,280	9.6	25.68	90.7
San Gabriel Valley	12,981,596	7.3	24.96	95.2
Total/Weighted Average Non-Douglas Emmett Markets[1]	**88,244,192**	**49.4%**	**$ 26.14**	**87.8%**
Total/Weighted Average Los Angeles County Office Market[1]	**178,487,440**	**100.0%**	**$ 29.17**	**90.5%**

Source: CB Richard Ellis.

(1) Weighted average based on total square feet of competitive office space.

Beginning in the mid-1990s and through 2000, significant economic growth in the United States contributed to robust corporate expansion, which resulted in increased occupancy rates and strong growth in office rental rates. However, by the end of 2000, a slowing economy resulted in a general weakening of office markets across the country. While the Los Angeles County office market experienced declines in occupancy between 2000 and 2002 and declines in rental rates between 2001 and 2004, the diverse economic base of the Los Angeles region helped to mitigate the significant rental rate and occupancy fluctuations that certain other U.S. cities such as New York and San Francisco were experiencing. Beginning in 2003, occupancy rates in Los Angeles County began to recover and, as of June 30, 2006, Los Angeles County reported an average occupancy rate of 90.5%, the highest rate in over 10 years. Los Angeles County rental rates began to recover in 2005, and as of June 30, 2006, overall annual asking rental rates reached $29.17 per square foot, the highest average rate achieved in over 10 years. In addition, according to Torto Wheaton Research, Class-A office rents in Los Angeles County are expected to grow 5.5% in 2006 with a five-year, 2006-2010 forecasted annual rental growth of 5.2%.

Douglas Emmett Office Submarkets

In addition to its seven major markets, the Los Angeles County office market is further defined by 59 distinct office submarkets located within the seven major markets according to CB Richard Ellis. These submarkets differ widely in terms of their desirability, tenant base, rental and occupancy rates and barriers to new construction and supply. Within our three Los Angeles County office markets of West Los Angeles, San Fernando Valley and Tri-Cities, we have chosen to focus on what we believe are nine of the premier office submarkets in these markets and in Los Angeles County as a whole. Six of these submarkets, Brentwood, Olympic Corridor, Century City, Santa Monica, Beverly Hills and Westwood, are located in the West Los Angeles market. Two of these submarkets, Sherman Oaks/Encino and Warner Center/Woodland Hills, are located in the San Fernando Valley market, and one, Burbank, is located in the Tri-Cities market. We have invested in these submarkets due to their high

level of lifestyle amenities and proximity to high-end executive housing, features that have contributed to these submarkets historically achieving premium rents and higher occupancy levels than the other Los Angeles County office submarkets, as well as the Los Angeles County office market as a whole. The chart below illustrates a comparison of the historical rental rates and occupancy levels of Class-A office space in our submarkets, the other Los Angeles County submarkets and the Los Angeles County office market as a whole.

Historical Rental Rates & Occupancy Class-A Office
Douglas Emmett Submarkets vs. Los Angeles County vs. Non-Douglas Emmett Submarkets(1)

Source: Costar Office Reports.

(1) Represents Los Angeles County Office Submarkets in which Douglas Emmett does not have a presence.

The decline in occupancies in our submarkets from 2000 to 2003 was the result of a combination of factors. A large amount of previously entitled office space was delivered to the market between 2000 and 2001. The combined impact of this new construction with the slowing of the technology sector and the general economic downturn that affected Los Angeles County as a whole from 2000 to 2003 led to a decrease in office space absorption as well as increasing vacancies in our submarkets during this same time period. Occupancy levels in our submarkets began to recover in 2004 and on average have significantly outperformed the Los Angeles County office market as a whole since then, with occupancy increasing from 83.4% in 2003 to 91.5% in 2005, or 8.1 percentage points, compared to the Los Angeles County market which increased from 83.6% to 88.9%, or 5.3 percentage points, and compared to the submarkets in which we do not have a presence, which increased from only 83.7% to 87.4%, or 3.7 percentage points. Rental rates in our submarkets began to recover in 2005, with annual rental rates increasing from $31.76 per square foot in 2004 to $34.04 per square foot in 2005, or an increase of 7.2%, compared to Los Angeles County, which increased from $26.53 per square foot to $27.71 per square foot, or an increase of 4.4%, and compared to the submarkets in which we do not have a presence, which increased from $24.23 per square foot to $25.36 per square foot, or an increase of 4.7%. Eastdil Secured projects average Class-A office rental rate growth of approximately 10.0% per year for 2006 and 2007 across our nine Los Angeles County submarkets with a projected five year growth rate average of 6.9% from 2006 to 2010.

We believe that, within each of our submarkets, we generally own top quality office buildings in terms of their locations, occupancy levels and rental rate premiums. The table below summarizes the West Los Angeles, San Fernando Valley and Tri-Cities office markets as of June 30, 2006, and sets forth the rentable square feet, asking rents and occupancy levels in each of our nine submarkets within these three markets. As of June 30, 2006, the weighted average asking rental rates in our Los Angeles County office portfolio ($35.28 per square foot) were at an 11.8% premium to the weighted average asking rental rates in our Los Angeles County submarkets ($31.56 per square foot). Excluding the Warner Center/Woodland Hills submarket, where we acquired properties with significant vacancies in recent years, our occupancy rate was 96.1%, which reflects a 2.5 percentage point premium to our submarkets (including the Warner Center/Woodland Hills submarket, our occupancy rate reflects a 0.4 percentage point premium).

	Rentable Square Feet	Asking Rents		Occupancy[1]	
Market/Submarket	**Douglas Emmett Portfolio**	**Douglas Emmett Portfolio**	**Submarket**	**Douglas Emmett Portfolio**	**Submarket**
West Los Angeles					
Brentwood	1,390,625	$ 36.03	$ 33.72	95.7%	92.8%
Olympic Corridor	922,405	29.81	28.92	90.0	90.8
Century City	866,039	35.30	35.16	93.0	89.3
Santa Monica	860,159	59.11	41.76	99.2	94.8
Beverly Hills	571,869	47.75	37.20	97.8	94.8
Westwood	396,728	34.80	41.28	95.2	92.7
Total Douglas Emmett Submarkets[2]	**5,007,825**	**$ 39.96**	**$ 35.46**	**95.0%**	**92.4%**
Non-Douglas Emmett Submarkets			**$ 31.10**		**94.8%**
San Fernando Valley					
Sherman Oaks/Encino	2,878,769	$ 33.11	$ 27.79	97.4%	95.3%
Warner Center/Woodland Hills	2,567,814	28.28	27.96	84.1	90.4
Total Douglas Emmett Submarkets[2]	**5,446,583**	**$ 30.83**	**$ 27.87**	**91.1%**	**93.0%**
Non-Douglas Emmett Submarkets			**$ 25.90**		**92.9%**
Tri-Cities					
Burbank	420,949	$ 37.20	$ 32.76	100.0%	95.2%
Total Douglas Emmett Submarkets[2]	**420,949**	**$ 37.20**	**$ 32.76**	**100.0%**	**95.2%**
Non-Douglas Emmett Submarkets			**$ 29.54**		**93.1%**
Total/Weighted Average Douglas Emmett Submarkets[2]	**10,875,357**	**$ 35.28**	**$ 31.56**	**93.2%**	**92.8%**
Total/Weighted Average Non-Douglas Emmett Submarkets[3]			**$ 29.02**		**93.5%**
Total/Weighted Average Los Angeles County	**10,875,357**	**$ 35.28**	**$ 29.56**	**93.2%**	**93.4%**

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

(1) For Douglas Emmett properties, represents leases signed on or before June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(2)

Weighted average for both Douglas Emmett properties and submarket based on Douglas Emmett rentable square feet.

(3) Weighted average based on Non-Douglas Emmett submarket competitive office space square footage of 10,460,381 for West Los Angeles, 10,177,698 for San Fernando Valley, and 19,024,031 for Tri-Cities.

Each of our submarkets is generally characterized by supply constraints that are the result of down-zoning, economic constraints, restrictive planning commission practices and homeowner groups who are opposed to new development, all of which have created high barriers to the development of new office space. Proposition U, which was approved in 1986, decreased the development capacity of the City of Los Angeles by approximately 50% and affects the Brentwood, Olympic Corridor, Sherman Oaks/Encino and Westwood submarkets. Under the existing specific plans governing development within the Century City and Burbank submarkets, future development is extremely limited. The City of Santa Monica adopted a series of plans in the mid-1980s that imposed stringent limits on development in the downtown area where all of our Santa Monica properties are located, and Beverly Hills limits development through a discretionary approval process for virtually all new building.

Over the past five years, new supply growth in our nine Los Angeles County office submarkets has been limited, with a total of approximately 3.1 million square feet of new additions from 2001 to 2005. This represents an average increase in Class-A inventory of only 1.1% per year across these submarkets. Of the 3.1 million total square feet delivered over the five-year period, approximately 60% of the total was concentrated in the Burbank and Century City submarkets. While approximately 1.3 million square feet of new space was delivered in Santa Monica over the period from 1999 to 2004, the space was primarily located in the eastern area of the city, outside of the downtown Santa Monica market where our properties are located, and was the result of previous development entitlements granted in the 1980s. Additionally, over this time period, there were no new significant office deliveries in our Westwood, Brentwood and Sherman Oaks/Encino submarkets. Within our Los Angeles County submarkets, the following net new supply of office space is expected over a three-year span from 2006 to 2008: 194,000 square feet planned in our Santa Monica submarket; two buildings totaling approximately 500,000 square feet planned in our Warner Center/Woodland Hills submarket; and one new building in our Century City submarket totaling 780,000 square feet of which 300,000 square feet has been pre-leased. In addition, in our Burbank submarket, where we own one building that is currently 100% leased to a single tenant through 2019, 180,000 square feet of new office space was completed in 2006, and an additional 1.1 million square feet is planned and 370,000 square feet is proposed over the three-year span from 2006 to 2008. Assuming all current planned and proposed construction in our submarkets is completed by 2008, this pipeline represents an average increase in Class-A inventory of approximately 1.9% per year across our submarkets. Excluding our Burbank submarket, this increase would be approximately 1.1% per year. No other significant office space is currently under construction, planned to begin construction or proposed during this period in our other submarkets.

Los Angeles County Multifamily Market

The Los Angeles County multifamily market is one of the strongest in the United States. Limited new construction of multifamily buildings and continued regional economic expansion and job growth have contributed to the overall strength of the Los Angeles County multifamily market, helping place Los Angeles County as the third most expensive multifamily market in the nation. Furthermore, high housing prices in Los Angeles County have contributed to the demand for multifamily units. From 1995 to 2005, household income growth in Los Angeles County averaged 3.9% annually while single family home prices increased 11.4% annually over this period.

Our Los Angeles multifamily properties are located in the Santa Monica and Brentwood submarkets of West Los Angeles. The West Los Angeles multifamily market is characterized by its coastal proximity, convenient access to the West Los Angeles office market and high level of lifestyle amenities. These submarkets also generally boast an affluent and highly educated population that is attracted to the better air quality and more temperate climate in these submarkets, as compared to the rest of Los Angeles County. Consequently, the West Los Angeles market has achieved premium rents and higher occupancy levels as compared to other Los Angeles County multifamily markets.

Multifamily rents in West Los Angeles are the highest in Los Angeles County with an average rental rate of $1,948 per unit per month compared to an average of $1,456 per unit per month for Los Angeles County as a whole, as of June 30, 2006.

As the chart below illustrates, the Los Angeles County multifamily market has significantly outpaced the national average over the past six years in terms of rental rate premiums and growth, as well as in occupancy levels. Furthermore, the West Los Angeles multifamily market has enjoyed similar occupancy levels as Los Angeles County as a whole, while achieving a consistent premium in rental rates with an average premium in rental rates of 50.7% from 2000 to 2005.

Historical Multifamily Rental Rates and Occupancy
West Los Angeles vs. Los Angeles County vs. United States[1]

Source: M/PF Research.

(1) National Rental Rates and Occupancy are based on the 57 markets tracked by M/PF Research.

A strong flow of in-migration coupled with limited new housing supply has resulted in a significant imbalance between housing supply and demand in Los Angeles County. According to the LAEDC, from 2000 to 2005, the Los Angeles County population increased by over 700,000 new residents while only 128,000 new residential building permits were issued. The density of current development, zoning and other municipal restrictions and the natural geographic land constraints are factors that severely limit new multifamily development in the West Los Angeles multifamily market where our multifamily buildings are located.

Historical new multifamily completions in Los Angeles County have been very limited, with approximately 21,000 units, or a 0.3% average increase in available supply, completed from 2000 to 2005. During the same period, the rate of new supply of multifamily units in West Los Angeles has been consistent with Los Angeles County as a whole, with only approximately 3,260 new multifamily units completed, or a 0.4% average increase in available supply. In West Los Angeles, approximately 3,900 new multifamily units are proposed, planned or under construction between 2006 and 2008, the majority of which are located outside of our targeted West Los Angeles multifamily submarkets. Over this time period, there is no new supply projected in our Brentwood submarket and there are approximately 900 multifamily units either proposed, planned or under construction in Santa Monica. The new supply in Santa Monica is generally comprised of projects that are smaller in size and farther from the beach as compared to our two Santa Monica multifamily buildings. We expect this space will be absorbed by the significant rental demand in this highly desirable rental submarket.

We believe that the supply constraints and positive demographics discussed above result in rental rate and occupancy premiums for the West Los Angeles market and provide significant potential for sustained increases in rental rates. As shown by the table below, as of June 30, 2006 the average asking rents for the West Los Angeles market are the highest in Los Angeles County. Furthermore, given the superior locations and quality of our properties, our buildings command significant rental rate and occupancy premiums to both Los Angeles County as a whole and the West Los Angeles market in which they are located.

	Asking Rents (per unit/month)		Occupancy	
Market/Portfolio	**Douglas Emmett Portfolio**	**Market**	**Douglas Emmett Portfolio**	**Market**
Douglas Emmett Markets				
West Los Angeles	$ 2,477	$ 1,948	99.5%	97.4%
Non-Douglas Emmett Markets				
Hollywood		$ 1,491		97.8%
Tri-Cities		1,534		97.1
South Bay Cities		1,577		97.4
Downtown Los Angeles		1,483		98.2
San Fernando Valley		1,426		97.8
Santa Clarita Valley		1,386		94.9
Long Beach		1,350		96.3
San Gabriel Valley		1,221		97.5
East Los Angeles		1,146		97.9
Average Douglas Emmett Markets	**$ 2,477**	**$ 1,948**	**99.5%**	**97.4%**
Average Non-Douglas Emmett Markets		**1,402**		**97.2**
Average Los Angeles County	**$ 2,477**	**$ 1,456**	**99.5%**	**97.2%**

Source: M/PF Reports (other than Douglas Emmett data).

Honolulu, Hawaii Economy

The State of Hawaii is located in the mid-Pacific Ocean approximately 2,400 miles from the west coast of the mainland United States. The eight major islands of Hawaii are, in order from Northwest to Southeast, Niihau, Kauai, Oahu, Molokai, Lanai, Kahoolawe, Maui, and the Island of Hawaii. The Island of Oahu, also known as the City and County of Honolulu, is the most populous, with approximately 70% of Hawaii's population of 1.28 million people as of June 30, 2006, and 70.3% of Hawaii's civilian workforce. The downtown area of Honolulu, Hawaii's capital city, is located at the southeast section of Oahu and represents the political, economic, and cultural center of Hawaii as well as a center of international trade and travel for the United States and Asia. In addition to Hawaii's tourism and construction industries and a strong military presence, the Hawaiian Islands derive a significant portion of their employment from the health care, finance, and trade industries.

Population growth in both Oahu and Hawaii has been steady from 1995 to 2005 with aggregate increases of 2.7% and 6.6%, respectively. Job growth in Oahu and Hawaii from 1995 to 2005 has been 8.6% and 13.0%, respectively. Hawaii's unemployment rate averaged 3.1% in the second quarter of 2006, the third lowest in the nation.

Total economic output for Hawaii has shown consistent growth since 1985. According to the State of Hawaii Department of Business, Economic Development and Tourism, or DBEDT, Hawaii's economy performed well in the first quarter of 2006 with the outlook remaining positive for the balance of the year. The DBEDT projects growth in Hawaii's gross state product of 6.0% in 2006, following robust growth rates of 6.5% and 7.8% in 2005 and 2004, respectively. According to the U.S. Bureau of Economic Analysis, Hawaiian personal income has more than doubled on a nominal basis since 1985 and according to DBEDT statistics, personal income grew 6.8% and 5.9% in 2004 and 2005, respectively.

Honolulu Office Market

The metropolitan Honolulu office market consisted of approximately 11.6 million rentable square feet as of June 30, 2006. As of such date, the Honolulu CBD contained over 5.1 million rentable square feet totaling approximately 44% of total Honolulu inventory. We own two office properties in the Honolulu CBD. The combination of Class-A office inventory, amenity base and concentration of federal, state and local government centers in the Honolulu CBD has attracted corporate and service sector tenants including law firms, healthcare companies, and financial service and accounting firms that provide services throughout the Hawaiian Islands and/or require proximity to the various state and local government agencies in the central business district.

The Honolulu CBD office market has experienced significant growth in both occupancy and rental rates as a result of strong demographic trends and limited new supply. As of June 30, 2006, the average asking rental rate in the Honolulu CBD was $30.18 per square foot compared to $29.28 per square foot at year end 2005 and the average occupancy level was 92.2% compared to 90.2% at year end 2005. From 2003 to 2005, asking rental rates for office properties in the Honolulu CBD grew 10.2% while occupancy levels increased 0.6 percentage points.

Historical Rental Rates & Occupancy
Honolulu CBD

Source: CB Richard Ellis.

As the table below illustrates, as of June 30, 2006, the average annual asking rent and occupancy rate for our office buildings was $30.78 and 90.2%, respectively, compared to $30.18 and 92.2% for the Honolulu CBD as a whole.

Market	Rentable Square Feet	Asking Rents	Occupancy(1)
Honolulu CBD	5,140,907	$ 30.18	92.2%
Douglas Emmett Portfolio	678,940	$ 30.78	90.2%

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

(1) For Douglas Emmett properties, represents leases signed on or before June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

With current rental rates well below a level that would support new construction, new supply in the Honolulu CBD is expected to be extremely limited in the near term. When rental rates return to levels that can support new construction, developers will be faced with a limited number of fringe development sites on the perimeter of the core Honolulu CBD. There is no new significant office capacity projected to become available in the near term.

Honolulu Multifamily Market

Multifamily units in Oahu are scattered among an inventory that is mainly comprised of single family rental properties, individually owned condominium and multifamily complexes and a small number of institutionally owned multifamily properties. Rental demand is driven not only by residents of Oahu but also by visitors to the island seeking short term rentals. We own two institutional quality multifamily properties in Honolulu: Moanalua Hillside Apartments, which consists of 696 rental units, and the Villas at Royal Kunia, which consists of 402 rental units.

As the chart below illustrates, the Honolulu multifamily market has shown improvement in both rental rates and occupancy levels over the past six years. Average rental rates have grown from $1,150 per unit per month in 2000 to $1,264 per unit per month in 2005, representing a 9.9% increase or an average compounded annual growth rate of 1.9%. Additionally, occupancy levels have risen from 92.9% in 2001 to 94.6% in 2005.

Historical Rental Rates & Occupancy
Honolulu County

Source: Property & Portfolio Research.

In recent years, the number of multifamily, condominium and single family units for rent in Honolulu has decreased. The shrinking supply of rental units in the market can be attributed to a number of factors including significant growth in housing prices, the conversion of multifamily properties to for-sale condominium units and the sale of previously rented single family homes and condominium units to owner-occupants. Additionally, the high land values and the high cost of new construction in Hawaii makes the development of new multifamily rental units in the Honolulu market economically prohibitive.

We believe that job growth, a strong housing market and rising interest rates will continue to generate strong demand for multifamily units in the Honolulu market. Furthermore, these positive fundamentals combined with a lack of significant new supply should support increases in rental rates and cause already high occupancy rates to increase further over the near term. As the table below illustrates, as of June 30, 2006, the average monthly asking rent per unit and occupancy rate for our two Honolulu multifamily properties was $1,547 (excluding the income-restricted units in our portfolio) and 99.6%, respectively, compared to $1,283 and 95.2% for the Honolulu multifamily market as a whole. As of June 30, 2006, the average rental rate on our low and moderate income units was $1,227 per unit.

Market	**Asking Rents (per unit/month)**[1]	**Occupancy**
Honolulu	$ 1,283	95.2%
Douglas Emmett Portfolio	$ 1,547	99.6%

Source: Property & Portfolio Research (other than Douglas Emmett data).

(1) Excludes income-restricted units.

BUSINESS AND PROPERTIES

Unless otherwise indicated, all information contained in this Business and Properties section concerning the Los Angeles and Hawaii economies and the Los Angeles and Honolulu office and multifamily markets is derived from the market study prepared by Eastdil Secured.

Overview

We are one of the largest owners and operators of high-quality office and multifamily properties in Los Angeles County, California and have a growing presence in Honolulu, Hawaii. Our presence in Los Angeles and Honolulu is the result of a consistent and focused strategy of identifying submarkets that are supply constrained, have high barriers to entry and exhibit strong economic characteristics such as population and job growth and a diverse economic base. In our office portfolio, we focus primarily on owning and acquiring a substantial share of top-tier office properties within these submarkets and which are located near high-end executive housing and key lifestyle amenities. In our multifamily portfolio, we focus primarily on owning and acquiring select properties at premier locations within these same submarkets. We believe our strategy generally allows us to achieve higher than market-average rents and occupancy levels, while also creating operating efficiencies.

As of June 30, 2006, our office portfolio consisted of 46 properties with approximately 11.6 million rentable square feet, and our multifamily portfolio consisted of nine properties with a total of 2,868 units. As of this date, our office portfolio was 93.1% leased to 1,681 tenants, and our multifamily properties were 99.6% leased. Our office portfolio contributed approximately 84.7% of our annualized rent as of June 30, 2006, while our multifamily portfolio contributed approximately 15.3%. As of June 30, 2006, our Los Angeles County office and multifamily portfolio contributed approximately 90.8% of our annualized rent, and our Honolulu, Hawaii office and multifamily portfolio contributed approximately 9.2%.

Most of our office properties are located in superior locations in premier Los Angeles County submarkets which benefit from supply constraints and generally enjoy higher rents and lower vacancy rates than other Los Angeles County office submarkets. Additionally, we expect that our West Los Angeles multifamily properties will provide significant growth opportunities due to their superior locations, supply constraints in our submarkets and the potential for rent increases as rent-controlled units are re-leased at market levels. We believe that the Honolulu market provides many of the same positive characteristics as our submarkets in Los Angeles County. As a result of the attractive locations and characteristics of our properties and the value added by our in-house marketing, leasing, property management and construction capabilities, we believe that our existing properties are well positioned to provide continued cash flow growth and to continue to outperform our markets in terms of rental rates and occupancy. As of June 30, 2006, our average asking rents in our Los Angeles County office portfolio were at a 14.6% premium to our average in-place rents. Excluding the Warner Center/Woodland Hills submarket, where we acquired properties with significant vacancies in recent years, our occupancy rate was 96.1%, which reflects a 2.5 percentage point premium to that of our submarkets (including the Warner Center/Woodland Hills submarket, our occupancy rate reflects a 0.4 percentage point premium). In addition, as of June 30, 2006, in our multifamily portfolio our weighted average asking rental rates were at a 32.4% premium to our average in-place rents, primarily as a result of historical rent control laws which now allow landlords to increase rents to market rates as tenants vacate.

Our office and multifamily portfolio is located in nine premier Los Angeles County submarkets and Honolulu, Hawaii. As of June 30, 2006, the breakdown by submarket of our office and multifamily portfolio was as follows:

		Office					
Submarket	**Market**	**Number of Properties**	**Rentable Square Feet(1)**	**Percent Leased(2)**	**Annualized Rent(3)**		**Annualized Rent Per Leased Square Foot(4)**
Brentwood	West Los Angeles	13	1,390,625	95.7%	$44,087,580	$	34.18
Olympic Corridor	West Los Angeles	4	922,405	90.0	21,956,484		27.36
Century City	West Los Angeles	2	866,039	93.0	25,992,540		32.85
Santa Monica(5)	West Los Angeles	7	860,159	99.2	35,963,820		43.20
Beverly Hills	West Los Angeles	4	571,869	97.8	20,224,728		37.37
Westwood(6)	West Los Angeles	2	396,728	95.2	11,552,748		32.76
Sherman Oaks/Encino	San Fernando Valley	9	2,878,769	97.4	72,728,976		27.37
Warner Center/Woodland Hills(7)	San Fernando Valley	2	2,567,814	84.1	53,301,516		26.23
Burbank	Tri-Cities	1	420,949	100.0	13,360,921		31.74
Honolulu(8)	Honolulu	2	678,940	90.2	16,734,948		30.12
Total/Weighted Average		**46**	**11,554,297**	**93.1%**	**$ 315,904,261**	**$**	**30.74**

		Multifamily					
Submarket	**Market**	**Number of Properties**	**Number of Units**	**Percent Leased**	**Annualized Rent(9)**		**Monthly Rent Per Leased Unit**
Brentwood	West Los Angeles	5	950	99.5%	$21,673,245	$	1,912
Santa Monica(10)	West Los Angeles	2	820	99.6	17,886,817		1,824
Honolulu	Honolulu	2	1,098	99.6	17,533,030		1,336
Total/Weighted Average		**9**	**2,868**	**99.6%**	**$57,093,092**	**$**	**1,666**

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with BOMA 1996 measurement guidelines, and the square footages in the charts in this prospectus are shown on this basis. Total consists of 10,594,463 leased square feet (includes 318,849 square feet with respect to signed leases not commenced), 800,923 available square feet, 66,774 building management use square feet, and 92,137 square feet of BOMA 1996 adjustment for leases that do not reflect BOMA 1996 remeasurement.

(2) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(3) Represents annualized monthly cash rent under leases commenced as of June 30, 2006. This amount reflects total cash rent before abatements. Abatements committed to as of June 30, 2006 for the twelve months ending June 30, 2007 were $3,848,680. For our Burbank and Honolulu office properties, annualized rent is converted from triple net to gross by adding expense reimbursements to base rent.

(4) Represents annualized rent divided by leased square feet (excluding 318,849 square feet with respect to signed leases not commenced) as set forth in note (1) above for the total, and as set forth in the tables under "Business and Properties Douglas Emmett Submarket Overview" for each submarket.

(5) Includes $947,760 of annualized rent attributable to our corporate headquarters at our Lincoln/Wilshire property.

(6)

Our One Westwood property is subject to a ground lease, in which we hold a one-sixth interest as tenant-in-common in the fee parcel. Excludes $225,937 of annualized rent as of June 30, 2006 generated by our interest in such ground lease.

(7)
Excludes the ownership of fee parcels at Owensmouth and at the Hilton Hotel adjacent to our Trillium property, which are leased to third parties and generated $1,142,193 and $240,000 of annualized rent, respectively, as of June 30, 2006.

(8)
A portion of our Bishop Place property is subject to a ground lease, and our Harbor Court property is subject to a long-term lease.

(9)
Represents June 2006 multifamily rental income annualized.

(10)
Excludes 10,013 square feet of ancillary retail space, which generated $305,412 of annualized rent as of June 30, 2006. As of June 30, 2006, 355 units, or approximately 43% of our Santa Monica multifamily units, were under leases signed prior to a 1999 change in California state law that allows landlords to reset rents in rent-controlled units to market rates when a tenant moves out. The average monthly rent per leased unit for these units was $922 as of June 30, 2006. The remaining 57%, or 465 units, had an average monthly rent per leased unit of $2,514 as of June 30, 2006.

We are a full-service real estate company with substantial expertise in asset management, property management, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing. Our senior management has been in the commercial real estate industry for an average of approximately 21 years, and has worked at Douglas Emmett or its related entities for an average of over 15 years, focusing primarily on our core markets. As of June 30, 2006, we had approximately 400 employees. Our central operations are located at our corporate headquarters in Santa Monica, California. As a result of our established infrastructure, we believe that we have the capability to increase the number of properties we own and manage without significant proportionate increases in overhead costs. We intend to qualify as a REIT for federal income tax purposes for the taxable year ending December 31, 2006.

History

Overview

We were formed to continue and expand the operations of DERA, DECO and PLE and their predecessors formed by Dan A. Emmett and partners from 1971 to 1991, which we refer to collectively as our historical operating companies. These companies have been acquiring, investing in, managing, leasing and developing real estate since their inception. While the early focus of our historical operating companies was on multifamily properties, over 20 years ago they expanded their activities to include acquisition and management of office properties and complementary retail space. Our predecessor principals, Dan A. Emmett, Chris Anderson, Jordan Kaplan and Kenneth M. Panzer, have been working together since the mid-1980s and in 1991 acquired the interests in DECO not already owned by them. Today, DECO's primary function is to provide property management and leasing services to our portfolio. DERA was formed in 1991 by our predecessor principals, commenced operation in 1993 and has been the primary vehicle through which we have acquired the substantial majority of our portfolio. DERA has served as the operating partner for each of the nine institutional funds to be acquired by us in the formation transactions since their respective dates of inception. PLE was founded by our predecessor principals in 1991 and commenced operations shortly thereafter. PLE has acted in the capacity of general contractor for tenant improvement projects, seismic retrofits, and common-area renovations for our properties.

Through the growth and development of our historical operating companies, we believe that we have established a superior acquisition, financing, leasing, property management and development platform and infrastructure. Since 1993, we have successfully expanded into the nine Los Angeles County submarkets in which we currently operate as well as more recently into the Honolulu, Hawaii market. Since that time, we have conducted all of our own management, leasing, and development activities, with few exceptions. Under the direction of our predecessor principals and our senior management team, our historical operating companies acquired and financed our existing portfolio, managed the nine institutional funds and raised over $1.5 billion in equity capital primarily from university endowments, foundations, pension plans, banks, other institutional investors and high net worth individuals.

DERA has been the general partner and asset manager of each of the nine institutional funds throughout their history. Our historical operating companies have been responsible for all acquisition, disposition, asset management, property management, leasing, and development/redevelopment activities for the institutional funds. The activities of the institutional funds have comprised all of the investment activity of DERA since its inception.

Our Competitive Strengths

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

Concentration of High Quality Office Assets in Premier Submarkets. Los Angeles County is among the strongest commercial real estate markets in the United States and is home to a diverse range of businesses in a variety of industries, including entertainment, real estate, technology, and legal and financial services. We believe that the submarkets in which we own properties are among the most desirable in Los Angeles County due to their proximity to high-end executive housing and key lifestyle amenities. Similarly, the Honolulu CBD offers an attractive combination of high-quality office properties, a rich amenity base and a robust housing market. Most of our Los Angeles County submarkets are supply constrained, have significant barriers to entry and, relative to the broader Los Angeles County market, command premium rents and higher occupancies. The table below illustrates as of June 30, 2006 the rents and the occupancy levels for competitive office space in our nine Los Angeles County submarkets compared to other Los Angeles County submarkets.

Los Angeles County Office Rents and Occupancy
(As of June 30, 2006)

	Douglas Emmett Submarkets(1)	Non-Douglas Emmett Submarkets(2)	Difference
Asking Rents	$ 31.56	$ 29.02	$2.54
Occupancy	92.8%	93.5%	(0.7) percentage points

Source: CB Richard Ellis.

(1) Represents our nine submarkets in our three Los Angeles County markets of West Los Angeles, San Fernando Valley and Tri-Cities.

(2) Represents all submarkets in which we do not have a presence in our three Los Angeles County markets.

We believe that we have not only selected premier submarkets within Los Angeles County, but have also aggressively sought and acquired premier assets within each of our submarkets. We seek to acquire properties that will command premium rental rates and maintain higher occupancy levels than other properties in our submarkets. As shown in the table below, as of June 30, 2006, the weighted average asking rental rates for competitive office space in our Los Angeles County office portfolio were at an 11.8% premium to the weighted average asking rental rates for competitive office space in our Los Angeles County submarkets. Excluding the Warner Center/Woodland Hills submarket, where we acquired properties with significant vacancies in recent years, our occupancy rate was 96.1%, which occupancy rate reflects a 2.5 percentage point premium to our submarkets (including the Warner Center/Woodland Hills submarket, our occupancy rate reflects a 0.4 percentage point premium).

Douglas Emmett and Los Angeles County
Office Rents and Occupancy
(As of June 30, 2006)

	Douglas Emmett Portfolio	Douglas Emmett Submarkets	Difference
Asking Rents	$ 35.28	$ 31.56	$3.73
Occupancy[1]	93.2%	92.8%	0.4 percentage points
Occupancy Excluding Warner Center/Woodland Hills Submarket[1]	96.1%	93.5%	2.5 percentage points

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

(1) For Douglas Emmett properties, represents leases signed on or before June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

The table below illustrates the average asking rental rates and occupancy rates of our two office properties in Honolulu, Hawaii as compared to the Honolulu CBD as a whole, as of June 30, 2006.

Douglas Emmett and Honolulu CBD
Office Rents and Occupancy
(As of June 30, 2006)

	Douglas Emmett Portfolio	Honolulu CBD	Difference
Asking Rents[1]	$ 30.78	$ 30.18	$0.60
Occupancy[2]	90.2%	92.2%	(2.0) percentage points

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

(1) Net rents have been adjusted to reflect gross rent equivalents.

(2) For Douglas Emmett properties, represents leases signed on or before June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

Disciplined Strategy of Developing Substantial Market Share. As of June 30, 2006, we owned approximately 21.5% of the competitive office space in our Los Angeles submarkets and 13.2% of the office space in the Honolulu CBD. Establishing and maintaining significant market presence provides us with extensive local transactional market information, enables us to leverage our pricing power in lease and vendor negotiations, and enhances our ability to identify and seize emerging investment opportunities.

Douglas Emmett Submarket Office Concentration
(As of June 30, 2006)

Submarket	Douglas Emmett Rentable Square Feet(1)	Submarket Rentable Square Feet(2)	Douglas Emmett Market Share
Brentwood	1,390,625	3,331,731	41.7%
Olympic Corridor	922,405	2,327,630	39.6
Century City	866,039	9,574,342	9.0
Santa Monica	860,159	7,619,589	11.3
Beverly Hills	571,869	6,503,630	8.8
Westwood	396,728	3,365,978	11.8
Sherman Oaks/Encino	2,878,769	5,721,621	50.3
Warner Center/Woodland Hills	2,567,814	6,392,299	40.2
Burbank	420,949	5,744,318	7.3
Subtotal/Weighted Average Los Angeles County	**10,875,357**	**50,581,138**	**21.5%**
Honolulu CBD	678,940	5,140,907	13.2
Total	**11,554,297**	**55,722,045**	**20.7%**

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

(1) Based on BOMA 1996 remeasurement. Total consists of 10,594,463 leased square feet (includes 318,849 square feet with respect to signed leases not commenced), 800,923 available square feet, 66,774 building management use square feet, and 92,137 square feet of BOMA 1996 adjustment on leased space.

(2) Represents competitive office space in our nine Los Angeles County submarkets.

Diverse Tenant Base. Our markets attract a diverse base of office tenants that operate a variety of professional, financial and other businesses. Based on our experience, we believe that our base of smaller-sized office tenants is generally less rent sensitive and more likely to renew than larger tenants and provides no single tenant with excessive leverage. As of June 30, 2006, our 1,778 commercial tenant leases averaged approximately 5,800 square feet and had a median size of approximately 2,500 square feet. Except for our largest tenant, Time Warner, which represented approximately 6.6% of our annualized office rent pursuant to five leases of varying maturities in five separate properties, no tenant accounted for more than 1.5% of our annualized rent in our office portfolio as of June 30, 2006. The average remaining duration of our existing office leases was 4.5 years as of June 30, 2006. From 2003 through 2005, we maintained an average occupancy level and tenant renewal rate of approximately 90.5% and 73.2%, respectively (each including leases signed but not commenced), in our office portfolio. A small tenant focus also provides us with valuable diversification, in addition to greater leverage.

Premier West Los Angeles and Honolulu Multifamily Portfolio. As of June 30, 2006, 15.3% of our annualized rent was derived from our multifamily portfolio of 2,868 units. We own seven multifamily properties in West Los Angeles, consisting of 1,770 units, and two multifamily properties in Honolulu, Hawaii, consisting of 1,098 units. Four of our West Los Angeles properties are among the top quality multifamily communities in their market. The characteristics that make our submarkets attractive for office investment also provide the basis for our multifamily investment decisions in these same submarkets. We believe that population growth, job growth, limited new supply and high housing prices will result in continuing favorable fundamentals and cash flow growth opportunities for our multifamily portfolio. As of June 30, 2006, our West Los Angeles multifamily properties had average asking rental rates of

$2,477 per unit per month and were 99.5% leased, compared to average asking rental rates of $1,948 per unit per month and occupancy of 97.4% for the West Los Angeles multifamily market as a whole, for an asking rental rate premium of 27.1% and an occupancy premium of 2.1 percentage points.

Los Angeles County Multifamily Rent and Occupancy
(As of June 30, 2006)

	Douglas Emmett Portfolio	West Los Angeles Market	Los Angeles County
Asking Rents (per unit/month)	$ 2,477	$ 1,948	$ 1,456
Occupancy	99.5%	97.4%	97.2%

Source: M/PF Research (other than Douglas Emmett data).

The table below illustrates the average asking rental rates and occupancy levels of our two multifamily properties in Honolulu, Hawaii as compared to Honolulu as a whole, as of June 30, 2006.

Honolulu Multifamily Rent and Occupancy
(As of June 30, 2006)

	Douglas Emmett Portfolio	Honolulu
Asking Rents (per unit/month)	$ 1,547(1)	$ 1,283
Occupancy	99.6%	95.2%

Source: Property & Portfolio Research (other than Douglas Emmett data).
(1) Excludes the income-restricted units in our portfolio.

Strong Internal Growth Prospects. According to Eastdil Secured, most of our Los Angeles office portfolio and West Los Angeles multifamily properties could not be duplicated under current zoning and land-use regulations. Furthermore, given current market rents, construction costs and the lack of competitive development sites, Eastdil Secured estimates that our portfolio could not be replicated on a cost-competitive basis today. As a result of these competitive factors, we believe we will be able to achieve significant internal cash flow growth over time through rollover of existing leases to higher rents, the lease-up of vacant space and fixed annual rental rate increases included in our leases.

The high barriers to entry in our markets translate into significant embedded rent growth when comparing existing contractual rents to current market asking rents within both our office and multifamily portfolios. As of June 30, 2006, 5.6% and 10.7% of our Los Angeles County office portfolio are subject to re-lease in 2006 and 2007, respectively. As shown in the table below, the average current asking rents in our Los Angeles County office portfolio represented a 14.6% premium to our average in-place rents, and the average current asking rents in our West Los Angeles multifamily portfolio represented a 32.4% premium to our average in-place rents due largely to rent control laws, which now allow landlords to increase rents to market rates as tenants vacate.

Los Angeles County Office and Multifamily Rents
(As of June 30, 2006)

	Douglas Emmett Portfolio Asking Rents	Douglas Emmett Submarkets Asking Rents	Douglas Emmett In-Place Rents	Douglas Emmett Asking vs. In-Place Rents
Office	$ 35.28	$ 31.56(1)	$ 30.78	14.6%
Multifamily (per unit/month)(2)	$ 2,477	$ 1,948	$ 1,871	32.4%
Multifamily, excluding rent-controlled units (per unit/month)	$ 2,477	$	$ 2,110	17.4%

Source: CB Richard Ellis and M/PF Research (other than Douglas Emmett data).

(1) Represents asking rents for competitive office space.

(2) Multifamily asking rents for Douglas Emmett submarkets are asking rents for West Los Angeles.

Additionally, we believe that we have an opportunity to experience significant rental revenue growth in our Los Angeles County multifamily portfolio as units affected by rent control restrictions are re-leased at market rates, as permitted under Santa Monica and Los Angeles rent control laws. As of June 30, 2006, 355 units, or approximately 43% of our Santa Monica multifamily units, were under leases signed prior to a 1999 change in California state law that allows landlords to reset rents in rent-controlled units to market rates when a tenant moves out. These units had an average discount to our asking rents of $2,145 per unit. Over the past three years, an average of 35 of these rent-controlled units in our portfolio rolled over to market rents each year. Accordingly, we believe that we will realize significant future rent growth as we re-tenant these properties at market rates over time. Once re-leased to a new tenant at market rates, such units remain subject to rent control, and future rent increases remain limited by local rent control laws to annual increases.

As shown in the table below, as of June 30, 2006, the average current asking rents in our Honolulu office portfolio represented a 2.2% premium to our average in-place rents, and the average current asking rents in our Honolulu multifamily portfolio represented a 4.0% premium to our average in-place rents, excluding income-restricted units.

Honolulu Office and Multifamily Rents
(As of June 30, 2006)

	Douglas Emmett Portfolio Asking Rents	Honolulu Asking Rents	Douglas Emmett In-Place Rents	Douglas Emmett Asking vs. In-Place Rents
Office(1)	$ 30.78	$ 30.18	$ 30.12	2.2%
Multifamily (per unit/month)	$ 1,547(2)	$ 1,283	$ 1,488(2)	4.0%

Source: CB Richard Ellis and Portfolio & Property Research (other than Douglas Emmett data).

(1) Net rents have been adjusted to reflect gross rent equivalents. Honolulu asking rents represent Honolulu CBD.

(2) Excludes the income-restricted units in our portfolio.

We also believe that we are well positioned to achieve internal growth through lease-up of existing vacant space in our portfolio. For example, our Warner Center Towers, Trillium and Bishop Place properties were 88.5%, 71.6% and 88.4% leased, respectively as of June 30, 2006.

Upon completion of our repositioning efforts at these properties, we expect that we will be able to significantly increase their occupancy. These properties represent approximately 26.3% of our office portfolio, based on rentable square feet.

We also have embedded rental revenue growth in our existing leases. Our leases have typically contained fixed annual rental rate increases of an average of 3.0%. According to Eastdil Secured, Class-A office rents in our Los Angeles County submarkets are expected to grow 10.0% in each of 2006 and 2007, with a five-year forecasted annual rental growth from 2006 to 2010 of 6.9%. With improving economic conditions in our submarkets, we have been able to increase these contractual escalations with our recent leasing activity to 4.0% for most of our leases signed since January 1, 2006.

Seasoned and Committed Management Team with a Proven Track Record. The members our senior management team have been focused on executing our investment strategy within our core markets for an average of over 15 years. We believe that our extensive acquisition and operating expertise enables us to gain advantages over our competitors through superior acquisition sourcing, focused leasing programs, active asset and property management and first-class tenant service, which have historically resulted in superior returns for investors. This knowledge and expertise has allowed us to actively pursue opportunities for well-located and high-quality buildings that may be in a transitional phase due to current or impending vacancies. Since 1993, members of our senior management team have raised over $1.5 billion in equity capital from institutional investors, with a consistent focus on deploying capital in accordance with our targeted investment strategy. Our management team has developed an extensive and valuable set of relationships with institutional investors, which we believe will provide us an advantage in raising additional capital in the future if the opportunity to deploy such capital were to arise in a manner that matched our strategic goals. Additionally, none of our predecessor principals or members of our senior management team have elected to receive cash in the formation transactions. Upon completion of this offering, the predecessor principals and our senior management team are expected to own, on a fully diluted basis, approximately 28.3% of our outstanding common stock with an aggregate value of $859.5 million (assuming a price per share equal to the mid-point of the range set forth on the cover page of this prospectus). This amount includes $60.0 million recently contributed by our

predecessor principals to one of our historical operating companies, the stock of which will be exchanged for common stock in the formation transactions at the initial public offering price.

Growth Oriented and Flexible Capital Structure. Our capital structure provides us with significant financial flexibility and the capacity to fund future growth. As of June 30, 2006, our pro forma debt to total market capitalization ratio would have been 45.5%, assuming a price per share in this offering at the mid-point of the range set forth on the cover page of this prospectus. We expect that, on a pro forma basis as of June 30, 2006, approximately 80.2%, or $2.21 billion, of our consolidated indebtedness will be fixed through interest rate swap transactions. As of June 30, 2006, the weighted average annual interest rate of our $2.21 billion of existing indebtedness (excluding the loan premiums) that will remain outstanding after this offering and the financing transactions was 4.92%, and the interest rate on the $545.0 million of additional indebtedness that we expect to incur in connection with the financing transactions will be LIBOR plus 0.85%. As of June 30, 2006, the weighted average maturity of our pro forma indebtedness was 6.4 years. As of such date, the weighted average maturity of our interest rate swaps was 5.0 years. Our debt financing strategy provides us with significant financial flexibility due to the lack of amortization and defeasance and limited prepayment penalities. Furthermore, we do not have any off balance sheet indebtedness. Upon consummation of this offering and the financing transactions, and giving effect to the use of proceeds as set forth under "Use of Proceeds," we expect we will have a $250.0 million secured revolving credit facility (or $500.0 million pursuant to an accordion feature) that will be undrawn at the closing of this offering, assuming that this offering prices at the mid-point of the range of prices set forth on the cover page of this prospectus. In connection with the refinancing transactions, as of the consummation of this offering, five of our properties will be unencumbered and available as collateral for future financing.

Business and Growth Strategies

Our primary business objective is to enhance stockholder value by increasing cash flow from operations. The strategies we intend to execute to achieve this goal include:

Premier Submarket and Asset Focus. We intend to continue our core strategy of owning and operating office and multifamily properties within submarkets that are supply constrained, have high barriers to entry, offer key lifestyle amenities, are close to high-end executive housing, and exhibit strong economic characteristics such as population and job growth and a diverse economic base. We intend to continue to focus on owning and acquiring premier properties within each of these submarkets that we believe will command premium rental rates and higher occupancy levels than the submarket as a whole. We believe that owning the right assets in the right markets will allow us to generate strong cash flow growth and attractive long-term returns.

Disciplined Office and Multifamily Acquisition Strategy. We intend strategically to increase our market share in our existing submarkets, and selectively to enter into other submarkets with similar characteristics, where we believe we can gain significant market share, both within and outside of Los Angeles County and Honolulu. Our acquisition strategy will focus primarily on long-term growth potential rather than short-term cash returns. As a public company, we believe that we will have more opportunities to acquire targeted properties in our submarkets through the issuance of operating partnership units, which can be of particular value to tax-sensitive sellers. We also believe that because of our established operational platform and reputation and our deep knowledge of market participants, we will be a desirable buyer for those institutions and individuals wishing to sell properties. Since 1993, members of our senior management team have been responsible for the purchase of 55 properties, representing an aggregate investment of approximately \$3.1 billion, or an average of approximately \$230.0 million per year.

Redevelopment and Repositioning of Properties. We intend to continue to redevelop or reposition properties that we currently own or that we acquire in the future. By redeveloping and repositioning our properties within a given submarket, we endeavor to increase both occupancy and rental rates at these properties and create additional amenities for our tenants, thereby achieving superior risk-adjusted returns on our invested capital. The following examples describe three of our successful repositioning projects.

Sherman Oaks Galleria

In 1997, in an off-market transaction, we acquired the Sherman Oaks Galleria, which at the time was an underutilized and obsolete regional mall and office tower located in the Sherman Oaks/Encino submarket, for \$51.0 million. Thereafter, we began a significant redevelopment and repositioning of the property, which was completed in 2002. As a result of our redevelopment, we believe this project now reflects the highest and best use for this site. During the course of this redevelopment, we demolished a large portion of the mall and built a four-story structure containing lifestyle amenity retail uses as well as a new retail promenade. The balance of the mall space was converted to office space, and we also reconstructed an office building on the site. Additionally, the existing office tower was renovated to provide a new lobby with direct access to the retail promenade. As a result of this redevelopment, we transformed the property into a one million square foot, integrated mixed-use project, primarily consisting of office space enhanced by a high level of retail amenities. We believe that the redeveloped Sherman Oaks Galleria supports and enhances the value of our other eight office properties in the Sherman Oaks/Encino submarket. At the time we acquired the Sherman Oaks Galleria in 1997, it had an occupancy of 78.3% and an average rental rate of \$14.65 per square foot, which was significantly below then-market asking rental rates of \$23.13 per square foot. At the time, market occupancy was 85.4%. As of June 30, 2006, Sherman Oaks Galleria's occupancy was 99.7%, and the average rental rate was $29.14 per square foot. Market rental rates for this submarket were $27.79 per square foot and market occupancy was 95.3% as of June 30, 2006.

9601 Wilshire

In December 2001, in an off-market transaction, we acquired ownership of both the fee estate (subject to a ground lease) in, and the leasehold mortgage covering, 9601 Wilshire Boulevard, which is located in the Beverly Hills submarket, for a total consideration of $71.0 million. Concurrently with our acquisition of the fee estate, we entered into a management and other agreements with the ground lease tenant pursuant to which we gained control of the property. At that time, the ground floor of the building was dominated by a large obsolete bank branch space which, although leased, was entirely vacant with the lease nearing expiration. We re-leased this space to a high-end health club operator and restaurant and leased much of the balance of the ground floor to other upscale retail tenants. The major office tenant in the building was a law firm which had been in the building for many years and was utilizing only a small portion of its space and was paying below-market rent. We negotiated the recapture of the office premises, completed a major lobby renovation and re-leased the space to multiple small tenant users and a prominent entertainment agency. In January, 2006, we obtained title to the tenant position under the ground lease, and we now own title to all of the ownership interests in the property. This marked the completion of our repositioning process for the project. Through our repositioning efforts, we have created a property with the tenant mix and amenities that is most appropriate for the "Golden Triangle" area of Beverly Hills. As of December 31, 2001, occupancy at 9601 Wilshire was 96.0% (and, due to the nearing bank branch lease expiration, occupancy was anticipated to drop to approximately 70% within several months), and the average rental rate was $29.75 per square foot. Then-market occupancy was 87.6% and then-market rental rates were $35.81 per square foot in the Beverly Hills submarket. As of June 30, 2006, occupancy at 9601 Wilshire was 96.8% and the average rental rate was $37.19 per square foot. As of June 30, 2006, the market rental rates in Beverly Hills were $37.20 per square foot and market occupancy was 94.8%.

Harbor Court

In August 2004, we acquired the leasehold interest in the Harbor Court office project for $27.0 million. In December 2004, we assisted our local Honolulu partner in acquiring the fee interest in the Harbor Court office project from the City and County Honolulu. In connection with this transaction, we negotiated a ten-year, $27.5 million fixed-price purchase option (equal to the amount of debt on the property) for the fee interest and reduced our annual leasehold rent by $93,994. We repositioned this property by converting some full-tenant floors to multi-tenant use, which is more consistent with tenant demands in the Honolulu CBD. When we acquired Harbor Court, the building occupancy was approximately 68% and the average rental rate was $25.68 per square foot. Then-market rental rates were $27.78 per square foot and then-market occupancy was 87.8%. As of June 30, 2006, the building occupancy was 94.6% and the average rental rate was $29.68 per square foot. As of June 30, 2006, the market rental rates in the Honolulu CBD were $30.18 per square foot and market occupancy was 92.2%.

Other Repositioning Projects

We are currently in the process of completing the repositioning of Warner Center Towers, the Trillium and Bishop Place. Our repositioning of Warner Center Towers consists of lobby renovations, conversions of some full-tenant floors to multi-tenant use and external aesthetic improvements including signage and a branding campaign to position this property as the premier office towers within the Woodland Hills submarket of the San Fernando Valley. Our repositioning of the Trillium consists of conversions of full-tenant floors to multi-tenant use, elevator renovations, lobby and common area improvements and parking structure upgrades.