Hudson Pacific Properties, Inc.
Form 424B5
January 12, 2015
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-201457

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED January 12, 2015

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 12, 2015)

9,500,000 Shares

Common Stock

We are offering 9,500,000 shares of our common stock, $0.01 par value per share.

We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our stock, including an ownership limit of 9.8% of the outstanding shares of our common stock.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol HPP, and the last reported sale price of our common stock on the NYSE on January 9, 2015 was $32.05 per share.

See Risk Factors beginning on page S-13 of this prospectus supplement and the risks set forth under the caption Item 1A. Risk Factors included in our most recent Annual Report on Form 10-K, which is incorporated by reference herein, for certain risks relevant to an investment in our common stock.

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

We have granted the underwriters an option to purchase up to 1,425,000 additional shares of our common stock on the same terms and conditions set forth above for 30 days after the date of this prospectus supplement.

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

The common stock sold in this offering will be ready for delivery in book-entry form through The Depository Trust Company on or about , 2015.

Wells Fargo Securities **BofA Merrill Lynch** **Goldman, Sachs & Co.**

Barclays **Morgan Stanley** **KeyBanc Capital Markets**

The date of this prospectus supplement is , 2015

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in any jurisdiction where it is unlawful to make such offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference herein or therein, the information in this prospectus supplement will supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission that adds to, updates or changes information contained in an earlier filing we made with the Securities and Exchange Commission shall be deemed to modify and supersede such information in the earlier filing.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation by Reference in this prospectus supplement and Where You Can Find More Information; Incorporation by Reference in the accompanying prospectus. Unless otherwise indicated or unless the context requires otherwise, references in this prospectus supplement to we, our, us and our company refer to Hudson Pacific Properties, Inc., a Maryland corporation, Hudson Pacific Properties, L.P., and any of our other subsidiaries. Hudson Pacific Properties, L.P. is a Maryland limited partnership of which we are the sole general partner and to which we refer in this prospectus supplement as our operating partnership. References in this prospectus supplement to our revolving credit facility mean our operating partnership s $300 million senior unsecured revolving credit facility and references in this prospectus supplement to our term loan facility mean our operating partnership s $150 million senior unsecured term loan facility.

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FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus and the documents that we incorporate by reference in each contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, or the Exchange Act). Also, documents we subsequently file with the Securities and Exchange Commission and incorporate by reference will contain forward-looking statements.

In particular, statements pertaining to our liquidity and capital resources, portfolio performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including anticipated funds from operations, market conditions and demographics) are forward-looking statements. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any such forward-looking statements. We caution investors that any forward-looking statements presented in this prospectus supplement and the accompanying prospectus and the documents that we incorporate by reference in each are based on management s beliefs and assumptions made by, and information currently available to, management. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates or anticipates or the negative of these similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks, trends, uncertainties or factors materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all).

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

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

our failure to successfully operate acquired properties and operations;

our failure to maintain our status as a REIT;

environmental uncertainties and risks related to adverse weather conditions and natural disasters;

financial market fluctuations;

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- the occurrence of any event, change or other circumstances that would compromise our ability to complete the acquisition of the Target Portfolio within the expected period or at all;

- risks related to acquisitions generally, including the disruption of management s attention from ongoing business operations and the impact on customers, tenants, lenders, operating results and business;

- the inability to successfully integrate acquired properties, including the Target Portfolio, realize the anticipated benefits of acquisitions or capitalize on value creation opportunities;

- changes in real estate and zoning laws and increases in real property tax rates; and

- other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, or new information, data or methods, future events or other changes. Accordingly, investors should use caution in relying on past forward-looking statements, which were based on results and trends at the time they were made, to anticipate future results or trends. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled Risk Factors, including the risks incorporated therein, from our most recent Annual Report on Form 10-K for the year ended December 31, 2013 and our other periodic reports filed with the Securities and Exchange Commission and incorporated by reference herein.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. We urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the financial statements and notes to those financial statements incorporated by reference herein and therein. Please read Risk Factors for more information about important risks that you should consider before investing in our common stock.

Hudson Pacific Properties, Inc.

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties and state-of-the-art media and entertainment properties in select growth markets primarily in Northern and Southern California and the Pacific Northwest. Our investment strategy focuses on high barrier-to-entry, in-fill locations with favorable, long-term supply demand characteristics in select markets, including Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and Seattle.

As of December 31, 2014, our portfolio included office properties, comprising an aggregate of approximately 5.5 million square feet, and media and entertainment properties, comprising approximately 0.9 million square feet of sound-stage, office and supporting production facilities. We also own undeveloped density rights for approximately 1.9 million square feet of future development space. Our properties are concentrated in premier submarkets that have high barriers to entry with limited supply of land, high construction costs and rigorous entitlement processes.

We have elected to be taxed as a REIT for federal income tax purposes, commencing with our taxable year ended December 31, 2010. We believe that we have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner. We conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner.

Recent Developments

Target Portfolio Acquisition

On December 6, 2014, we entered into an asset purchase agreement, or the purchase agreement, with certain affiliates of The Blackstone Group L.P., or Blackstone, which we refer to herein as the seller parties, pursuant to which we agreed to acquire a portfolio of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels in the San Francisco Peninsula and Silicon Valley, or the Target Properties, from the seller parties. Pursuant to the terms of the purchase agreement, in consideration for the purchase and sale of the Target Properties, our operating partnership will deliver to the seller parties a cash payment of $1.75 billion and equity consideration consisting of an aggregate amount of up to 63,474,791 shares of our common stock and common units of limited partnership interest in our operating partnership, or common units, subject in each case to adjustments as described therein. The number of shares of our common stock to be issued will be equal to 9.8% of the total issued and outstanding shares of our common stock (excluding any restricted shares of our common stock then issued and outstanding but, for purposes of such calculation, after giving effect to the issuance of the common stock to the seller parties) on the close of business two business days immediately prior to the date of the consummation of the acquisition. The remainder of the equity consideration will consist of common units.

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The issuance of the equity consideration will require the affirmative vote of a majority of votes cast at a meeting of our stockholders, which meeting is currently scheduled in March 2015. We refer to the Target Properties collectively herein as the Target Portfolio.

Rationale for Acquisition

We expect the acquisition of the Target Portfolio to have the following benefits.

- *High-Quality Portfolio*. We believe the Target Properties, which consist of a critical mass of high-quality office assets in the San Francisco Peninsula and Silicon Valley, present an acquisition opportunity of a size and quality not otherwise available in their respective geographic markets.

- *Opportunity to Leverage Existing Operating Platform*. We believe the Target Properties present an opportunity for us to leverage our existing operating platform to create near- and long-term value through our leasing, operating, repositioning and development expertise.

- *Embedded Leasing Potential*. We believe a number of the Target Properties currently have above-market vacancy and below-market rental rates, presenting an opportunity to increase our net operating income through the initial lease-up of vacancies and releasing expiring below-market leases at market rental rates. We believe the in-place rental rates at the Target Properties are on average approximately 15% below our estimate of comparable rental rates in their respective markets.

- *Large Unencumbered Asset Base*. The Target Properties will not be encumbered by indebtedness, presenting us with the opportunity to place new financing and create a large unencumbered asset base to support a potential investment grade rating in the future.

- *Long-term Relationship with Blackstone*. We believe we will benefit from a long-term relationship with Blackstone as a sizable equity holder, including the opportunity to potentially leverage Blackstone s industry relationships, global capital sources and market intelligence.

- *Increased Scale Advantages*. We believe we will benefit from the combination of the Target Properties with our existing property portfolio, including through increased market capitalization and scale, improved access to the capital markets, strong cash flow growth potential, a stronger balance sheet, enhanced investment and redevelopment opportunities, broadened tenant mix, increased geographic and asset-class diversity, improved overhead efficiency ratios and potential cost synergies.

Overview of the Target Portfolio

As of September 30, 2014, the Target Properties were approximately 85.4% leased (giving effect to leases signed but not commenced as of that date). All the properties are located in Northern California. As of September 30, 2014, the weighted average remaining lease term for the properties was 36 months.

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The following table sets forth certain information relating to each of the Target Properties as of September 30, 2014.

Property	Submarket	Year Built/ Renovated	Square Feet[1]	Percent Leased[2]	Percent Occupied[3]	Annualized Base Rent[4]	Annualized Base Rent Per Occupied Square Foot[5]
OFFICE PROPERTIES							
Bayhill Office Center	Peninsula	1982/1987	554,328	92.3%	73.1%	$ 12,376,740	$ 30.54
One Bay Plaza	Peninsula	1979	195,739	80.9%	78.9%	4,318,317	27.96
Bay Park Plaza	Peninsula	1985/1998	260,183	84.5%	84.5%	6,605,641	30.06
Metro Center Tower[6]	Peninsula	1985-1988	730,215	58.9%	51.7%	15,700,834	41.59
Peninsula Office Park	Peninsula	1971/1998	510,456	80.0%	80.0%	15,009,285	36.73
Shorebreeze I & II	Redwood Shores	1985-1986	230,932	83.8%	80.0%	7,124,154	38.58
333 Twin Dolphin Plaza	Redwood Shores	1985	182,789	86.6%	86.6%	5,977,976	37.75
555 Twin Dolphin Plaza	Redwood Shores	1989	198,936	87.2%	85.1%	6,863,709	40.56
Towers at Shore Center	Redwood Shores	2002	334,483	96.0%	96.0%	25,371,950	79.03
Skyway Landing	Redwood Shores	2000	247,173	92.9%	92.9%	7,649,247	33.31
2180 Sand Hill Road	Palo Alto	1976	45,613	65.0%	65.0%	2,222,680	74.97
Embarcadero Place	Palo Alto	1984	197,241	86.6%	86.6%	3,998,592	23.40
Palo Alto Square[7]	Palo Alto	1971/1985	328,251	96.4%	95.6%	17,091,519	54.44
Clocktower Square[8]	Palo Alto	1967/1983	100,344	100.0%	100.0%	5,092,703	50.75
Page Mill Center[9]	Palo Alto	1972	176,245	62.8%	62.8%	6,945,859	62.78
Lockheed[10]	Palo Alto	1991	46,759	100.0%	100.0%	1,603,136	34.29
3400 Hillview[11]	Palo Alto	1991	207,857	100.0%	100.0%	12,203,284	58.71
Foothill Research Center[12]	Palo Alto	1991	195,366	50.9%	40.6%	3,817,287	48.09
Campus Center	Silicon Valley	2001/2007-08	471,580	100.0%	100.0%	14,147,400	30.00
Techmart Commerce Ctr[13]	Silicon Valley	1987	284,440	73.2%	71.8%	6,582,610	32.22
Patrick Henry Drive	Silicon Valley	1981	68,987	0.0%	0.0%		
Gateway	San Jose Airport	1981-84,1998	608,626	85.9%	84.5%	13,267,338	25.81
Metro Plaza	San Jose Airport	1986-1987	456,921	85.9%	85.9%	10,314,168	26.28
1740 Technology	San Jose Airport	1986/1994	206,876	98.4%	98.4%	5,696,904	27.97
Concourse	San Jose Airport	1980/2000	944,386	95.9%	85.6%	20,509,825	25.36
Skyport Plaza	San Jose Airport	2001	418,086	99.1%	99.1%	9,665,745	23.33
Portfolio Total/Weighted Average:			**8,202,812**	**85.4%**	**81.6%**	**$ 240,156,903**	**$ 35.86**
LAND							
Skyport Land	San Jose Airport		350,000				
Campus Center Land	Silicon Valley		750,000				
Total Land Assets:			**1,100,000**				
Total:			**9,302,812**				

(1) Square footage for office properties has been determined by management based upon estimated leasable square feet, which may be less or more than the Building Owners and Managers Association, or BOMA, rentable area. Square footage may change over time due to

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remeasurement, releasing, acquisition, or development. Square footage for land assets represents the seller parties estimate of developable square feet, the majority of which remains subject to entitlement approvals that have not yet been obtained.

(2) Percent leased is calculated as (i) square footage under commenced and uncommenced leases as of September 30, 2014, divided by (ii) total square feet, expressed as a percentage.

(3) Percent occupied is calculated as (i) square footage under commenced leases as of September 30, 2014, divided by (ii) total square feet, expressed as a percentage.

(4) Rent data is presented on an annualized basis. Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) under commenced leases as of September 30, 2014 by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

(5) Annualized base rent per occupied square foot is calculated as (i) annualized base rent divided by (ii) square footage under commenced leases as of September 30, 2014.

(6) This property is subject to ground leases that expire April 29, 2054, each subject to four 11-year extension options.

(7) This property is subject to a ground lease that expires November 30, 2045.

(8) This property is subject to a ground lease that expires September 26, 2056.

(9) This property is subject to a ground lease that expires November 30, 2041.

(10) This property is subject to a ground lease that expires July 31, 2040.

(11) This property is subject to a ground lease that expires October 31, 2040.

(12) This property is subject to a ground lease that expires June 30, 2039.

(13) This property is subject to a ground lease that expires May 3, 2053, with two 10 year extension options.

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Tenant Diversification of the Target Portfolio

The Target Properties are currently leased to a variety of companies. The following table sets forth information regarding the 15 largest tenants in the Target Portfolio based on annualized base rent as of September 30, 2014.

Tenant	Property	Lease Expiration	Total Occupied Square Feet	Percentage of Portfolio Square Feet	Annualized Base Rent[1]	Percentage of Portfolio Annualized Base Rent
Weil, Gotshal & Manges LLP[2]	Towers at Shore Center	August 31, 2016	101,751	1.2%	$ 15,640,035	6.5%
Cisco Systems, Inc.[3]	Campus Center	December 31, 2019	471,580	5.7%	14,147,400	5.9%
Google, Inc.[4]	3400 Hillview	November 30, 2021	207,857	2.5%	12,203,284	5.1%
Qualcomm Atheros	Skyport Plaza	July 31, 2017	365,038	4.5%	8,434,526	3.5%
NetSuite Inc.	Peninsula Office Park	August 31, 2019	119,262	1.5%	5,008,456	2.1%
Morgan, Lewis & Bockius LLP	Palo Alto Square	February 28, 2017	54,728	0.7%	3,899,988	1.6%
Stanford Hospital and Clinics	Page Mill Center	June 30, 2019	63,201	0.8%	3,792,060	1.6%
Robert Bosch Healthcare System[5]	Various	Various	88,171	1.1%	3,474,948	1.4%
HQ Global Workplaces LLC[6]	Various	Various	96,649	1.2%	3,171,675	1.3%
Invensense, Inc.[7]	Concourse	December 31, 2019	131,331	1.6%	2,669,642	1.1%
Cooley LLP[8]	Palo Alto Square	Various	66,791	0.8%	2,582,541	1.1%
Virgin America, Inc.[9]	Bay Park Plaza	Various	85,811	1.0%	2,510,864	1.0%
Wells Fargo Bank, N.A.[3][10]	Various	Various	58,057	0.7%	2,081,881	0.9%
Quinstreet, Inc.	Metro Center Tower	October 31, 2018	63,998	0.8%	2,265,529	0.9%
Oracle America, Inc.	Bayhill Office Center	May 31, 2018	73,421	0.9%	2,060,911	0.9%
Total			2,047,646	24.9%	$ 83,943,740	35.0%

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) under commenced leases as of September 30, 2014 (ii) by 12. Annualized base rent does not reflect tenant reimbursements.

(2) Subsequent to September 30, 2014, Weil, Gotshal & Manges LLP executed a lease renewal to extend the term of their lease to August 31, 2026 with respect to 76,278 square feet with a starting base rent of $65.00 per square foot.

(3) Cisco Systems, Inc. and Wells Fargo Bank, N.A. leases are subject to early termination prior to expiration at the option of the tenant, subject to tenants paying a termination fee.

(4) Subsequent to September 30, 2014, Google, Inc. executed a lease for an additional 97,872 square feet at Foothill Research Center commencing on March 1, 2015 and expiring on February 28, 2025.

(5) Robert Bosch Healthcare System expirations by property and square footage: (i) 6,675 square feet at Embarcadero Place expiring on December 31, 2014; (ii) 24,949 square feet at Embarcadero Place expiring on December 31, 2016; and (iii) 56,547 square feet at Foothill Research Center expiring on December 31, 2017.

(6) HQ Global Workplaces LLC expirations by property and square footage: (i) 27,369 square feet at Techmart Commerce Center expiring April 30, 2015; (ii) 44,957 square feet at Gateway expiring on November 30, 2016; and (iii) 24,323 square feet at Bayhill Office Center expiring on July 31, 2019.

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(7) Invensense, Inc. executed a lease for an additional 29,357 square feet commencing on November 1, 2014 and expiring on December 31, 2019.

(8) Cooley LLP expirations by square footage: (i) 13,040 square feet expiring on September 30, 2014; and (ii) 53,751 square feet expiring on January 31, 2015.

(9) Virgin America, Inc. expirations by square footage: (i) 4,053 square feet expiring on January 31, 2015; and (ii) 81,758 square feet expiring on October 7, 2017.

(10) Wells Fargo Bank, N.A. expiration by property and square footage: (i) 5,153 square feet at Palo Alto Square expiring on June 30, 2017; (ii) 5,543 square feet at 555 Twin Dolphin Plaza expiring on October 31, 2017; (iii) 7,104 square feet at Metro Center Tower expiring on July 31, 2020; and (iv) 40,257 square feet at Skyway Landing expiring on November 30, 2020.

Uncommenced Leases

As of September 30, 2014, 21 leases have been signed at the Target Properties that have not yet commenced. The following table sets forth data for these 21 uncommenced leases.

Tenant[1]	Lease Commencement	Lease Expiration	Total Leased Square Feet	Percentage of Portfolio Square Feet	Annualized Base Rent[2]
Wal-Mart Stores, Inc.	2/1/2015	1/31/2025	106,099	1.3%	$ 2,419,057
Conviva Inc.	1/1/2015	6/30/2020	34,764	0.4%	1,304,121
Invensense, Inc.	11/1/2014	12/31/2019	29,357	0.4%	810,253
Globallogic Inc.	10/1/2014	9/30/2021	28,930	0.4%	815,826
Aerotek, Inc.	10/1/2014	12/31/2019	24,958	0.3%	763,103
Jefferies LLC	12/1/2014	4/30/2022	14,562	0.2%	961,092
Infosys Limited	12/1/2014	2/29/2020	12,364	0.2%	771,514
Other	Various	Various	57,279	0.7%	2,479,059
Total			308,313	3.8%	$ 10,324,025

(1) The tenants listed in the above table are not subject to any early termination options or renewal options.

(2) For uncommenced leases, annualized base rent is calculated by multiplying (i) the first full month of contractual rents to be received under the applicable lease (defined as cash base rents (before abatements)), by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

Lease Distribution of the Target Portfolio

The following table sets forth information relating to the distribution of leases in the Target Portfolio based on net rentable square feet under lease as of September 30, 2014.

Square Feet Under Lease	Number of Leases	Percentage of All Leases	Total Leased Square Feet	Percentage of Portfolio Leased Square Feet	Annualized Base Rent[1]	Percentage of Portfolio Annualized Base Rent
2,500 or less	187	27.0%	295,578	4.2%	$ 9,269,370	3.7%
2,501-10,000	310	44.7%	1,583,047	22.6%	53,390,703	21.3%
10,001-20,000	86	12.4%	1,229,478	17.6%	42,480,945	17.0%

20,001-40,000	44	6.3%	1,165,597	16.6%	43,274,860	17.3%
40,001-100,000	19	2.7%	1,068,792	15.3%	38,385,430	15.3%
Greater than 100,000	8	1.2%	1,277,557	18.2%	53,094,888	21.2%
Building management use	18	2.6%	76,796	1.1%	260,707	0.1%
Uncommenced leases	21	3.0%	308,313	4.4%	10,324,025	4.1%
Portfolio Total:	693	100.0%	7,005,158	100.0%	$ 250,480,928	100.0%

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(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)), including uncommenced leases, as of September 30, 2014 by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

Lease Expirations of the Target Portfolio

The following table sets forth a summary schedule of the lease expirations for leases in place as of September 30, 2014 plus available space, for the fourth quarter of 2014 and for each of the ten full calendar years beginning January 1, 2015 at the Target Properties. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options.

Year of Lease Expiration[1]	Square Footage of Expiring Leases	Percentage of Portfolio Square Feet	Annualized Base Rent[2]	Percentage of Portfolio Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
Vacant	1,197,654	14.6%	$	0.0%	$
2014	268,089	3.3%	7,973,749	3.2%	29.74
2015	1,012,046	12.5%	35,802,185	14.3%	35.38
2016	1,250,307	15.2%	51,658,775	20.6%	41.32
2017	1,488,675	18.1%	48,282,871	19.3%	32.43
2018	819,885	10.0%	28,810,725	11.5%	35.14
2019	572,877	7.0%	23,737,034	9.5%	41.43
2020	820,920	10.0%	24,178,173	9.7%	29.45
2021	256,998	3.1%	13,813,245	5.5%	53.75
2022	19,385	0.2%	1,197,993	0.5%	61.80
2023	51,004	0.6%	1,602,147	0.6%	31.41
2024	59,863	0.7%	2,839,299	1.1%	47.43
Thereafter		0.0%		0.0%	
Building management use[3]	76,796	0.9%	260,707	0.1%	3.39
Signed Leases not commenced	308,313	3.8%	10,324,025	4.1%	33.49
Portfolio Total/Weighted Average:	**8,202,812**	**100.0%**	**$ 250,480,928**	**100.0%**	**$ 35.76**

(1) Some of the leases are subject to various forms of lease termination options exercisable by tenants. Depending on the form of the option, some of these options may or may not require the payment of a fee and notice period as a condition to exercise.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)), including uncommenced leases, as of September 30, 2014, by (ii) 12. Annualized base rent does not reflect tenant reimbursements.

(3) Annualized base rent per square foot relates to a health club at the Skyport Plaza property.

The acquisition of the Target Portfolio is subject to customary closing requirements and conditions. There can be no assurance that the acquisition will close, or if it does, when the closing will occur. We expect to use the net proceeds from this offering for a portion of the cash consideration for the acquisition; however, the acquisition is not dependent on this offering and we expect to consummate this offering prior to the closing (if any) of the acquisition.

Bridge Facility Commitment Letter

Contemporaneously with the execution of the purchase agreement, we obtained a debt financing commitment for the transactions contemplated by the purchase agreement, the aggregate proceeds of which we will use to pay a portion or all of the cash consideration to consummate the acquisition and to pay related fees and expenses.

Wells Fargo Bank, National Association, Wells Fargo Securities, LLC, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs Bank USA, or collectively the bridge facility commitment parties, have committed to provide a 364-day bridge term loan of $1.75 billion, or the bridge loan, to our operating partnership on the terms and conditions set forth in a commitment letter, or the bridge commitment letter, and fee letter, each dated December 6, 2014. Wells Fargo Bank, National Association, Bank of America, N.A., and Goldman, Sachs Bank USA have committed to fund the principal amount of the bridge loan as follows: Wells Fargo Bank, National Association, 50%; Goldman, Sachs Bank USA, 25%; Bank of America, N.A., 25%.

The obligation of the bridge facility commitment parties to provide financing under the bridge commitment letter are subject to certain conditions, including, without limitation, (i) the negotiation, execution and delivery of definitive loan documentation for the bridge loan consistent with the bridge commitment letter and otherwise reasonably satisfactory to the bridge facility commitment parties, (ii) a condition that there has not been a Target Property Material Adverse Effect (as defined in the bridge commitment letter), (iii) the consummation of the acquisition in accordance with the purchase agreement (without giving effect to any amendments to the purchase agreement or any waivers thereof that are materially adverse to the bridge facility commitment parties unless consented to by the bridge facility commitment parties) concurrently with the funding of the bridge loan, (iv) the payment of applicable costs, fees and expenses, and (v) the delivery of certain customary closing documents (including, among other things, opinions from legal counsel). The principal amount of the bridge loan may be reduced in connection with certain equity and debt issuances by us and/our operating partnership, as well as in connection with certain asset sales.

The bridge commitment letter terminates on July 4, 2015.

First Financial Disposition

On December 29, 2014, Hudson First Financial Plaza, LLC, a wholly owned subsidiary of our operating partnership, entered into a purchase and sale agreement with Douglas Emmett Management, LLC, pursuant to which we agreed to sell our First Financial office property located in Encino, California for a purchase price of $89.0 million (before certain credits, proration and closing costs). First Financial is a six-story, 222,423-square-foot, multi-tenant office building with a four-level parking garage, which we acquired upon consummation of our initial public offering in June 2010. The purchase and sale agreement includes customary representations, warranties, covenants and indemnities. The closing of the sale is expected to take place in the first quarter of 2015, upon the completion of certain conditions and obligations, including the assumption of an existing $43.0 million loan. We intend to use the proceeds from the sale in a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, or a Section 1031 Exchange, to defer some or all of the taxable gains for federal and state income tax purposes resulting from the sale, including by applying the proceeds to our purchase of the Target Properties.

1455 Market Street Joint Venture

On January 7, 2015, our operating partnership transferred a 45% interest in Hudson 1455 Market, L.P., the sole common member of Hudson 1455 Market Street LLC, the owner of the 1455 Market Street office property located in San Francisco, California, or the 1455 Market Street Joint Venture, to CPP Investment Board Real Estate Holdings Inc., a wholly owned subsidiary of the Canada Pension Plan Investment Board, for a purchase price of $219.2 million (before certain credits, proration and closing costs). Prior to such transfer, our operating partnership owned 100% of the interests in Hudson 1455 Market, L.P. 1455 Market Street is a 22-story, 1,025,833-square-foot, Class-A office building that fronts an entire block along 11th Street in San Francisco s Mid-Market neighborhood. We intend to use the proceeds from the 1455 Market Street Joint Venture in a Section 1031 Exchange to defer some or all of the taxable gains for federal and state income tax purposes resulting from the formation of the 1455 Market Street Venture, including by applying the proceeds to our purchase of the Target Properties.

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6922 Hollywood Mortgage Loan Payoff

On October 2, 2014, we fully repaid the $39.7 million loan secured by our 6922 Hollywood Boulevard property in Hollywood, California. The loan was scheduled to mature on January 1, 2015.

12655 Jefferson Acquisition

On October 17, 2014, we acquired a 93,952 square-foot office property located in the Playa Vista submarket of Los Angeles, California in an off-market transaction for $38.0 million (before certain credits, closing costs, and prorations). The purchase price was paid from borrowings under our revolving credit facility. Built in 1985, the property includes a garage with 279 parking stalls. The building is currently vacant and conceptual designs and plans have been completed for a creative office conversion. Playa Vista is a leading submarket for creative office tenants, including Facebook, Google/YouTube, Microsoft and Sony.

Corporate Information

Our principal executive offices are located at 11601 Wilshire Boulevard, Sixth Floor, Los Angeles, California 90025. Our telephone number is 310-445-5700. Our Web site address is www.hudsonpacificproperties.com. The information on, or otherwise accessible through, our Web site does not constitute a part of this prospectus supplement or the accompanying prospectus.

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The Offering

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our common stock, see Description of Common Stock.

Issuer	Hudson Pacific Properties, Inc., a Maryland corporation.
Securities offered by us	9,500,000 shares of common stock, $0.01 par value per share. We have granted the underwriters an option to purchase up to an additional 1,425,000 shares for 30 days after the date of this prospectus supplement.
New York Stock Exchange symbol	HPP
Shares of common stock outstanding immediately prior to this offering	67,194,257 shares.
Shares of common stock outstanding upon completion of this offering	76,694,257[1] shares (78,119,257 shares if the underwriters exercise their option to purchase additional shares in full).
Shares of common stock and common units outstanding upon completion of this offering	79,076,820[1][2] shares and common units (80,501,820 shares and common units if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We estimate that the net proceeds that we will receive from this offering will be approximately $291.9 million, or approximately $336.7 million if the underwriters option to purchase additional shares is exercised in full, in each case based on an assumed public offering price of $32.05 per share (which is the last reported sale price of our common stock on the NYSE on January 9, 2015) and after deducting estimated underwriting discounts and commissions and our estimated offering expenses. Each $1.00 increase or decrease in the assumed public offering price of $32.05 per share would increase or decrease the net proceeds that we receive from this offering by $9.1 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same, and after deducting estimated underwriting discounts and commissions. We will contribute the net proceeds that we will receive from this offering to our operating partnership in exchange for common units. Our operating partnership intends to use the net proceeds from this offering to fund a portion of the acquisition of the Target Portfolio, as described under Prospectus Supplement Summary Recent Developments Target Portfolio Acquisition. If the acquisition of the Target Portfolio is not consummated, our operating partnership intends to use the net proceeds for development and redevelopment activities, potential acquisition opportunities and/or for general corporate purposes. Pending these applications, our operating partnership intends to use the net proceeds to temporarily repay borrowings outstanding under our revolving credit facility and/

	or invest in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT. See Use of Proceeds.
	Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. LLC and KeyBanc Capital Markets Inc. (underwriters in this offering) are lenders under our revolving credit facility. As described above, our operating partnership intends to use a portion of the net proceeds from this offering to temporarily repay borrowings outstanding under our revolving credit facility. As a result, these affiliates will receive their proportionate share of any amount of our revolving credit facility that is repaid with the net proceeds of this offering.
Restrictions on ownership	Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with the requirements for qualification as a REIT. Among other things, our charter provides that, subject to certain exceptions, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code of 1986, as amended, or the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock. See Restrictions on Ownership and Transfer in the accompanying prospectus.
Risk factors	Investing in our common stock involves a high degree of risk and the purchasers of our common stock may lose all or part of their investment. Before deciding to invest in our common stock, please carefully read the section entitled Risk Factors, including the risks incorporated therein from our most recent Annual Report on Form 10-K for the year ended December 31, 2013 and our other periodic reports filed with the Securities and Exchange Commission and incorporated by reference herein.

(1) Excludes (i) 1,425,000 shares of our common stock issuable upon the exercise of the underwriters option to purchase additional shares in full, (ii) shares of common stock issuable upon exchange of outstanding 6.25% Cumulative Redeemable Convertible Series A Preferred Units of partnership interest in our operating partnership, or Series A Preferred Units, with an aggregate liquidation preference of approximately $10.2 million, which became convertible or redeemable on June 29, 2013, (iii) a maximum of 4,757,387 shares of our common stock available for issuance in the future under our equity incentive plan and (iv) shares of our common stock that may be issued in connection with the acquisition of the Target Portfolio (which, if issued, will be equal to 9.8% of the total issued and outstanding shares of our common stock (excluding any restricted shares of our common stock then issued and outstanding but, for purposes of such calculation, after giving effect to the issuance of the common stock to the seller parties) on the close of business two business days immediately prior to the date of the consummation of the acquisition). As of January 12, 2015, up to 14,034,292 fungible units may be granted in the future under our equity incentive plan in any combination of five-year options, ten-year options or restricted stock (inclusive of any equity grants that may be made in the future under our outperformance programs). A maximum of 17,992,682, 14,034,292 or 4,757,387 shares of our common stock are available for issuance in the future under our equity incentive plan if such fungible units are granted as five-year options, ten-year options or restricted stock, respectively.

(2) Includes 2,382,563 common units held by limited partners of our operating partnership, which units may, subject to certain limitations and adjustments, be redeemed for cash or, at our option, exchanged for shares of common stock on a one-for-one basis. Excludes common units that may be issued in connection with the acquisition of the Target Portfolio (which, if issued, will be in an amount equal to 63,474,791, less the number of shares of our common stock issued in connection with the acquisition of the Target Portfolio, as described above, subject to reduction as described in the purchase agreement).

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the following risks, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as the other information and data set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before making an investment decision with respect to the common stock. The risks associated with our business and properties described or incorporated by reference herein, to the extent that they relate generally to the ownership and operation of real estate, will also apply to the ownership and operation of the Target Properties if the acquisition is consummated. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our common stock. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See Forward-Looking Statements.

Risk Factors Related to the Acquisition of the Target Portfolio

The issuance of shares of our common stock in the acquisition or upon exchange of common units received in the acquisition of the Target Properties will have a dilutive effect on our common stock and will reduce the relative percentage interests of our stockholders in our earnings, voting power and market value.

The equity portion of the acquisition consideration for the Target Portfolio consists of up to an aggregate of 63,474,791 shares of our common stock and common units. The number of shares of our common stock to be issued to the seller parties will be equal to approximately 9.8% of the total issued and outstanding shares of our common stock (excluding any restricted shares of our common stock then issued and outstanding but, for purposes of such calculation, after giving effect to the issuance of the common stock to the seller parties) on the close of business two business days immediately prior to the date of the consummation of the acquisition. The remainder of the equity consideration will consist of common units. The issuance of shares of our common stock in the acquisition will have a dilutive effect on our common stock and will reduce the relative percentage interests of our common stockholders in our earnings, voting power and market value.

Additionally, part of the equity portion of the acquisition consideration will be paid in common units, which may have a dilutive effect on our common stock. Holders of common units have the right to require the redemption of part or all of their outstanding common units for cash, or, at our election, shares of our common stock, based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, subject to certain restrictions on ownership and transfer of our common stock. If the seller parties exercise their redemption rights and part or all of their outstanding common units are exchanged for shares of our common stock, such exchange will have a dilutive effect on our common stock and reduce the relative percentage interests of our existing common stockholders (including investors in shares of our common stock offered hereby) in our earnings, voting power and market value.

If the acquisition does not occur, we may incur payment obligations to the seller parties.

If the purchase agreement is terminated because our common stockholders do not approve the issuance of the equity portion of the acquisition consideration, we will be obligated to pay the seller parties up to $14 million in expense reimbursement. If the purchase agreement is terminated under certain other circumstances, we will be obligated to pay the seller parties a termination fee of up to $120 million, net of certain expense reimbursements.

Failure to complete the acquisition in a timely manner could negatively affect our ability to achieve the benefits associated with the acquisition and could negatively affect our share price and future business and financial results.

The acquisition is currently expected to close during the first half of 2015, assuming that all of the conditions in the purchase agreement are satisfied or waived. The purchase agreement provides that either we or

the seller parties may terminate the purchase agreement if the closing of the acquisition has not occurred by 11:59 p.m. New York time on July 3, 2015. Certain events outside our control may delay or prevent the consummation of the acquisition. Delays in consummating the acquisition or the failure to consummate the acquisition at all may result in our incurring significant additional costs in connection with such delay or termination of the purchase agreement and/or failing to achieve the anticipated benefits associated with the acquisition. We cannot assure you that the conditions to the completion of the acquisition will be satisfied or waived or that any adverse effect, event, development or change will not occur, and we cannot provide any assurances as to whether or when the acquisition will be completed.

To complete the acquisition, our common stockholders must approve the issuance of the equity consideration. In addition, the purchase agreement contains additional closing conditions, which may not be satisfied or waived. Delays in consummating the acquisition or the failure to consummate the acquisition at all could negatively affect our future business and financial results, and, in that event, the per share trading price of our common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the acquisition will be consummated. If the acquisition is not consummated for any reason, our ongoing business could be adversely affected, and we will be subject to several risks, including:

- the payment by us of certain costs, including termination fees and expense reimbursements ranging from $14 million to $120 million under certain circumstances, as well as costs relating to the acquisition, such as legal, accounting, financial advisory, filing, printing and mailing fees; and

- the diversion of management focus and resources from operational matters and other strategic opportunities while working to consummate the acquisition.

In addition, in the event the acquisition is not consummated, we will have issued additional shares of our common stock in this offering without realizing a corresponding increase in earnings and cash flow from acquiring the Target Properties. We will also have broad authority to use the net proceeds of this offering for other purposes that may not be accretive to our earnings per share and funds from operations per share. As a result, if the acquisition is not consummated, we will not achieve the expected benefits thereof and will be subject to the risks described above, any of which could affect the per share trading price of our common stock and our future business and financial results.

The pendency of the acquisition could adversely affect our business and operations and the Target Properties.

In connection with the pending acquisition, some of our, or the seller parties , current or prospective tenants, lenders, joint venture partners or vendors may delay or defer decisions, which could negatively impact our, or the seller parties , revenues, earnings, cash flows and expenses, regardless of whether the acquisition is completed. In addition, under the purchase agreement, both we and the seller parties are subject to certain restrictions on the conduct of our respective businesses prior to completing the acquisition. These restrictions may prevent the parties from pursuing certain strategic transactions, undertaking certain significant capital projects, undertaking certain significant financing transactions and otherwise pursuing other actions that are not in the ordinary course of business, even if such actions would prove beneficial.

We will incur significant non-recurring costs in connection with the acquisition.

We expect to incur a number of non-recurring costs associated with transferring and integrating the Target Properties into our business, including any planned renovation, development or lease-up of such properties. Under the terms of the purchase agreement, we are obligated to pay all expenses incurred in connection with the acquisition at closing (subject to certain exceptions). The majority of non-recurring costs relating to the acquisition are comprised of transaction costs, costs of transferring the Target Properties and costs related to formulating integration plans. We expect that approximately $40.6 million of costs will be incurred to complete the acquisition although additional unanticipated costs may be incurred in the integration of the Target Properties into our business. As of December 31, 2014, we have incurred $12.4 million in non-recurring costs in connection with the acquisition, which does not include any fees for which we will need to reimburse the seller parties or others at the closing of the acquisition.

There can be no assurance that we will be able to obtain financing for the funds necessary to pay the cash portion of the acquisition consideration on acceptable terms, in a timely manner, or at all.

Our obligation under the purchase agreement to consummate the acquisition is not conditioned on us obtaining any financing for the acquisition. In connection with the acquisition, we have obtained commitments for up to $1.75 billion under a 364-day senior unsecured bridge loan facility to finance the cash portion of the acquisition consideration, subject to certain conditions. We are also pursuing a number of financing options and anticipate that the funds needed to complete the acquisition will be derived from a combination of the net proceeds from this offering, our available cash on hand, proceeds from the sale of equity interests in, or assets of, certain wholly or partially owned subsidiaries, the issuance and sale of additional common and/or preferred stock and/or limited partnership interests in the operating partnership and debt financing, which may include, without limitation, some combination of the following: (a) a senior unsecured bridge loan facility, (b) the issuance of senior unsecured notes or other debt securities, (c) borrowings under the operating partnership s existing corporate credit facility and/or an upsizing thereof, including pursuant to the incremental feature thereof, (d) secured asset level financing and/or (e) other commercial or institutional bank loans.

There can be no assurance that we will satisfy the conditions needed to enter into the committed 364-day senior unsecured bridge loan facility or that we will be able to obtain alternative financing on acceptable terms, in a timely manner or at all. If we utilize the committed 364-day senior unsecured bridge loan facility, we would need to refinance such indebtedness within one year and there can be no assurance that we would be able to do so on acceptable terms, in a timely manner or at all, particularly because we would only utilize our committed 364-day senior unsecured bridge facility if alternative financing on better terms was not available to us. The committed 364-day senior unsecured bridge facility contains provisions that are not favorable to us, including a duration fee that is payable every 90 days after the funding of the bridge and that steps up over time, as well as mandatory prepayment requirements for, among other things, debt and equity issuances and asset sales. If we are unable to obtain the funds necessary to pay the cash portion of the acquisition consideration, we may not be able to complete the acquisition and may be required to pay the seller parties a termination fee of up to $120 million.

The equity portion of the acquisition consideration will not be adjusted in the event of any change in our stock price.

The equity portion of the acquisition consideration consists of an aggregate of up to 63,474,791 shares of our common stock and common units, subject to reduction as set forth in the purchase agreement. The number of shares of our common stock to be delivered to the seller parties upon completion of the acquisition will be equal to approximately 9.8% of the total issued and outstanding shares of our common stock (excluding any restricted shares of our common stock then issued and outstanding but, for purposes of such calculation, after giving effect to the issuance of the common stock to the seller parties) on the close of business two business days immediately prior to the date of the consummation of the acquisition. The remainder of the equity consideration will consist of common units. The aggregate number of shares of common stock and common units will not be adjusted for changes in the market price of our common stock. Changes in the market price of our common stock, which may result from a variety of factors (many of which are beyond our control), will affect the value of the acquisition consideration that the seller parties will receive upon consummation of the acquisition. As a result, prior to the consummation of the acquisition, you will not know the exact value of the shares of common stock and the common units that the seller parties will receive upon the consummation of the acquisition.

Certain of the Target Properties are subject to ground leases, pursuant to which the ground lessors have consent rights that if not granted may prevent us from acquiring such properties.

Certain of the Target Properties are subject to ground leases with unaffiliated third party ground lessors, pursuant to which such lessors have consent rights that, if not granted or waived, may prevent us from acquiring such properties. There can be no assurance that the seller parties will be able to obtain the consents required to consummate the transfer of such properties to us pursuant to the purchase agreement. In the event that we are unable to acquire the properties that are subject to ground leases due to a failure to obtain ground lessor consent,

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the total consideration to be paid in the acquisition will be adjusted; however, such reduction in consideration may not be commensurate with the lost actual or anticipated benefits of acquiring such properties. In addition, if we are unable to acquire one or more of the Target Properties for the reasons described above, we may not realize the operating efficiencies that may otherwise be achieved and the overall size, geographic footprint, tenant mix and other attributes of the Target Portfolio.

The Target Properties may be subject to environmental liabilities for which we may become responsible.

Certain of the Target Properties subject to ground leases with Stanford have been subject to environmental investigation and remediation for many years, including soil removal, groundwater remediation and monitoring. These activities are ongoing at certain sites and will continue into the foreseeable future. At other sites, only monitoring is required. At present, these activities do not interfere with the leasing and operation of the properties but could do so if agency requirements or remediation requirements change. In addition, these activities could cause additional expense if the properties are redeveloped or renovated by us. The parties responsible for remediation are typically former tenants that engaged in electronic manufacturing and caused the release of chlorinated compounds and other contaminants. If the responsible parties become unable to meet these remediation obligations, it is possible that we could become responsible for them.

Screening for vapor intrusion is underway at several of the Target Properties. These screenings are monitored by either the San Francisco Regional Water Quality Control Board or the Department of Toxic Substances Control and are the responsibility of prior tenants. If the responsible parties are unable to meet any required remediation obligations, we could become responsible for them. In addition, we could be the subject of claims associated with indoor air exposure. Further, certain of the Target Properties have known asbestos-containing materials. We could incur abatement costs associated with testing for and remediating any asbestos issues and could be subject of claims associated with exposure to asbestos.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock. 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.

Risk Factors Following the Acquisition of the Target Portfolio

Blackstone may exercise significant influence over us.

Upon completion of the acquisition, Blackstone is expected to beneficially own 9.8% of our outstanding common stock and an approximate 48% interest in us on a fully diluted basis (including common units). Consequently, Blackstone may be able to significantly influence the outcome of matters submitted for stockholder action, including approval of significant corporate transactions, such as amendments to our governing documents, business combinations, consolidations and mergers. In addition, concurrently with the consummation of the acquisition, the partnership agreement of our operating partnership will be amended to provide that holders of common units will be entitled to vote to approve the consummation of certain change of control and other transactions that are required to be approved by our stockholders. The right of the holders of common units to vote to approve any such transactions will remain in effect for so long as Blackstone owns at least 9.8% of the aggregate number of shares of common stock and common units that Blackstone receives as the equity consideration in the acquisition.

Further, under the purchase agreement, we have agreed to increase the size of our board of directors from nine to twelve members, and if the acquisition is consummated, Blackstone will have the right to designate three of our director nominees for so long Blackstone beneficially owns more than 50% of the total number of shares of our common stock and common units to be acquired as the equity consideration in the acquisition. This right

to designate director nominees (i) will be reduced to two directors on the first date on which Blackstone beneficially owns greater than or equal to 30% but less than or equal to 50% of the total number of shares of our common stock and common units to be acquired as the equity consideration in the acquisition, (ii) will be reduced to one director on the first date on which Blackstone beneficially owns greater than or equal to 15% but less than 30% of the total number of shares of our common stock and common units to be acquired as the equity consideration in the acquisition, and (iii) will cease altogether on the date on which Blackstone beneficially owns less than 15% of the total number of shares of our common stock and common units to be acquired as the equity consideration in the acquisition. For so long as Blackstone has the right to designate at least two director nominees, they will also be entitled to appoint one such nominee then serving on the board of directors to serve on each committee of the board of directors (other than certain specified committees). As a result, Blackstone will have substantial influence on us and could exercise its influence in a manner that conflicts with the interests of other stockholders. The presence of a significant stockholder and the addition to the board of directors of its nominees may also have the effect of making it more difficult for a third party to acquire us or for our board of directors to discourage a third party form seeking to acquire us.

We will incur significant additional indebtedness in order to finance the acquisition of the Target Properties, which could adversely affect us, including by decreasing our business flexibility and increasing our interest expense.

Our consolidated indebtedness as of September 30, 2014 was approximately $917.2 million (before loan premium), which included of $484.6 million variable rate debt, of which $156.5 million is subject to interest rate agreements. We may incur significant additional debt to finance future acquisition and development activities. As of September 30, 2014, we had approximately $300.0 million of total capacity under our revolving credit facility, of which $95.0 million had been drawn, and our term loan facility was fully drawn. After giving effect to the acquisition and the anticipated incurrence of indebtedness in connection therewith (and assuming the acquisition were to be consummated on September 30, 2014), our indebtedness would be approximately $2,067.1 billion (before loan premium), assuming we finance approximately $1,192.5 billion of the cash consideration for the acquisition (before closing costs, prorations and credits) with indebtedness, after applying the expected net proceeds from the First Financial disposition, the 1455 Market Street Joint Venture and this offering. We will have substantially increased indebtedness following completion of the acquisition, which could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing our interest expense. We will also incur various costs and expenses associated with the financing of the acquisition. The amount of cash required to pay interest on our increased indebtedness levels following consummation of the acquisition and thus the demands on our cash resources will be greater than the amount of cash flows required to service our indebtedness prior to the acquisition. The increased levels of indebtedness following consummation of the acquisition could (i) reduce access to capital, (ii) increase borrowing costs generally or for any additional indebtedness, (iii) reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes, (iv) create competitive disadvantages for us relative to other companies with lower debt levels, (v) reduce the amount of cash available to pay dividends on our common stock and (vi) increase our vulnerability to general adverse economic and industry conditions. If we do not achieve the expected benefits and cost savings from the acquisition, our ability to service our indebtedness may be adversely impacted.

Certain of the indebtedness that may be incurred in connection with the acquisition could bear interest at variable interest rates. If interest rates increase, such variable rate debt would create higher debt service requirements, which could adversely affect our cash flows, our ability to pay principal and interest on our debt, our cost of refinancing our debt when it becomes due and our ability to make or sustain distributions to stockholders. Additionally, if we choose to hedge our interest rate risk, we cannot guarantee that the hedge will be effective or that the hedging counterparty will meet its obligations to us.

Moreover, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing

will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all.

Our future results will suffer if we do not effectively integrate the Target Properties and any retained employees following the acquisition.

Following the acquisition, we may be unable to integrate successfully the Target Properties and any retained employees and realize the anticipated benefits of the acquisition or do so within the anticipated timeframe. The integration process could distract management, disrupt our ongoing business or result in inconsistencies in our operations, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with our tenants, lenders, joint venture partners, vendors and employees or to achieve all or any of the anticipated benefits of the acquisition.

The per share trading price of our common stock may decline as a result of the acquisition.

The per share trading price of our common stock may decline as a result of the acquisition if we do not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by financial or industry analysts or the effect of the acquisition on our financial results is not consistent with the expectations of financial or industry analysts. In addition, if the acquisition is consummated, we will own and operate a significantly larger portfolio than at present, with a different mix of properties, geographic concentration, risks and liabilities. Our common stockholders may not wish to continue to invest in us if the acquisition is consummated or for other reasons may wish to dispose of some or all of their investment. If, following the consummation of the acquisition, there is selling pressure on our common stock that exceeds demand at the per share trading price, the per share trading price of our common stock could decline. Further, the acquisition is expected to be dilutive to adjusted funds from operations per share in 2015, which could cause the per share trading price of our common stock to decline.

In addition to the agreements governing our revolving credit facility and term loan facility, the agreements that will govern the indebtedness to be incurred in connection with the acquisition are expected to contain various covenants imposing restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.

The agreements governing our revolving credit facility and term loan facility prohibit us, and the agreements that will govern the indebtedness to be incurred in connection with the acquisition are expected to prohibit us, from making certain restricted payments, subject to certain significant exceptions. Under these facilities, our distributions may not exceed the greater of (i) 95.0% of our funds from operations, or (ii) the amount required for us to continue to qualify and maintain our status as a REIT and to avoid the imposition of income and excise taxes. As a result, if we do not generate sufficient funds from operations (as defined in these facilities) during the 12 months preceding any common stock dividend payment date, we would not be able to pay dividends to our common stockholders consistent with our past practice without causing a default under these facilities. In the event of a default under these facilities, we would be unable to borrow under these facilities and any amounts we have borrowed thereunder could become due and payable.

The agreements governing our revolving credit facility and term loan facility contain, and the agreements that will govern the indebtedness to be incurred in connection with the acquisition are expected to contain, various affirmative and negative covenants that may, subject to certain significant exceptions, restrict our ability and that of certain of our subsidiaries to, among other things, have liens on property, incur additional indebtedness, make loans, advances or other investments, make non-ordinary course asset sales, and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person. In addition, the agreements governing our revolving credit facility and term loan facility contain, and the agreements that will govern the debt financing are expected to contain, financial covenants that will require us to maintain certain

financial ratios. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

We cannot assure you that we will be able to continue paying dividends at the current rate.

We intend to make distributions each taxable year equal to at least 90% of our taxable income and intend to pay regular quarterly dividends to our common stockholders. However, our common stockholders may not receive the same quarterly dividends following the acquisition for various reasons, including the following:

- as a result of the acquisition and the issuance of the common stock and common units in connection with the acquisition, the total amount of cash required for us to pay dividends at our current rate will increase; and

- we may not have enough cash to pay such distributions due to changes in our cash requirements, indebtedness, interest costs, capital spending plans, cash flows or financial position.

The risks associated with implementing our long-term business plan and strategy following the acquisition may be different from the risks related to our business with respect to our existing property portfolio.

Our ability to execute our long-term business plan and strategy following the acquisition of the Target Properties may be different from the execution risks related to our business solely with respect to our existing real property portfolio. Such risks may include unforeseen delays or an inability to renew leases, lease vacant spaces or re-let spaces as leases expire. In addition, we may be required to make rent or other concessions and/or incur significant capital expenditures to improve both our existing properties as well as the Target Properties in order to retain and attract tenants, causing our financial condition, results of operation, cash flow and per share trading price of our common stock to be adversely affected.

Risks Related to this Offering

The unaudited condensed consolidated pro forma financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus is presented for illustrative purposes only and does not purport to be indicative of what our actual financial condition or results of operations would have been had the 1455 Market Street Joint Venture, the acquisition of the Target Properties and related financing and the disposition of First Financial occurred on the dates indicated.

The unaudited condensed consolidated pro forma financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus that give effect to the 1455 Market Street Joint Venture, the acquisition of the Target Properties and related financing and the disposition of First Financial are based on numerous assumptions and estimates underlying the adjustments described in the accompanying notes, which are based on available information and assumptions that our management considers reasonable. In addition, such unaudited condensed consolidated pro forma financial statements do not reflect adjustments for other developments with our business or the Target Portfolio after September 30, 2014. As a result, the pro forma consolidated financial statements do not purport to represent our financial condition that would have actually occurred had the 1455 Market Street Joint Venture, the acquisition of the Target Properties and related financing and the disposition of First Financial occurred on September 30, 2014, represent the results of our operations that would have actually occurred had the 1455 Market Street Joint Venture, the acquisition of the Target Properties and related financing and the disposition of First Financial occurred on January 1, 2013 or project our financial position or results of operations as of any future date or for any future period, as applicable.

The per share trading price and trading volume of our common stock may be volatile following this offering.

The per share trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the per share trading price of our

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common stock declines significantly, you may be unable to resell your shares at or above the purchase price. We cannot assure you that the per share trading price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- prevailing interest rates;
- the market for similar securities;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we may incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2013;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;

- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet the REIT qualification requirements and maintain our REIT status;
- changes in our credit ratings;
- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our common stock is ranked junior to our series B preferred stock.

Our common stock is ranked junior to our series B preferred stock with respect to dividends and upon dissolution. In certain circumstances following a change of control of our company, holders of our series B

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preferred stock will be entitled to receive dividends at the increased rate of 12.375% per annum of the liquidation preference per share of our series B preferred stock and we will have the option to redeem our series B preferred stock for cash at $25.00 per share plus accrued and unpaid dividends. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. We may in the future attempt to increase our capital resources by making additional offerings of equity securities, including additional classes or series of preferred stock, which would likely have preferences with respect to dividends or upon dissolution that are senior to our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offering. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

Affiliates of the underwriters may receive benefits in connection with this offering.

Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. LLC and KeyBanc Capital Markets Inc. (underwriters in this offering) are lenders under our revolving credit facility. To the extent that we use a portion of the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility, these affiliates will receive their proportionate shares of any amount of our revolving credit facility that is repaid with the net proceeds of this offering. Wells Fargo Securities, LLC provided financial advisory services in connection with the acquisition of the Target Portfolio in exchange for a fee, the majority of which is contingent upon consummation of the transaction. Goldman, Sachs & Co. provided financial advisory services to Blackstone in connection with the acquisition of the Target Portfolio in exchange for a fee. Affiliates of Wells Fargo Securities, LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated have committed to provide part of the financing involved in the acquisition of the Target Properties. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts they will receive. These interests may influence the decision regarding the terms and circumstances under which the offering is completed.

Market interest rates may have an effect on the value of our common stock.

One of the factors that will influence the per share trading 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. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of shares of our common stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the per share trading price of our common stock to decrease.

The number of shares of our common stock available for future issuance or sale could adversely affect the per share trading price of our common stock.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares of our common stock for resale in the open market will decrease the per share trading price of our common stock. The issuance of substantial numbers of shares of our common stock in the public market, or upon exchange of common units, or the perception that such issuances might occur could adversely affect the per share trading price of our common stock. The per share trading price of our common stock may decline significantly upon the sale or registration of additional shares of our common stock pursuant to registration rights to be granted to the seller parties upon the consummation of the acquisition or granted in connection with our initial public offering, our 2010 private placement and our 2011 private placement, which registration rights also cover any shares of common stock that certain funds affiliated with Farallon Capital Management, L.L.C., or the Farallon Funds, purchased in subsequent offerings prior to June 29, 2012, including our May 2012 public offering of common stock.

None of the shares of our common stock or common units that will be issued to the seller parties upon consummation of the acquisition will initially be registered under the Securities Act, and such shares of our

common stock and common units will only be able to be resold pursuant to an effective registration statement or an applicable exemption from registration under federal and state securities laws. Upon the consummation of the acquisition, we will enter into a registration rights agreement with the seller parties or their designated affiliates receiving the equity consideration, pursuant to which we will agree to register for resale 63,474,791 shares of common stock, representing the shares of common stock to be issued to the seller parties or such designated affiliates and any shares of common stock issuable upon the exchange of common units issued in the acquisition. In addition, if we propose to register the offer and sale of our common stock under the Securities Act, in connection with the public offering of such common stock, the seller parties will be entitled to certain piggyback registration rights allowing them to include their shares in such registration, subject to certain marketing and other limitations.

Upon the completion of the acquisition, the seller parties will enter into a stockholders agreement, or the stockholders agreement, with us and our operating partnership, pursuant to which they will agree generally to not to transfer or sell any shares of common stock or common units to be issued in connection with the acquisition prior to November 1, 2015. The restrictions on transfer and sale contained in the stockholders agreement will terminate with respect to 50% of the total number of shares of our common stock and common units to be issued to the seller parties on November 1, 2015 and with respect to the remaining 50% of such shares of our common stock and common units on March 1, 2016. In the event that the seller parties elect to terminate their right to designate nominees for election as directors to our board of directors (i) prior to November 1, 2015, the restriction on transfer and sale contained in the stockholders agreement will terminate on November 1, 2015 with respect to all shares of our common stock and common units issued to the seller parties in connection with the acquisition, or (ii) after November 1, 2015 but before March 1, 2016, any remaining restrictions on transfer or sale will terminate on the earlier of March 1, 2016 or thirty days following the seller parties election.

In addition, we have entered into a registration rights agreement with the Farallon Funds pursuant to which we are obligated, subject to certain exceptions, to maintain an effective registration statement providing for the resale of 10,535,534 shares of our common stock on behalf of the Farallon Funds. These 10,535,534 shares of our common stock represent approximately 13.7% of our outstanding shares of our common stock (or approximately 13.3% of our outstanding shares of our common stock and common units held by limited partners of our operating partnership) following the consummation of this offering (assuming no exercise by the underwriters of their option to purchase additional shares). As a result, a substantial number of additional shares may be sold pursuant to the registration rights granted to the seller parties and the Farallon Funds. The sale of such shares by the seller parties and/or the Farallon Funds, or the perception that such sales may occur, could materially and adversely affect the per share trading price of our common stock.

The exercise of the underwriters option to purchase additional shares, the exchange of common units for common stock, the exercise of any options or the vesting of any restricted stock granted to certain directors, executive officers and other employees under our equity incentive plan, the issuance of our common stock or common units in connection with future property, portfolio or business acquisitions, or, if we close the acquisition, the resale, or perception of a potential resale, of all or a substantial portion of the shares of our common stock issued in the acquisition or shares of common stock issuable upon exchange of common units issued in the acquisition, could have an adverse effect on the per share trading price of our common stock. Moreover, the existence of common units, options, shares of our common stock reserved for issuance as restricted shares of our common stock or upon exchange of common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. Future issuances of shares of our common stock may also be dilutive to existing stockholders.

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Future offerings of debt securities, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the per share trading price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing our operating partnership to issue debt or equity securities), including medium-term notes, senior or subordinated notes and additional classes or series of preferred stock or preferred units. Upon liquidation, holders of our debt securities and shares of preferred stock or preferred units of partnership interest in our operating partnership and lenders with respect to other borrowings would be entitled to receive our available assets prior to distribution to the holders of our common stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Any shares of preferred stock we issue or preferred units our operating partnership issues in the future could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offering. Thus, our stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business or the corporation s total assets would be less than the sum of its total liabilities plus, unless the corporation s charter permits otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise (and the terms of our series B preferred stock do not so provide otherwise), the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock (including our series B preferred stock) then outstanding, if any, with preferences upon dissolution senior to those of our common stock.

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USE OF PROCEEDS

We estimate that the net proceeds that we will receive from this offering will be approximately $291.9 million, or approximately $336.7 million if the underwriters option to purchase additional shares is exercised in full, in each case based on an assumed public offering price of $32.05 per share (which is the last reported sale price of our common stock on the NYSE on January 9, 2015) and after deducting estimated underwriting discounts and commissions and our estimated offering expenses. Each $1.00 increase or decrease in the assumed public offering price of $32.05 per share would increase or decrease the net proceeds that we receive from this offering by $9.1 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same, and after deducting estimated underwriting discounts and commissions. We will contribute the net proceeds that we receive from this offering to our operating partnership in exchange for common units.

Our operating partnership intends to use the net proceeds from this offering to fund a portion of the acquisition of the Target Portfolio as described under Prospectus Supplement Summary Recent Developments Target Portfolio Acquisition. If the acquisition of the Target Portfolio is not consummated, our operating partnership intends to use the net proceeds for development and redevelopment activities, potential acquisition opportunities and/or for general corporate purposes. Pending these applications, our operating partnership intends to use the net proceeds to temporarily repay borrowings outstanding under our revolving credit facility and/or invest in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to continue to qualify as a REIT.

As of September 30, 2014, we had $95.0 million outstanding under our revolving credit facility and our term loan facility was fully drawn. As of January 12, 2015, we have approximately $130.0 million outstanding under our revolving credit facility. Our revolving credit facility currently bears interest at a rate per annum equal to either LIBOR plus 115 to 155 basis points or a specified base rate plus 15 to 55 basis points, depending on our leverage ratio, and has a maturity date of September 23, 2018 (which maturity may be extended for an additional year at our option subject to certain conditions). If we obtain a credit rating for our senior unsecured long-term indebtedness, we may make an irrevocable election to change the interest rate for our revolving credit facility to a rate equal to either LIBOR plus 87.5 to 165 basis points per annum or the specified base rate plus 0 to 65 basis points per annum, depending on the credit rating. Any borrowings under our revolving credit facility that are repaid with net proceeds from this offering may be reborrowed, subject to customary conditions.

Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. LLC and KeyBanc Capital Markets Inc. (underwriters in this offering) are lenders under our revolving credit facility. See Underwriting Other Relationships. To the extent that we use a portion of the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility, such affiliates of the underwriters will receive their proportionate shares of any such amount.

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CAPITALIZATION

The following table sets forth our actual cash and cash equivalents and consolidated capitalization as of September 30, 2014:

- on an actual basis;

- on a pro forma basis after giving effect to the pro forma adjustments set forth in the unaudited pro forma consolidated financial statements included in our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 12, 2015, incorporated herein by reference; and

- on an as adjusted basis after giving effect to this offering at an assumed public offering price of $32.05 per share (which is the last reported sale price of our common stock on the NYSE on January 9, 2015) and the use of the net proceeds therefrom set forth in Use of Proceeds.

You should read this table in conjunction with Use of Proceeds in this prospectus supplement and the consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013, our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 12, 2015, each of which is incorporated herein by reference.

No adjustments have been made to reflect our normal course operations or other developments with our business after September 30, 2014. As a result, the pro forma and as adjusted information provided below is not indicative of our actual cash and cash equivalents position or consolidated capitalization as of any date.

	As of September 30, 2014		
	Actual	Pro Forma	Pro Forma As Adjusted[1]
	(in thousands, except share amounts)		
Cash and cash equivalents	$ 69,397	$ 28,814	$ 28,814
Debt (including unamortized loan premium, net):			
Notes payable and other secured loans[2]	$ 920,860	$ 2,362,697	$ 2,070,781
6.25% Cumulative Redeemable Convertible Series A Preferred Units of partnership interest in our operating partnership	10,177	10,177	10,177
Equity:			
Hudson Pacific Properties, Inc. stockholders equity:			
Preferred stock, $0.01 par value per share; 10,000,000 authorized, including 8.375% Series B Cumulative Redeemable Preferred Stock, $25.00 liquidation preference per share, 5,800,000 shares authorized and 5,800,000 shares issued and outstanding as of September 30, 2014	145,000	145,000	145,000
Common Stock, $0.01 par value per share; 490,000,000 authorized, 66,795,992 issued and outstanding at September 30, 2014, 74,021,917 shares issued and outstanding on a pro forma basis and 83,521,917[3] shares issued and outstanding on an as adjusted basis	668	740	835
Additional paid-in capital	1,080,862	1,308,407	1,600,208
Accumulated other comprehensive loss	(1,749)	(1,749)	(1,749)
Accumulated deficit	(32,662)	(33,945)	(33,945)
Total Hudson Pacific Properties, Inc. stockholders equity	1,192,119	1,418,453	1,710,349
Non-controlling interest members in consolidated entities	43,453	259,615	259,615
Non-controlling interest common units in the operating partnership	53,256	1,825,096	1,825,096

Total equity	1,288,828	3,503,164	3,795,060
Total capitalization	$ 2,219,865	$ 5,876,018	$ 5,876,018

(1) Each $1.00 increase or decrease in the assumed public offering price of $32.05 per share (which is the last reported sale price of our common stock on the NYSE on January 9, 2015) would increase or decrease the net proceeds that we receive from this offering by $9.1 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same, and after deducting estimated underwriting discounts and commissions.

(2) As of September 30, 2014, we had approximately $300.0 million of total capacity under our senior unsecured revolving credit facility, of which $95.0 million had been drawn, and our unsecured term loan credit facility was fully drawn. As of the date of this prospectus supplement, we have approximately $130.0 million of borrowings outstanding under our senior unsecured revolving credit facility and approximately $150.0 million of borrowings outstanding under our unsecured term loan credit facility. We intend to temporarily repay amounts outstanding under our senior unsecured revolving and term loan credit facilities with the net proceeds of this offering. See Use of Proceeds.

(3) Excludes (i) 1,425,000 shares of our common stock issuable upon the exercise of the underwriters option to purchase additional shares in full, (ii) shares of common stock issuable upon exchange of the 6.25% Cumulative Redeemable Convertible Series A Preferred Units of partnership interest in our operating partnership, or Series A Preferred Units, with an aggregate liquidation preference as of the date of this prospectus supplement of approximately $10.2 million, which became convertible or redeemable on June 29, 2013, (iii) a maximum of 4,757,387 shares of our common stock available for issuance in the future under our equity incentive plan and (iv) shares of our common stock that may be issued in connection with the acquisition of the Target Portfolio (which, if issued, will be equal to 9.8% of the total issued and outstanding shares of our common stock (excluding any restricted shares of our common stock then issued and outstanding but, for purposes of such calculation, after giving effect to the issuance of the common stock to the seller parties) on the close of business two business days immediately prior to the date of the consummation of the acquisition). Pro forma as adjusted shares issued and outstanding and related amounts do not include the increase in shares related to the acquisition of the Target Portfolio. As of January 12, 2015, up to 14,034,292 fungible units may be granted in the future under our equity incentive plan in any combination of five-year options, ten-year options or restricted stock (inclusive of any equity grants that may be made in the future under our outperformance programs) . A maximum of 17,992,682, 14,034,292 or 4,757,387 shares of our common stock are available for issuance in the future under our equity incentive plan if such fungible units are granted as five-year options, ten-year options or restricted stock, respectively.

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UNDERWRITING

Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us, our operating partnership and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares of Common Stock
Wells Fargo Securities, LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Barclays Capital Inc.	
Morgan Stanley & Co. LLC	
KeyBanc Capital Markets Inc.	
Total	9,500,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of common stock sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and our operating partnership have agreed to indemnify the underwriters against the following:

- liabilities arising out of untrue statements or omissions of a material fact contained in or omitted from this prospectus supplement, the accompanying prospectus or the related registration statement;

- liabilities arising out of any settlement of any litigation, investigation, proceeding or claim based upon such untrue statements or omissions; and

- expenses reasonably incurred in investigating, preparing or defending against any litigation, investigation, proceeding or claim based upon such untrue statements or omissions.

In addition, we and our operating partnership are obligated to contribute to payments the underwriters may be required to make in respect of those liabilities if indemnification is not permitted.

The underwriters are offering the shares of common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares of common stock, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

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The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, including the filing fees and reasonable fees and disbursements of counsel to the underwriters in connection with FINRA filings, but not including the underwriting discount, are estimated at approximately $400,000 and are payable by us.

Option to Purchase Additional Shares

We have granted an option to the underwriters to purchase up to 1,425,000 additional shares of common stock at the public offering price, less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus supplement. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter s initial amount reflected in the above table.

No Sales of Similar Securities

Pursuant to the underwriting agreement, we, our executive officers, our directors and the Farallon Funds have agreed not to sell or transfer any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (including units in our operating partnership), for 60 days after the date of this prospectus supplement (provided, that the Farallon Funds have the right to (i) sell shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds in the formation transactions related to our initial public offering and the 2010 private placement pursuant to a demand registration statement or (ii) to distribute such amount of shares to their limited partners, members or stockholders) without first obtaining the written consent of Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other persons have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any shares of common stock;
- sell any option or contract to purchase any shares of common stock;
- purchase any option or contract to sell any shares of common stock;
- grant any option, right or warrant for the sale of any shares of common stock;
- otherwise dispose of or transfer any shares of common stock;
- file, or request or demand that we file, any registration statement under the Securities Act with respect to any of the foregoing; or
- enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock, whether any such swap or transaction is to be settled by delivery of common stock

or other securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to: (A) with respect to us, (1) the sale of shares to the underwriters, (2) any shares of our common stock issued or options to purchase our

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common stock granted pursuant to the Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan, as amended, or the Hudson Pacific Properties, Inc. Director Stock Plan, (3) any shares of our common stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan referred to in this prospectus supplement (including the documents incorporated herein by reference), (4) shares of our common stock transferred in accordance with Article VI of our charter, (5) shares of our common stock, in the aggregate not to exceed 10% of the number of shares of common stock outstanding, issued in connection with other acquisitions of real property or real property companies, provided, in the case of this clause (5), that each acquirer agrees to similar restrictions, and (6) the filing of a registration statement on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan; and (B) with respect to our officers, our directors and the Farallon Funds, (1)(i) gifts or other dispositions by will or intestacy, (ii) transfers made to (x) limited partners, members, stockholders or affiliates or (y) any wholly-owned subsidiary, (iii) bona fide gifts, sales or other dispositions to (w) members of the transferor s family, (x) affiliates of the transferor that are controlled by the transferor, or (y) a trust the beneficiaries of which are a limited liability company or a partnership owned exclusively by the transferor and/or members of the transferor s family, or (iv) donations or transfer to charitable organizations, provided, in the case of this clause (1), that (a) the transferee agrees to similar restrictions, (b) no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer or distribution, (c) each party shall agree to not voluntarily make any public announcement of the transfer or disposition, and (d) the transferor notifies Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated at least three business days prior to the proposed disposition, and (2) transactions relating to shares of our common stock acquired by the transferor in the open market after completion of the offering; provided, however, that (a) any subsequent sale of the shares of our common stock acquired in the open market are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the transferor does not otherwise voluntarily effect any public filing or report regarding such sales.

This lock-up provision applies to common stock and to securities convertible into, or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

New York Stock Exchange Listing

Our common stock is listed for trading on the NYSE under the symbol HPP.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of common stock is completed, the Securities and Exchange Commission s rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option. Naked short sales are sales in excess of their option to purchase additional shares. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that

could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, certain of the underwriters may facilitate Internet distribution for this offering to certain of their Internet subscription customers. These underwriters may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus may be available on the Internet Web site maintained by certain underwriters. Other than any prospectus in electronic format, the information on an underwriter s Web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and/or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. An affiliate of Wells Fargo Securities, LLC acts as administrative agent, Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner and Smith Incorporated act as joint lead arrangers, affiliates of Merrill Lynch, Pierce, Fenner and Smith Incorporated and Barclays Capital Inc. act as joint syndication agents, an affiliate of KeyBanc Capital Markets Inc. acts as documentation agent, and affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. LLC and KeyBanc Capital Markets Inc. are lenders under our revolving credit facility and term loan facility. As described above under Use of Proceeds, our operating partnership intends to use a portion of the net proceeds from this offering to temporarily repay borrowings outstanding under our revolving credit facility. As a result, these affiliates will receive their proportionate share of any amount of our revolving credit facility that is repaid with the net proceeds of this offering to us. Wells Fargo Securities, LLC provided financial advisory services in connection with the acquisition of the Target Portfolio in exchange for a fee, the majority of which is contingent upon consummation of the transaction. Goldman, Sachs & Co. provided financial advisory services to Blackstone in connection with the acquisition of the Target Portfolio in exchange for a fee. Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. have committed to provide the bridge loan. Proceeds from this offering will be used to reduce the amount of the bridge loan.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates.

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Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus supplement and the accompanying prospectus do not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and do not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the common stock may only be made to persons, or the Exempt Investors, who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring common stock must observe such Australian on-sale restrictions.

This prospectus supplement and the accompanying prospectus contain general information only and do not take account of the investment objectives, financial situation or particular needs of any particular person. They do not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement and the accompanying prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus supplement and the accompanying prospectus relate to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus supplement and the accompanying prospectus are intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. They must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement and the accompanying prospectus. The common stock to which this prospectus supplement and the accompanying prospectus relate may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the common stock offered should conduct their own due diligence on the common stock. If you do not understand the contents of this prospectus supplement and the accompanying prospectus you should consult an authorized financial advisor.

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Notice to Prospective Investors in Hong Kong

The common stock has not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Latham & Watkins LLP, Los Angeles, California, and for the underwriters by Hogan Lovells US LLP. Venable LLP will pass upon the validity of the shares of common stock sold in this offering and certain other matters under Maryland law.

EXPERTS

The consolidated financial statements of Hudson Pacific Properties, Inc. appearing in Hudson Pacific Properties, Inc. s Annual Report (Form 10-K) for the year ended December 31, 2013 (including the schedule appearing therein), and the effectiveness of Hudson Pacific Properties, Inc. s internal control over financial reporting as of December 31, 2013 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The combined statement of revenues and certain expenses of the Target Portfolio for the year ended December 31, 2013, incorporated by reference in this prospectus supplement has been audited by Deloitte & Touche LLP, independent auditors, as stated in their report incorporated by reference herein (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph referring to the purpose of the statement), and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission in connection with this offering. In addition, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the Securities and Exchange Commission s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. Our filings with the Securities and Exchange Commission are also available to the public through the Securities and Exchange Commission s Web site www.sec.gov.

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INCORPORATION BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. The incorporated documents contain significant information about us, our business and our finances. Any statement contained in a document that is incorporated by reference in this prospectus supplement and the accompanying prospectus is automatically updated and superseded if information contained in this prospectus supplement and the accompanying prospectus, or information that we later file with the Securities and Exchange Commission, modifies or replaces this information. We incorporate by reference the following documents we filed with the Securities and Exchange Commission:

- our Annual Report on Form 10-K for the year ended December 31, 2013;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2014;
- our Current Reports on Form 8-K or 8-K/A, as applicable, filed with the Securities and Exchange Commission on March 25, May 21, June 27, July 21, July 21, September 29, December 8, December 11 and December 19, 2014 and January 2, January 5, January 12 and January 12, 2015;
- the portions of our Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on March 28, 2014, incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2013;
- the description of our common stock contained in our registration statement on Form 8-A, filed with the Securities and Exchange Commission on June 21, 2010 and any amendment or report filed with the Securities and Exchange Commission for the purpose of updating such description; and
- all documents filed by us with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of the offering of the underlying securities.

To the extent that any information contained in any current report on Form 8-K, or any exhibit thereto, was furnished to, rather than filed with, the Securities and Exchange Commission, such information or exhibit is specifically not incorporated by reference in this prospectus supplement and the accompanying prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus is delivered, on written or oral request of that person, a copy of any or all of the documents we are incorporating by reference into this prospectus supplement and the accompanying prospectus, other than exhibits to those documents, unless those exhibits are specifically incorporated by reference into those documents. A written request should be addressed to Hudson Pacific Properties, Inc., 11601 Wilshire Blvd., Suite 600, Los Angeles, California 90025, Attention: General Counsel.

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PROSPECTUS

Common Stock

Preferred Stock

Depositary Shares

Warrants

Purchase Contracts

Rights

Units

We may offer and sell the securities identified above, and the selling securityholders may offer and sell common stock, in each case from time to time in one or more offerings. This prospectus provides you with a general description of the securities. We will not receive any proceeds from the sale of our common stock by the selling securityholders.

Each time we or any of the selling securityholders offer and sell securities, we or such selling securityholders will provide a supplement to this prospectus that contains specific information about the offering and, if applicable, the selling securityholders, as well as the amounts, prices and terms of the securities. The supplement may also add, update or change information contained in this prospectus with respect to that offering. You should carefully read this prospectus and the applicable prospectus supplement before you invest in any of our securities.

The specific terms of each series or class of the securities will be set forth in the applicable prospectus supplement and may include limitations on actual or constructive ownership and restrictions on transfer of the securities, in each case as may be appropriate to preserve the status of our company as a real estate investment trust, or REIT, for United States federal income purposes. The applicable prospectus supplement will also contain information, where applicable, about certain United States federal income tax consequences relating to, and any listing on a securities exchange of, the securities covered by such prospectus supplement.

We may offer and sell the securities described in this prospectus and any prospectus supplement to or through one or more underwriters, dealers and agents, or directly to purchasers, or through a combination of these methods. In addition, the selling securityholders may offer and sell shares of our common stock from time to time, together or separately. If any underwriters, dealers or agents are involved in the sale of any of the securities, their names and any applicable purchase price, fee, commission or discount arrangement between or among them will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. See the sections of this prospectus entitled About this Prospectus and Plan of Distribution for more information. No securities may be sold without delivery of this prospectus and the applicable prospectus supplement describing the method and terms of the offering of such securities.

INVESTING IN OUR SECURITIES INVOLVES RISKS. SEE THE RISK FACTORS ON PAGE 5 OF THIS PROSPECTUS AND ANY SIMILAR SECTION CONTAINED IN THE APPLICABLE PROSPECTUS SUPPLEMENT CONCERNING FACTORS YOU SHOULD CONSIDER BEFORE INVESTING IN OUR SECURITIES.

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol HPP. On January 9, 2015, the last reported sale price of our common stock on the NYSE was $32.05 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 12, 2015.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the Securities and Exchange Commission, as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended, using a shelf registration process. By using a shelf registration statement, we may sell securities from time to time and in one or more offerings and the selling securityholders to be named in a supplement to this prospectus may, from time to time, sell common stock from time to time in one or more offerings as described in this prospectus. Each time that we or the selling securityholders offer and sell securities, we or the selling securityholders will provide a prospectus supplement to this prospectus that contains specific information about the securities being offered and sold and the specific terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus with respect to that offering. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the prospectus supplement. Before purchasing any securities, you should carefully read both this prospectus and the applicable prospectus supplement, together with the additional information described under the heading Where You Can Find More Information; Incorporation by Reference.

Neither we, nor the selling securityholders, have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling securityholders will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the applicable prospectus supplement to this prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

When we refer to we, our, us and the Company in this prospectus, we mean Hudson Pacific Properties, Inc., a Maryland corporation, Hudson Pacific Properties, L.P., a Maryland limited partnership, which we refer to as our operating partnership, and any of our other subsidiaries, unless otherwise specified. When we refer to you, we mean the holders of the applicable series of securities.

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WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

Available Information

We file reports, proxy statements and other information with the Securities and Exchange Commission. Information filed with the Securities and Exchange Commission by us can be inspected and copied at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the Securities and Exchange Commission at prescribed rates. Further information on the operation of the Securities and Exchange Commission s Public Reference Room in Washington, D.C. can be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a web site that contains reports, proxy and information statements and other information about issuers, such as us, who file electronically with the Securities and Exchange Commission. The address of that web site is http://www.sec.gov.

Our web site address is www.hudsonpacificproperties.com. The information on our web site, however, is not, and shall not be deemed to be, a part of this prospectus.

This prospectus and any prospectus supplement are part of a registration statement that we filed with the Securities and Exchange Commission and do not contain all of the information in the registration statement. The full registration statement may be obtained from the Securities and Exchange Commission or us, as provided below. Other documents establishing the terms of the offered securities are or may be filed as exhibits to the registration statement. Statements in this prospectus or any prospectus supplement about these documents are summaries and each statement is qualified in all respects by reference to the document to which it refers. You should refer to the actual documents for a more complete description of the relevant matters. You may inspect a copy of the registration statement at the Securities and Exchange Commission s Public Reference Room in Washington, D.C. or through the Securities and Exchange Commission s web site, as provided above.

Incorporation by Reference

The Securities and Exchange Commission s rules allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission. The information incorporated by reference is deemed to be part of this prospectus, and subsequent information that we file with the Securities and Exchange Commission will automatically update and supersede that information. Any statement contained in a previously filed document incorporated by reference will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus modifies or replaces that statement.

We incorporate by reference our documents listed below and any future filings made by us with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, between the date of this prospectus and the termination of the offering of the securities described in this prospectus. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed below or filed in the future, that are not deemed filed with the Securities and Exchange Commission, including our Compensation Committee report and performance graph or any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or related exhibits furnished pursuant to Item 9.01 of Form 8-K.

This prospectus and any accompanying prospectus supplement incorporate by reference the documents set forth below that have previously been filed with the Securities and Exchange Commission:

Our Annual Report on Form 10-K for the year ended December 31, 2013.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014.

The portions of our Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on March 28, 2014, incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2013.

Our Current Reports on Form 8-K or 8-K/A, as applicable, filed with the Securities and Exchange Commission on March 25, May 21, June 27, July 21, July 21, September 29, December 8, December 11 and December 19, 2014 and January 2, January 5, January 12 and January 12, 2015.

The description of our common stock contained in the our registration statement on Form 8-A, filed with the Securities and Exchange Commission on June 21, 2010 and any amendment or report filed with the Securities and Exchange Commission for the purpose of updating the description.

All reports and other documents we subsequently file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering but excluding any information furnished to, rather than filed with, the Securities and Exchange Commission, will also be incorporated by reference into this prospectus and deemed to be part of this prospectus from the date of the filing of such reports and documents.

You may request a free copy of any of the documents incorporated by reference in this prospectus (other than exhibits, unless they are specifically incorporated by reference in the documents) by writing or telephoning us at the following address:

Hudson Pacific Properties, Inc.

11601 Wilshire Boulevard, Sixth Floor, Los Angeles, California 90025

Attention: General Counsel

(310) 445-5700

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus and any accompanying prospectus supplement.

On December 6, 2014, we entered into an asset purchase agreement, or the purchase agreement, with our operating partnership and certain affiliates of The Blackstone Group L.P., which we refer to collectively as the seller parties, pursuant to which our operating partnership and/or our other subsidiaries will acquire a portfolio of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels in the San Francisco Peninsula and Silicon Valley from the seller parties in exchange for a combination of cash and equity consideration. Pursuant to the terms of the purchase agreement, effective upon consummation of the acquisition, (i) we, our operating partnership and the seller parties (or their designated affiliates) will enter into a stockholders agreement, (ii) we and the seller parties (or their designated affiliates) will enter into a registration rights agreement and (iii) we will enter into a Third Amended and Restated Limited Partnership Agreement of Hudson Pacific Properties, L.P., each as described in more detail in our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 11, 2014, or the December 2014 8-K, which is incorporated herein by reference. For more information regarding this transaction and related documents, you should refer to the December 2014 8-K and the documents filed as exhibits thereto, which are incorporated herein by reference.

THE COMPANY

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties and state-of-the-art media and entertainment properties in select growth markets primarily in Northern and Southern California and the Pacific Northwest. Our investment strategy focuses on high barrier-to-entry, in-fill locations with favorable, long-term supply demand characteristics in select markets, including Los Angeles, Orange County, San Diego, San Francisco and Seattle.

As of December 31, 2014, our portfolio included office properties, comprising an aggregate of approximately 5.5 million square feet, and media and entertainment properties, comprising approximately 0.9 million square feet of sound-stage, office and supporting production facilities. We also own undeveloped density rights for approximately 1,587,049 square feet of future development space. Our properties are concentrated in premier submarkets that have high barriers to entry with limited supply of land, high construction costs and rigorous entitlement processes.

We have elected to be taxed as a REIT for federal income tax purposes, commencing with our taxable year ended December 31, 2010. We believe that we have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner. We conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner.

We filed our articles of incorporation with the Maryland State Department of Assessments and Taxation on November 9, 2009.

Our principal executive offices are located at 11601 Wilshire Boulevard, Sixth Floor, Los Angeles, California 90025, and our telephone number is (310) 445-5700. Our Web site address is www.hudsonpacificproperties.com. The information on, or otherwise accessible through, our Web site does not constitute a part of this prospectus.

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RISK FACTORS

Investment in any securities offered pursuant to this prospectus and the applicable prospectus supplement involves risks. In addition to the following risks, you should carefully consider the risk factors incorporated by reference to our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other information contained or incorporated by reference into this prospectus, as updated by our subsequent filings under the Exchange Act, as well as the risk factors and other information contained or incorporated by reference in the applicable prospectus supplement before acquiring any of such securities. The occurrence of any of these risks might cause you to lose all or part of your investment in the offered securities.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our securities.

We have elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2010. We believe that we have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such manner. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements herein are not binding on the IRS or any court. Therefore, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we would not be required to make distributions to our stockholders. 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 could materially and adversely affect the value of our securities.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock and requirements regarding the composition of our assets and our gross income. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. We own and may acquire direct or indirect interests in one or more entities that have elected or will elect to be taxed as REITs under the Code (each, a Subsidiary REIT). A Subsidiary REIT is subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to federal income tax, (ii) shares in such Subsidiary REIT would cease to be qualifying assets for purposes of the asset tests applicable to REITs, and (iii) it is possible that we would fail certain of the asset tests applicable to REITs, in

which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

135,949 134,345 324,973

Cash and cash equivalents, end of period
$67,390 $91,257 $152,230 $ $310,877

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

Results of Operations

OVERVIEW

Revenues are generated from our construction operations and our financial services operations. On July 10, 2007, we completed the sale of our entire 49% equity interest in our publicly traded French subsidiary, KBSA. Accordingly, our French operations are presented as discontinued operations in this report and the financial results of prior periods have been reclassified to conform to the current year presentation. The following table presents a summary of our results for the three months and nine months ended August 31, 2007 and 2006 (in thousands, except per share amounts):

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
Revenues:				
Construction	$ 4,335,242	$ 6,354,799	$ 1,540,607	$ 2,279,437
Financial services	10,704	13,612	3,293	4,428
Total	$ 4,345,946	$ 6,368,411	$ 1,543,900	$ 2,283,865
Pretax income (loss):				
Construction	$ (1,083,555)	$ 725,081	$ (792,267)	$ 198,948
Financial services	21,738	17,908	6,547	8,094
Income (loss) from continuing operations before income taxes	(1,061,817)	742,989	(785,720)	207,042
Income tax benefit (expense)	419,700	(270,100)	307,100	(77,700)
Income (loss) from continuing operations	(642,117)	472,889	(478,620)	129,342
Income from discontinued operations, net of income taxes	47,252	59,104	4,904	23,872
Gain on sale of discontinued operations, net of income taxes	438,104		438,104	
Net income (loss)	$ (156,761)	$ 531,993	$ (35,612)	$ 153,214
Diluted earnings (loss) per share:				
Continuing operations	$ (8.32)	$ 5.65	$ (6.19)	$ 1.60
Discontinued operations	6.29	.71	5.73	.30
Diluted earnings (loss) per share	$ (2.03)	$ 6.36	$ (.46)	$ 1.90

Market conditions in the homebuilding industry, which have been difficult throughout 2007, deteriorated further during the third quarter, as the imbalance in housing supply and demand that developed in 2006 continued to worsen in many of our markets. Greater foreclosure activity and efforts by builders and investors to monetize their real estate positions in the quarter contributed to an increase in the supply of unsold new and resale homes to historically high levels. At the same time, tighter lending standards, deteriorating affordability and decreasing confidence among potential homebuyers weakened demand for homes. With the prolonged market downturn, we have experienced negative year-over-year comparisons in our net new orders (new orders for homes less cancellations) for the past several quarters, the result of both weak consumer housing demand and our efforts to reduce inventory investments and community count to better align our operations with the market environment. Our current backlog levels are significantly below year-earlier levels and we delivered fewer homes and generated lower revenues in the third quarter of 2007 than in the year-earlier quarter. In addition, competition and pricing pressures intensified in many of our markets during the third quarter of 2007, lowering the fair value of certain assets. This prompted us to take inventory and goodwill impairment charges and to abandon certain land option contracts. These conditions also compressed our gross margins and, in conjunction with changes in our product mix, reduced our average selling prices for the three months and nine months ended August 31, 2007 compared with those of the year-earlier periods. The combination of fewer deliveries, lower average selling price, compressed gross margins, non-cash charges for inventory

and joint venture impairments, land option contract abandonments, and goodwill impairments resulted in our reporting a loss from continuing operations in the third quarter of 2007. We expect these trends in our deliveries and pricing to continue, and the housing markets we serve to remain challenging for the remainder of 2007 and into 2008, significantly reducing our fourth quarter and 2007 full-year revenues and earnings from continuing operations compared to our 2006 results.

Our total revenues of $1.54 billion for the three months ended August 31, 2007 declined 32% from $2.28 billion for the three months ended August 31, 2006. For the nine months ended August 31, 2007, total revenues declined 32% to $4.35 billion from $6.37 billion in the year-earlier period. The decrease in total revenues in the third quarter and first nine months of 2007 was primarily due to a decrease in housing revenues, reflecting fewer unit deliveries and lower average selling prices compared to the same periods of 2006. We delivered 5,699 homes in the third quarter of 2007, down 28% from the 7,893 homes delivered in the year-earlier quarter. The overall average selling price of our homes decreased 7% to $267,700 in the third quarter of 2007 from $288,000 in the corresponding period of 2006. During the nine months ended August 31, 2007, we delivered 15,611 homes, down 28% from the 21,738 homes delivered in the year-earlier period. The overall average selling price for the nine months ended August 31, 2007 declined 8% to $268,800 from $291,400 in the year-earlier period. We use the terms home and unit to refer to a single-family residence, whether it is a single-family home or other type of residential property. Revenues from our financial services segment totaled $3.3 million in the third quarter of 2007, down 26% compared to $4.4 million in the third quarter of 2006. In the nine months ended August 31, 2007, revenues from our financial services segment totaled $10.7 million, down 21% from $13.6 million in the same period of 2006. The decline in financial services revenues in the three-month and nine-month periods of 2007 compared to the year-earlier periods was mainly due to fewer unit deliveries from our homebuilding operations and the termination of our escrow coordination business in the second quarter of 2007.

Our continuing operations generated an after-tax loss of $478.6 million, or $6.19 per diluted share in the third quarter of 2007, primarily due to pretax, non-cash charges of $690.1 million for inventory and joint venture impairments and the abandonment of land option contracts, and $107.9 million for goodwill impairment recognized during the quarter. The majority of the inventory and joint venture impairments related to our West Coast and Southwest segments, and the goodwill impairment related solely to our Southwest segment. In the third quarter of 2006, we generated after-tax income from continuing operations of $129.3 million, or $1.60 per diluted share. Income from discontinued operations, net of income taxes, totaled $443.0 million in the third quarter of 2007, including the $438.1 million after-tax gain on the sale of our French business. In the third quarter of 2006, income from discontinued operations, net of income taxes, totaled $23.9 million. Overall, we posted a net loss of $35.6 million, or $.46 per diluted share (including the French discontinued operations) in the third quarter of 2007, compared to net income of $153.2 million, or $1.90 per diluted share, generated in the year-earlier quarter.

For the nine months ended August 31, 2007, our loss from continuing operations, net of an income tax benefit, totaled $642.1 million, or $8.32 per diluted share, including pretax non-cash charges of $1.01 billion for inventory and joint venture impairments and the abandonment of land option contracts, and $107.9 million related to goodwill impairment. For the same period of 2006, we reported income from continuing operations, net of income taxes, of $472.9 million, or $5.65 per diluted share. Income from discontinued operations, net of income taxes, totaled $485.4 million in the nine-month period ended August 31, 2007, including the $438.1 million after-tax gain on the sale of our French business. In the year-earlier period, income from discontinued operations, net of income taxes, totaled $59.1 million. We posted a net loss (including the French discontinued operations) of $156.8 million, or $2.03 per diluted share, for the first nine months of 2007 compared to net income of $532.0 million, or $6.36 per diluted share, for the corresponding period of 2006.

Our backlog at August 31, 2007 was comprised of 11,880 units, representing future housing revenues of approximately $3.07 billion. These backlog levels decreased 31% and 38%, respectively, from the 17,198 units in backlog, representing approximately $4.95 billion in future revenues, at August 31, 2006. The decrease in backlog units and value at August 31, 2007 compared to the same date in 2006 was due to the effects of several quarters of negative year-over-year net order comparisons and lower average selling prices, reflecting the persistently challenging conditions in the housing market. Company-wide net orders in the third quarter of 2007 decreased 6%, to 3,907 from

4,167 in the third quarter of 2006. Net orders in the 2007 third quarter decreased year-over-year in all of our geographic segments except the Southeast segment where net orders rose 18%. The third quarter 2007 cancellation rate of 50%, while lower than the 60% cancellation rate in the prior year s third quarter, increased 16 percentage points from the 34% cancellation rate we experienced in the second quarter of 2007 and reflected further deterioration in market conditions in the 2007 third quarter.

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CONSTRUCTION

We have grouped our construction activities into four reporting segments, which we refer to as West Coast, Southwest, Central and Southeast. As of August 31, 2007 and 2006, our construction reporting segments consisted of operations located in the following states: West Coast: California; Southwest: Arizona, Nevada and New Mexico; Central: Colorado, Illinois, Indiana, Louisiana and Texas; and Southeast: Florida, Georgia, Maryland, North Carolina, South Carolina and Virginia. The following table presents a summary of selected financial and operational data for our construction operations (dollars in thousands, except average selling price):

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
Revenues:				
Housing	$ 4,196,487	$ 6,334,782	$ 1,525,863	$ 2,272,810
Land	138,755	20,017	14,744	6,627
Total	4,335,242	6,354,799	1,540,607	2,279,437
Costs and expenses:				
Construction and land costs				
Housing	4,461,484	4,812,645	1,952,718	1,793,451
Land	196,581	19,373	49,663	6,857
Subtotal	4,658,065	4,832,018	2,002,381	1,800,308
Selling, general and administrative expenses	595,971	792,014	197,164	287,015
Goodwill impairment	107,926		107,926	
Total	5,361,962	5,624,032	2,307,471	2,087,323
Operating income (loss)	$ (1,026,720)	$ 730,767	$ (766,864)	$ 192,114
Unit deliveries	15,611	21,738	5,699	7,893
Average selling price	$ 268,800	$ 291,400	$ 267,700	$ 288,000
Housing gross margin	-6.3%	24.0%	-28.0%	21.1%
Selling, general and administrative expenses as a percent of housing revenues	14.2%	12.5%	12.9%	12.6%
Operating income (loss) as a percent of construction revenues	-23.7%	11.5%	-49.8%	8.4%

The following table presents residential information (excluding French discontinued operations) in terms of unit deliveries to home buyers and net orders taken by reporting segment for the three-month and nine-month periods ended August 31, 2007 and 2006, together with backlog data in terms of units and value by reporting segment at

August 31, 2007 and 2006:

	Three Months Ended August 31,			
	Deliveries		Net Orders	
Segment	2007	2006	2007	2006
West Coast	1,252	1,683	713	775
Southwest	1,133	1,798	604	806
Central	1,433	2,489	1,370	1,549
Southeast	1,881	1,923	1,220	1,037
Total	5,699	7,893	3,907	4,167
Unconsolidated joint ventures	13	4	79	24

	Nine Months Ended August 31,				August 31,			
							Backlog Value	
	Deliveries		Net Orders		Backlog Units		In Thousands	
Segment	2007	2006	2007	2006	2007	2006	2007	2006
West Coast	3,097	4,708	3,853	3,802	2,371	3,348	$ 1,042,194	$ 1,726,232
Southwest	3,379	5,163	3,149	3,537	2,300	3,802	590,711	1,129,899
Central	4,096	6,507	4,606	6,567	3,565	5,005	599,400	802,950
Southeast	5,039	5,360	5,308	4,790	3,644	5,043	834,588	1,295,886
Total	15,611	21,738	16,916	18,696	11,880	17,198	$ 3,066,893	$ 4,954,967
Unconsolidated joint ventures	32	4	273	24	295	20	$ 108,821	$ 7,748

Revenues. Construction revenues decreased by $738.8 million, or 32%, to $1.54 billion in the quarter ended August 31, 2007, from $2.28 billion in the year-earlier quarter mainly due to a decline in housing revenues. Housing revenues of $1.53 billion for the three months ended August 31, 2007 were down $746.9 million, or 33%, from $2.27 billion in the year-earlier period due to a 28% year-over-year decline in unit deliveries and a 7% year-over-year decrease in our overall average selling price. Company-wide, our unit deliveries decreased to 5,699 in the third quarter of 2007 from 7,893 in the third quarter of 2006, reflecting decreases in all our geographic segments. Our third quarter overall average selling price decreased to $267,700 in 2007 from $288,000 in the year-earlier quarter.
In the first nine months of 2007, construction revenues totaled $4.34 billion, decreasing by $2.01 billion, or 32%, from $6.35 billion in the corresponding period of 2006 due to lower revenues from homebuilding operations. Housing revenues declined 34% to $4.20 billion in the nine-month period ended August 31, 2007, from $6.33 billion in the year-earlier period, reflecting a 28% decline in unit deliveries and an 8% decrease in our overall average selling price. Company-wide unit deliveries fell to 15,611 in the first nine months of 2007 from 21,738 in the first nine months of 2006. Our overall average selling price decreased to $268,800 for the nine months ended August 31, 2007 from $291,400 for the corresponding period of 2006.
Revenues from land sales totaled $14.7 million in the third quarter of 2007 and $6.6 million for the year-earlier quarter. Our revenues from land sales for the first nine months of 2007 totaled $138.8 million compared to $20.0 million for the first nine months of 2006. Generally, land sale revenues fluctuate with our decisions to maintain or decrease our land ownership position in certain markets based upon the volume of our holdings, the strength and number of competing developers entering particular markets at given points in time, the availability of land in the markets we serve and prevailing market conditions. Land sale revenues were more significant in the three-month and nine-month periods ended August 31, 2007 compared to the year-earlier periods as we sold land in light of current market conditions and our future sales expectations.
Operating income (loss). Our construction operations posted an operating loss of $766.9 million in the three months ended August 31, 2007, a decrease of $959.0 million from operating income of $192.1 million in the third quarter of 2006, reflecting losses from both homebuilding operations and land sales. The 2007 third quarter operating loss represented 49.8% of construction revenues; in the year-earlier quarter, operating income represented 8.4% of construction revenues. This change of 58.2 percentage points was primarily due to a decrease in our housing gross margin, which fell to a negative 28.0% in the third quarter of 2007 from a positive 21.1% for the same period of 2006. The change in our housing gross margin was largely the result of pretax, non-cash charges of $639.0 million for inventory impairments and land option contract abandonments during the quarter, and greater use of price concessions and sales incentives to meet competition. The impairment and abandonment charges recorded in the third quarter of 2007 primarily related to our West Coast and Southwest segments and resulted from a further decline in market conditions, which intensified pricing pressures and depressed new home values in certain housing markets across the country. These market conditions also depressed land prices and led us to terminate several projects that no longer met

our internal investment standards. Excluding inventory and abandonment charges ($639.0 million in 2007 and $49.2 million in 2006), our third quarter housing gross margin would have been 13.9% in 2007 and 23.3% in 2006. Company-wide land sales in the third quarter of 2007 generated losses of $34.9 million, which included $34.0 million of impairment charges related to planned future land sales. In the third quarter of 2006, Company-wide land sales generated essentially break-even results.

Selling, general and administrative expenses decreased by $89.8 million or 31% to $197.2 million in the three months ended August 31, 2007 from $287.0 million in the corresponding 2006 period. The year-over-year decrease reflects our efforts to align our business with reduced unit delivery volumes. However, as a percentage of housing revenues, selling, general and

administrative expenses increased to 12.9% in the third quarter of 2007 from 12.6% in the year-earlier period, primarily reflecting higher marketing expenses as a percentage of housing revenues in the current quarter due to increased competitive pressures.

In the first nine months of 2007, our construction operations generated an operating loss of $1.03 billion compared to operating income of $730.8 million generated in the corresponding period of 2006, as both our homebuilding operations and land sales generated losses. The nine-month operating loss represented 23.7% of construction revenues; in the year-earlier period, operating income represented 11.5% of construction revenues. Our housing gross margin decreased to negative 6.3% in the first nine months of 2007 from positive 24.0% for the same period of 2006. Our housing gross margin decreased in the first nine months of 2007 compared to the same period of 2006, mainly due to pretax, non-cash inventory impairment and land option contract abandonment charges of $889.0 million, and increased use of price concessions and sales incentives to meet competitive conditions. Excluding inventory and land option contract abandonment charges ($889.0 million in 2007 and $68.6 million in 2006), our housing gross margin for the nine months ended August 31 would have been 14.9% in 2007 and 25.1% in 2006. Company-wide land sales generated a loss of $57.8 million compared to profits of $.6 million in the first nine months of 2006. The land sale loss in the first nine months of 2007 included $59.6 million of impairment charges related to planned future land sales.

Selling, general and administrative expenses in the nine months ended August 31, 2007 decreased 25%, to $596.0 million from $792.0 million in the corresponding 2006 period. Our efforts to align our business with reduced unit delivery volumes drove the year-over-year decrease. As a percentage of housing revenues, selling, general and administrative expenses increased to 14.2% in the first nine months of 2007 from 12.5% in the year-earlier period, mainly as a result of increased marketing costs and sales allowances as a percentage of housing revenues stemming from highly competitive conditions. Selling, general and administrative expenses in the first nine months of 2007 also included $7.1 million, recognized in the first quarter of 2007, for payments made to some employees in connection with the increase in the exercise price of certain annual stock option grants. The increase in the exercise price was based on the results of an independent review of our stock option grant practices in 2006 by a subcommittee of the Audit and Compliance Committee of the board of directors, and on compliance with the requirements of Section 409A of the Internal Revenue Code.

Goodwill Impairment. We have recorded goodwill in connection with various acquisitions in prior years. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. In accordance with SFAS No. 142, we test goodwill for potential impairment annually as of November 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. During the quarter ended August 31, 2007, we determined that it was necessary to evaluate goodwill for impairment due to the deterioration of conditions within certain housing markets, the significant inventory impairments identified and recognized during the quarter in accordance with SFAS No. 144, and the decline in the market price of our common stock to a level below our per share book value. We evaluated goodwill for impairment using the two-step process prescribed in SFAS No. 142. The first step is to identify potential impairment, by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit exceeds the book value, goodwill is not considered impaired. If the book value exceeds the fair value, the second step of the impairment test is performed to measure the amount of impairment. Based on the results of our evaluation, we recorded an impairment charge of $107.9 million in the third quarter of 2007 related to our Southwest reporting segment, where all goodwill previously recorded was determined to be impaired. The charge is recorded at our corporate level since all goodwill is carried at that level. Our goodwill evaluation utilized discounted cash flow analyses and market multiple analyses of historical and forecasted operating results of our reporting units. Inherent in our fair value determinations are certain judgments and estimates relating to future cash flows, current economic indicators and market valuations, and our strategic operational plans. A change in such assumptions may cause a change in the results of the analyses performed. In addition, to the extent that there are significant changes in market conditions, overall economic conditions or our strategic operational plans, it is possible for goodwill that is not currently impaired to become impaired in the future.

Interest Income. Interest income totaled $8.6 million in the third quarter of 2007 and $1.1 million in the third quarter of 2006. For the first nine months of 2007, interest income totaled $18.9 million compared to $3.1 million in the first

nine months of 2006. Generally, increases and decreases in interest income are attributable to changes in the interest-bearing average balances of short-term investments and mortgages receivable as well as fluctuations in interest rates.

Loss on Early Redemption/Interest Expense, Net of Amounts Capitalized. During the third quarter of 2007, we recorded a loss of $13.0 million associated with the early redemption of debt. On July 27, 2007, we redeemed all $250 million of our 9 1/2% senior subordinated notes due in 2011 at a price of 103.167% of the principal amount of the notes, plus accrued interest to the date of redemption. In addition, on July 31, 2007, we repaid in full the $400 Million Term Loan, together with accrued interest to the date of repayment. The $400 Million Term Loan was scheduled to mature on April 11, 2011. The $13.0 million loss was primarily due to the call premium on the senior subordinated notes and the write-off of unamortized debt issuance costs.

During the three-month and nine-month periods ended August 31, 2007, all of our interest was capitalized and, consequently, we had no interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized, in the three months and nine months ended August 31, 2006 totaled $3.3 million and $16.7 million, respectively. Gross interest incurred during the three months ended August 31, 2007 decreased by $16.8 million, to $45.5 million, from $62.3 million incurred in the year-earlier period. Gross interest incurred during the nine months ended August 31, 2007 decreased by $14.8 million, to $148.4 million, from $163.2 million incurred in the corresponding period of 2006. The decreases in gross interest incurred during the three months and nine months ended August 31, 2007 reflected the lower average debt level in those periods compared to the same periods of 2006. The percentage of interest capitalized in the three-month and nine-month periods of 2007 increased from 95% and 90% in the three months and nine months ended August 31, 2006, respectively, due to an increase in inventory qualifying for interest capitalization compared to 2006.

Equity in Pretax Income (Loss) of Unconsolidated Joint Ventures. Equity in pretax loss of unconsolidated joint ventures totaled $21.0 million in the third quarter of 2007 compared to equity in pretax income of unconsolidated joint ventures of $9.0 million in the third quarter of 2006. Our unconsolidated joint ventures recorded combined revenues of $218.9 million in the third quarter of 2007 compared to $64.0 million in the corresponding period of 2006. For the first nine months of 2007, our equity in pretax loss of unconsolidated joint ventures totaled $62.7 million compared to equity in pretax income of unconsolidated joint ventures of $7.8 million for the same period of 2006. Combined revenues from these joint ventures totaled $262.8 million in the first nine months of 2007 and $155.8 million in the first nine months of 2006. Our equity in pretax loss of unconsolidated joint ventures for the three months and nine months ended August 31, 2007 included charges of $17.1 million and $58.4 million respectively, to recognize the impairment of certain joint venture investments in our West Coast, Southwest and Southeast regions. In the three months and nine months ended August 31, 2006, we recognized joint venture impairment charges of $19.3 million related to our West Coast region.

Unconsolidated joint venture revenues in the three-month and nine-month periods ended August 31, 2007 and 2006 were generated from residential activities. Residential activities performed by our unconsolidated joint ventures generally include buying, developing and selling land. In some cases, our residential unconsolidated joint ventures also construct and deliver homes. Residential unit deliveries from unconsolidated joint ventures totaled 13 and 32 in the three months and nine months ended August 31, 2007, respectively, compared to 4 deliveries in both of the corresponding periods of 2006. Unconsolidated joint ventures generated combined pretax income of $6.1 million in the third quarter of 2007 and $5.8 million in the corresponding period of 2006. In the first nine months of 2007 and 2006, unconsolidated joint ventures generated a combined pretax loss of $30.6 million and combined pretax income of $9.3 million, respectively.

CONSTRUCTION SEGMENTS

The following table sets forth financial information related to our construction reporting segments for the periods indicated (in thousands):

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
West Coast:				
Revenues	$ 1,475,662	$ 2,322,841	$ 553,366	$ 828,496
Operating costs and expenses	(2,012,696)	(1,952,253)	(903,211)	(723,513)
Other, net	4,232	2,814	(1,241)	(9,375)
Pretax income (loss)	$ (532,802)	$ 373,402	$ (351,086)	$ 95,608
Southwest:				
Revenues	$ 963,930	$ 1,644,096	$ 292,232	$ 561,954

Operating costs and expenses	(1,109,833)	(1,291,405)	(464,521)	(464,989)
Other, net	(4,453)	(8,764)	(7,641)	(4,012)
Pretax income (loss)	$ (150,356)	$ 343,927	$ (179,930)	$ 92,953
Central:				
Revenues	$ 703,456	$ 1,042,773	$ 254,116	$ 400,451
Operating costs and expenses	(748,033)	(1,039,129)	(270,117)	(405,116)
Other, net	(5,704)	(12,517)	(875)	(4,833)
Pretax income (loss)	$ (50,281)	$ (8,873)	$ (16,876)	$ (9,498)

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
Southeast:				
Revenues	$ 1,192,194	$ 1,345,089	$ 440,893	$ 488,536
Operating costs and expenses	(1,283,574)	(1,206,587)	(530,188)	(446,845)
Other, net	(53,565)	(2,711)	(16,793)	1,749
Pretax income (loss)	$ (144,945)	$ 135,791	$ (106,088)	$ 43,440

West Coast Housing revenues from our West Coast segment fell 33% to $553.4 million in the third quarter of 2007 from $828.5 million in the year-earlier quarter due to a 26% decrease in unit deliveries and a 10% decrease in the average selling price. Unit deliveries decreased to 1,252 from 1,683 in the year-earlier quarter while the average selling price decreased to $442,000 from $492,300 in the year-earlier quarter. Our West Coast segment generated a pretax loss of $351.1 million in the three months ended August 31, 2007, down from pretax income of $95.6 million in the year-earlier period. The pretax loss was principally due to $364.6 million of non-cash charges for inventory and joint venture impairments and land option contract abandonments in the third quarter of 2007. The substantial impairment and abandonment charges resulted from deteriorating market conditions, which intensified pricing pressures and depressed the fair value of new homes in certain markets within our West Coast segment. Further contributing to the decreased 2007 third quarter results were lower revenues, higher marketing expenses and greater use of price concessions and sales incentives to meet competition. In the third quarter of 2006, pretax, non-cash charges for inventory and joint venture impairments and land option contract abandonments totaled $36.9 million.
In the first nine months of 2007, housing revenues from our West Coast segment totaled $1.42 billion, down 39% from $2.32 billion in the first nine months of 2006. The year-over-year decrease in housing revenues reflected a 34% decline in unit deliveries and a 7% decrease in the average selling price. Unit deliveries decreased to 3,097 from 4,708 in the year-earlier period while the average selling price decreased to $459,100 from $493,400 in the year-earlier period. In the first nine months of 2007, our West Coast segment posted a pretax loss of $532.8 million, compared to $373.4 million in pretax income for the year-earlier period. The pretax loss in 2007 reflected lower revenues, a non-cash charge of $578.2 million for inventory and joint venture impairments and land option contract abandonments, and a decrease in the housing gross margin as competitive conditions drove higher marketing expenses and greater use of price concessions and sales incentives. In the first nine months of 2006, pretax, non-cash charges for inventory and joint venture impairments and land option contract abandonments totaled $47.6 million.
Southwest Southwest segment housing revenues declined 48% to $291.1 million in the third quarter of 2007 from $558.8 million in the third quarter of 2006, reflecting decreases of 37% and 17% in this segment s unit deliveries and average selling price, respectively. Unit deliveries fell to 1,133 from 1,798 in the year-earlier quarter and the average selling price decreased to $256,900 from $310,800 in the year-earlier quarter. Our Southwest segment generated a pretax loss of $179.9 million in the three months ended August 31, 2007, compared to pretax income of $93.0 million in the year-earlier period. The pretax loss in the third quarter of 2007 was primarily due to a non-cash charge of $196.6 million for inventory and joint impairments and land option contract abandonments. The majority of the charge related to inventory impairments in the Las Vegas market, where demand and the price of new homes dropped significantly during the period. In addition, our housing gross margin in the Southwest segment decreased compared to the year-earlier period due to lower selling prices and increases in marketing expenses and sales incentives driven by current market conditions. In the year-earlier quarter, pretax, non-cash charges for land option contract abandonments totaled $7.4 million and there were no impairments.
In the first nine months of 2007, housing revenues generated by our Southwest segment declined 45% to $905.4 million from $1.64 billion in the first nine months of 2006. Unit deliveries decreased 35% to 3,379 in the first nine months of 2007 from 5,163 in the year-earlier period and the average selling price decreased 16% to $267,900

from $317,800 in the year-earlier period. Southwest operations posted a pretax loss of $150.4 million in the nine months ended August 31, 2007, down from pretax income of $343.9 million generated in the nine months ended August 31, 2006. The pretax loss in the first nine months of 2007 resulted from a $226.0 million non-cash charge for inventory impairments and abandonments, a significant decline in housing revenues and a lower housing gross margin. In the first nine months of 2006, pretax, non-cash charges for land option contract abandonments totaled $9.8 million, and there were no impairments.

Central Housing revenues in our Central segment decreased 37% to $252.2 million in the third quarter of 2007 from $400.4 million in the third quarter of 2006 due to a 42% decrease in unit deliveries, partially offset by a 9% increase in the average selling price. Unit deliveries decreased to 1,433 units in the first three months of 2007 from 2,489 units in the year-earlier period, while the average selling price increased to $176,000 from $160,900. The increase in the average selling price reflected a shift in the geographic mix of unit deliveries within the Central segment. Our Central segment generated pretax losses of $16.9 million and $9.5 million in the three months ended August 31, 2007 and 2006, respectively. These results reflected a substantial decline in housing revenues, a lower housing gross margin, and a non-cash charge of $14.9 million related to inventory and joint venture

impairments and land option contract abandonments. In the third quarter of 2006, our Central segment results included $13.5 million of pretax, non-cash charges for inventory impairments and land option contract abandonments.
Housing revenues from our Central segment totaled $695.0 million in the first nine months of 2007, down 33% from $1.04 billion in the first nine months of 2006. Unit deliveries decreased 37% to 4,096 units in the first nine months of 2007 from 6,507 units in the year-earlier period, while the average selling price increased 6% to $169,700 from $160,300. The pretax losses from our Central segment totaled $50.3 million and $8.9 million, respectively, in the nine months ended August 31, 2007 and 2006. The pretax loss in the nine months ended August 31, 2007 included a non-cash charge of $25.2 million related to inventory and joint venture impairments and land option contract abandonments, and also reflected lower housing revenues, a lower housing gross margin and an increase in selling, general and administrative expenses as a percentage of housing revenues. In the nine months ended August 31, 2006, pretax, non-cash charges for inventory impairments and land option contract abandonments totaled $15.8 million.
Southeast In the third quarter of 2007, housing revenues in our Southeast segment decreased 12% to $429.2 million from $485.1 million in the corresponding quarter of 2006, as unit deliveries decreased slightly to 1,881 units from 1,923 units, and the average selling price fell 10% to $228,200 from $252,300. Our Southeast segment generated a pretax loss of $106.1 million in the three months ended August 31, 2007, compared to pretax income of $43.4 million posted in the year-earlier period. During the third quarter of 2007, our Southeast segment recorded a pretax, non-cash charge of $114.0 million associated with inventory and joint venture impairments and land option contract abandonments reflecting increased pricing pressures in the segment. In the third quarter of 2006, pretax, non-cash charges associated with land option contract abandonments totaled $10.7 million and there were no impairments. Our Southeast segment also posted a lower housing gross margin in the third quarter of 2007 versus the year-earlier quarter due to the increased use of sales incentives to meet competition.
In the first nine months of 2007, housing revenues in our Southeast segment decreased 12% to $1.17 billion from $1.33 billion in the corresponding period of 2006, as unit deliveries declined 6%, to 5,039 units from 5,360 units, and the average selling price decreased 6%, to $233,000 from $247,800. Our Southeast segment posted a pretax loss of $144.9 million in the first nine months of 2007 compared to pretax income of $135.8 million in the year-earlier period. The pretax loss in the first nine months of 2007 included non-cash charges of $177.6 million associated with inventory and joint venture impairments and land option contract abandonments, and reflected lower housing revenues and a lower housing gross margin due to the increased use of sales incentives prompted by competitive conditions. In the first nine months of 2006, pretax, non-cash charges associated with land option contract abandonments totaled $14.7 million, and there were no impairments.

FINANCIAL SERVICES

Our financial services segment provides title and insurance services to our homebuyers. This segment also provided escrow coordination services to our homebuyers until the second quarter of 2007, when we terminated the business. The segment also provides mortgage banking services to our homebuyers indirectly through Countrywide KB Home Loans. We and Countrywide Financial Corporation each have a 50% ownership interest in Countrywide KB Home Loans, with Countrywide providing management oversight of the joint venture s operations. Countrywide KB Home Loans is accounted for as an unconsolidated joint venture in the financial services reporting segment of our financial statements.
The following table presents a summary of selected financial and operational data for our financial services segment (dollars in thousands):

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
Revenues	$ 10,704	$ 13,612	$ 3,293	$ 4,428
Expenses	(3,524)	(4,629)	(1,113)	(1,392)
Equity in pretax income of unconsolidated joint venture	14,558	8,925	4,367	5,058

Pretax income	$ 21,738	$ 17,908	$ 6,547	$ 8,094
Total originations*:				
Loans	10,618	9,362	4,123	4,237
Principal	$ 2,534,341	$ 2,232,130	$ 987,184	$ 1,023,704
Retention rate	69%	53%	73%	59%

	Nine Months Ended August 31,		Three Months Ended August 31,	
	2007	2006	2007	2006
Loans sold*:				
Loans	11,461	9,240	4,039	3,780
Principal	$ 2,747,379	$ 2,176,307	$ 965,237	$ 900,387

* Loan originations and sales are within the Countrywide KB Home Loans joint venture.

Revenues. Financial services revenues, which include revenues from title services, insurance commissions and escrow coordination fees, totaled $3.3 million and $4.4 million in the third quarters of 2007 and 2006, respectively. In the first nine months of 2007 and 2006, financial services revenues totaled $10.7 million and $13.6 million, respectively. Financial services revenues for the three months and nine months ended August 31, 2006 also included a nominal amount of interest income. The decrease in financial services revenues in the three-month and nine-month periods ended August 31, 2007 compared to the prior year periods reflects decreases in insurance commissions and escrow coordination fees resulting from the decrease in unit deliveries from our homebuilding operations and the termination of our escrow coordination business in the second quarter of 2007, and lower revenues from title services.

Expenses. General and administrative expenses totaled $1.1 million in the third quarter of 2007 and $1.4 million in the third quarter of 2006. In the first nine months of 2007 and 2006, general and administrative expenses totaled $3.5 million and $4.6 million, respectively. The year-over-year decrease in general and administrative expenses in the third quarter and first nine months of 2007 corresponded to the decrease in financial services revenues during the periods.

Equity in Pretax Income of Unconsolidated Joint Venture. Equity in pretax income of unconsolidated joint venture relates to our 50% interest in the Countrywide KB Home Loans joint venture and totaled $4.4 million and $5.1 million for the three months ended August 31, 2007 and 2006, respectively. The decrease in joint venture income for the quarter ended August 31, 2007 compared to the year-earlier quarter reflected a 2% decrease in the number of loans originated by Countrywide KB Home Loans. For the nine months ended August 31, 2007 and 2006, equity in pretax income of unconsolidated joint venture totaled $14.6 million and $8.9 million, respectively. The increase in joint venture income was primarily due to an increase of 13% in the number of loans originated by Countrywide KB Home Loans in the first nine months of 2007 compared to the year-earlier period. Countrywide KB Home Loans retention rate (the percentage of our homebuyers using Countrywide KB Home Loans as a loan originator) increased during the three months and nine months ended August 31, 2007 as the joint venture s operations, which began on September 1, 2005, continued to mature. The retention rate for the three months ended August 31, 2007 increased by 14 percentage points, to 73%, compared to 59% for the year-earlier quarter, and the retention rate for the nine months ended August 31, 2007 increased by 16 percentage points to 69% compared to 53% for the year-earlier period.

INCOME TAXES

We recognized an income tax benefit from continuing operations of $307.1 million in the third quarter of 2007 and income tax expense from continuing operations of $77.7 million in the third quarter of 2006. For the first nine months of 2007, we recognized an income tax benefit of $419.7 million for continuing operations compared to $270.1 million of income tax expense for the first nine months of 2006. These amounts represented effective income tax rates on pretax losses from continuing operations of 39.1% and 39.5%, respectively, for the three- and nine-month periods ended August 31, 2007 and effective income tax rates on pretax income from continuing operations of 37.5% and 36.4%, respectively, for the three months and nine months ended August 31, 2006. The increase in tax rates in the

three and nine months ended August 31, 2007 from the comparable periods of 2006 was primarily due to increased utilization of synthetic fuel credits partially offset by a reduction of tax benefits from a domestic manufacturing deduction under the American Jobs Creation Act.

During 2007 and 2006, we made investments that resulted in benefits in the form of synthetic fuel tax credits. Under current tax law, these credits are subject to a phase-out provision that gradually reduces the credits if the annual average price of domestic crude oil increases to a stated phase-out range. Based on current estimates of the annual average price of domestic crude oil for 2007, a 25% phase-out of tax credits is reflected in the effective income tax rates for the three months and nine months ended August 31, 2007, and a 45% phase-out applied to the comparable periods of 2006. Our 2007 full year effective income tax benefit from continuing operations, currently expected to be approximately 40%, may decrease in the event oil prices rise above current levels causing tax credits to be reduced.

DISCONTINUED OPERATIONS

On July 10, 2007, we completed the sale of our entire 49% equity interest in KBSA for total gross proceeds of $807.2 million, and recognized a pretax gain of $706.7 million ($438.1 million net of income taxes) in the third quarter of 2007 related to the

transaction. The sale was made pursuant to the Share Purchase Agreement among us, the Purchaser, and the Selling Subsidiaries. Under the Share Purchase Agreement, the Purchaser agreed to acquire our entire 49% equity interest (representing 10,921,954 shares, which were held collectively by the Selling Subsidiaries) at a price of 55.00 euros per share. The purchase price consisted of 50.17 euros per share paid by the Purchaser in cash, and a cash dividend of 4.83 euros per share paid by KBSA.

Income from discontinued operations, net of income taxes, including the gain realized on the sale of the French operations, totaled $443.0 million, or $5.73 per diluted share, for the three months ended August 31, 2007. In the year-earlier quarter, income from discontinued operations totaled $23.9 million, or $.30 per diluted share. In the first nine months of 2007, income from discontinued operations, net of income taxes totaled $485.4 million, or $6.29 per diluted share, including the gain realized on the sale of the French operations, increasing from $59.1 million, or $.71 per diluted share, in the year-earlier period.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating and investing activities. Historically, we have funded our construction and financial services activities with internally generated cash flows and external sources of debt and equity financing. From time to time, we may also borrow under our $1.5 Billion Credit Facility. Operating, investing and financing activities used net cash of $143.4 million in the nine months ended August 31, 2007 and $14.1 million in the nine months ended August 31, 2006.

Operating Activities. Continuing operations provided net operating cash of $71.4 million during the first nine months of 2007 and used net cash of $790.2 million during the first nine months of 2006. The year-over-year change in operating cash flow primarily reflected a net decrease in inventories stemming from our curtailment of inventory investments in light of challenging housing market conditions and our future sales expectations. Our sources of operating cash in the first nine months of 2007 included a net decrease in inventories of $205.2 million (excluding inventory impairments and land option abandonments, $4.1 million of inventories acquired through seller financing and a decrease of $179.8 million in consolidated inventories not owned), other operating sources of $37.4 million, and various non-cash items added to the loss from continuing operations. Partially offsetting the cash provided was a decrease in accounts payable, accrued expenses and other liabilities of $499.0 million. Discontinued operations provided net cash from operating activities of $297.4 million in the first nine months of 2007.

Operating cash used by continuing operations in the first nine months of 2006 included net investments in inventories of $1.46 billion (excluding inventory impairments and land option abandonments, $113.9 million of inventories acquired through seller financing and an increase of $73.4 million in consolidated inventories not owned). The uses of cash were partially offset by nine months earnings of $532.0 million, an increase in accounts payable, accrued expenses and other liabilities of $123.5 million, a decrease in receivables of $5.1 million and various non-cash items deducted from the income from continuing operations. Discontinued operations provided net cash from operating activities of $123.2 million in the first nine months of 2006.

Investing Activities. Continuing operations provided net cash from investing activities of $621.8 million in the first nine months of 2007 and used $83.9 million in the year-earlier period. In the first nine months of 2007, $739.8 million was provided from the sale of discontinued operations, net of cash divested. Partially offsetting the cash provided was $115.4 million used for investments in unconsolidated joint ventures and $2.6 million used for net purchases of property and equipment. In the first nine months of 2006, $129.4 million was used for investments in unconsolidated joint ventures and $12.3 million was used for net purchases of property and equipment. Partially offsetting the cash used was $57.8 million in proceeds from the sale of investments in unconsolidated joint ventures. Discontinued operations used net cash for investing activities of $12.1 million in the first nine months of 2007 and $3.6 million in the first nine months of 2006.

Financing Activities. Continuing operations used net cash for financing activities of $815.3 million in the first nine months of 2007 and provided net cash of $846.9 million in the first nine months of 2006. In the first nine months of 2007, cash was used for the redemption of the $400 Million Term Loan, which was scheduled to mature on April 11, 2011, and $250 million of 9 1/2% senior subordinated notes due in 2011, net payments on short-term borrowings of $114.1 million, dividend payments of $57.8 million and repurchases of common stock of $4.9 million in connection with the satisfaction of employee withholding taxes on vested restricted stock. These uses of cash were partly offset

by $10.8 million from the issuance of common stock pursuant to stock option exercises under our employee stock plans and $.7 million of excess tax benefit associated with the exercise of stock options. Discontinued operations used net cash of $306.5 million for financing activities in the first nine months of 2007.

In the first nine months of 2006, financing activities provided $524.6 million in net proceeds from short-term borrowings, $400.0 million in proceeds from the $400 Million Term Loan, $298.5 million in net proceeds from the issuance of $300 million of 7 1/4% Senior Notes due 2018, $63.8 million from the issuance of common stock under employee stock plans and $8.9 million of excess tax benefit from stock-based compensation. These sources of cash were partly offset by $389.9 million used for

repurchases of common stock and dividend payments of $59.0 million. Discontinued operations used net cash of $106.6 million during the nine months ended August 31, 2006.

As of August 31, 2007, we had no outstanding borrowings under our $1.5 Billion Credit Facility and $302.6 million of outstanding letters of credit, leaving us with $1.20 billion in available capacity.

At August 31, 2007, $450.0 million of capacity remained available under our universal shelf registration statement filed with the SEC on November 12, 2004 (the 2004 Shelf Registration). As a result of our failure to file our Quarterly Report on Form 10-Q for the quarter ended August 31, 2006 on a timely basis, we cannot use the 2004 Shelf Registration, or any other registration statement on Form S-3, to offer or sell securities until we have timely filed all required reports under the Securities Exchange Act of 1934 for the 12 months prior to our use of the registration statement.

Capital Resources. Our financial leverage, as measured by the ratio of debt to total capital, was 45% at August 31, 2007 compared to 54% (excluding the French discontinued operations) at August 31, 2006.

We continually consider various options for the use of our cash, including internal capital investments, share repurchases, investments to grow our business and additional debt reductions. Based on our current capital position, we believe we have adequate resources and sufficient credit line facilities to satisfy our current and reasonably anticipated future requirements for funds to acquire capital assets and land, to construct homes, to finance our financial services operations, and to meet any other needs in the ordinary course of our business, both on a short and long-term basis.

On July 27, 2007, we completed the redemption of all $250 million of our 9 1/2% senior subordinated notes due in 2011 at a price of 103.167% of the principal amount of the notes, plus accrued interest to the date of redemption. In addition, on July 31, 2007, we repaid in full our $400 Million Term Loan, together with accrued interest to the date of repayment. The $400 Million Term Loan was scheduled to mature on April 11, 2011. We incurred a loss of $13.0 million associated with the early extinguishment of debt, primarily due to the call premium on the senior subordinated notes and the write-off of unamortized debt issuance costs.

On August 17, 2007, we entered into the Revolver Amendment to the $1.5 Billion Credit Facility. The Revolver Amendment allows for a reduction of the minimum Coverage Ratio otherwise required under the $1.5 Billion Credit Facility for the Reduction Period. The Coverage Ratio is the ratio of the Company s consolidated EBITDA to consolidated interest expense (as defined under the $1.5 Billion Credit Facility). During the Reduction Period, the interest rates applied to borrowings and the unused line fee under the $1.5 Billion Credit Facility, and the maximum ratio of our consolidated total indebtedness to consolidated tangible net worth are subject to adjustment. The Revolver Amendment also permits us to eliminate any minimum Coverage Ratio requirement during the Reduction Period, for a period of up to four quarters, if certain financial criteria are met, and makes permanent amendments to certain provisions of the $1.5 Billion Credit Facility. Consenting lenders to the Revolver Amendment received a fee. We filed the Revolver Amendment with the SEC on August 22, 2007 on a Current Report on Form 8-K.

Off-Balance Sheet Arrangements, Contractual Obligations and Commercial Commitments

We conduct a portion of our land acquisition, development and other residential construction activities through participation in unconsolidated joint ventures in which we hold less than a controlling interest. These unconsolidated joint ventures operate in certain markets where our consolidated construction operations are located. Through unconsolidated joint ventures, we reduce and share our risk and also reduce the amount invested in land, while increasing our access to potential future home sites. In some instances, participating in an unconsolidated joint venture with a strategic partner or partners enables us to acquire land which we might not otherwise obtain or have access to on as favorable terms. Our partners in these unconsolidated joint ventures are unrelated homebuilders, land developers and other real estate entities or other commercial enterprises. While we view our participation in unconsolidated joint ventures as beneficial to our homebuilding activities, we do not view them as essential to those activities.

We and/or our unconsolidated joint venture partners sometimes obtain certain options or enter into other arrangements under which we can purchase portions of the land held by an unconsolidated joint venture. Land option prices are generally negotiated prices that approximate fair value. We do not include in our income from unconsolidated joint ventures our pro rata share of unconsolidated joint venture earnings resulting from land sales to our homebuilding divisions. We defer recognition of our share of such unconsolidated joint venture earnings until a home sale is closed

and title passes to a homebuyer, at which time we account for those earnings as a reduction of the cost of purchasing the land from the unconsolidated joint ventures.

Our investment in unconsolidated joint ventures totaled $368.8 million at August 31, 2007 and $381.2 million at November 30, 2006. These unconsolidated joint ventures had total assets of $2.75 billion and $2.40 billion at August 31, 2007 and November

30, 2006, respectively, and outstanding secured construction debt of approximately $1.72 billion at August 31, 2007 and $1.45 billion at November 30, 2006. In certain instances, we or our subsidiaries provide varying levels of guarantees on debt of unconsolidated joint ventures. When we or our subsidiaries provide a guarantee, an unconsolidated joint venture generally receives more favorable terms from lenders than would otherwise be available to it. At August 31, 2007, we had payment guarantees related to the third-party debt of three of our unconsolidated joint ventures. One of the unconsolidated joint ventures had aggregate third-party debt of $450.6 million at August 31, 2007, of which each of the joint venture partners guaranteed its pro rata share. Our share of the payment guarantee, which is triggered only in the event of bankruptcy of the joint venture, was 49% or $218.5 million. The remaining two unconsolidated joint ventures had total third-party debt of $14.6 million at August 31, 2007, of which each of the joint venture partners guaranteed its pro rata share. Our share of these payment guarantees was 50% or $7.3 million. Our pro rata share of limited maintenance guarantees of unconsolidated entity debt totaled $126.3 million at August 31, 2007. The limited maintenance guarantees apply only if the value of the collateral (generally land and improvements) is less than a specific percentage of the loan balance. Where we are required to make a payment under a limited maintenance guarantee to bring the value of the collateral above the specified percentage of the loan balance, the payment constitutes a capital contribution and/or loan to the affected unconsolidated joint venture and entitles us to a greater aggregate amount of the funds any such unconsolidated joint venture may distribute.

In the ordinary course of our business, we enter into land option contracts in order to procure land for the construction of homes. The use of such option arrangements allows us to reduce the risks associated with land ownership and development, reduce our financial commitments, including interest and other carrying costs, and minimize land inventories. Under such land option contracts, we will fund a specified option deposit or earnest money deposit in consideration for the right to purchase land in the future, usually at a predetermined price. Under the requirements of FASB Interpretation No. 46(R), certain of our land option contracts may create a variable interest for us, with the land seller being identified as a VIE. As of August 31, 2007, excluding consolidated VIEs, we had cash deposits totaling $70.4 million which were associated with land option contracts having an aggregate purchase price of $1.45 billion.

We are often required to obtain bonds and letters of credit in support of our obligations to various municipalities and other government agencies with respect to subdivision improvements, including roads, sewers and water among other things. At August 31, 2007, we had outstanding approximately $1.16 billion and $302.6 million of performance bonds and letters of credit, respectively. We do not believe that any currently outstanding bonds or letters of credit will be called. The expiration dates of letters of credit coincide with the expected completion date of the related projects. If the obligations related to a project are ongoing, annual extensions of the letters of credit are typically granted on a year-to-year basis. Performance bonds do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed.

Critical Accounting Policies

There have been no significant changes to our critical accounting policies and estimates during the three months or nine months ended August 31, 2007 compared to those disclosed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended November 30, 2006.

Seasonality

We have experienced seasonal fluctuations in quarterly operating results. We typically do not commence significant construction on a home before a home purchase contract has been signed with a homebuyer. Historically, a significant percentage of our home purchase contracts are entered into in the spring and summer months, and a corresponding significant percentage of our deliveries occur in the fall and winter months. Construction of our homes typically requires approximately four months and weather delays that often occur in late winter and early spring may extend this period. As a result of these combined factors, we historically have experienced uneven quarterly results, with lower revenues and operating income generally during the first and second quarters of the year.

In fiscal year 2007, increasingly challenging market conditions caused further deterioration of pricing, sales and margins during the spring and summer selling seasons. Given the current market conditions and the reduced number of homes in our backlog as compared to the previous year, we can make no assurances that our typical historical seasonal patterns will occur in the fourth quarter of our 2007 fiscal year.

Outlook

At August 31, 2007, with only one quarter remaining in our current fiscal year, our backlog of new home orders totaled 11,880 units, representing a projected revenue value of approximately $3.07 billion. These amounts represented decreases of 31% and 38%, respectively, from 17,198 units and a projected revenue value of approximately $4.95 billion at August 31, 2006. During the third quarter of 2007, we generated 3,907 net orders, down 6% from 4,167 net orders in the third quarter of 2006. Our Southeast region was the only one of our regions to generate a positive year-over-year net order comparison in the third quarter of 2007, with net orders in the region up 18%. The year-over-year decline in our third quarter net order results is due, in part, to our operating 15% fewer communities Company-wide in the 2007 third quarter, consistent with our efforts to adjust our operations to the market environment. Our third quarter 2007 cancellation rate of 50% increased from the cancellation rate of 34% we experienced in the second quarter of 2007 due primarily to relatively tighter lending standards and lower homebuyer confidence during the third quarter.

Market conditions for the homebuilding industry continued to deteriorate in the third quarter of 2007 as a persistent supply/demand imbalance worsened in many markets across the country. Increased foreclosure activity and heightened builder and investor efforts to monetize their real estate positions boosted the supply of unsold new and resale homes to historically high levels, while tighter lending standards, lack of affordability and decreased confidence among potential homebuyers further suppressed demand. Intense competition and pricing pressures and the prolonged oversupply of unsold homes depressed inventory fair values and resulted in our recognizing substantial charges for inventory impairments and abandonment of land option contracts in the third quarter of 2007, in addition to impairments we recorded earlier in the year. With no signs that the housing market is stabilizing, and with foreclosure rates rising, we expect housing market conditions to become more difficult through the end of 2007 and into 2008 and adversely affect our results of operations.

Given the growing imbalance in housing supply and demand, we anticipate that our 2007 unit deliveries, revenues, gross margins, net income and earnings per share will be substantially below 2006 results. We currently expect to deliver between 22,000 and 23,500 homes in 2007 compared to the 32,124 homes we delivered in 2006 excluding, in each case, our French discontinued operations. However, if current net order and price trends worsen, or if economic factors, including inflation, interest rates, availability of financing, consumer confidence or employment levels, deteriorate, our 2007 results would likely worsen further as well.

As housing markets struggle to regain equilibrium, we continue to focus on the principles of our disciplined, build to order operational business model and on providing the best value and choice for first-time and first move-up homebuyers. We have taken actions to improve the affordability of our homes and lower our cost of production by redesigning and reengineering some of our products, building smaller units, and reducing production cycle times and direct construction costs, and are calibrating our pricing to median income levels in our served markets. We are also continuing our efforts to bring our cost structure and inventory positions into better alignment with our sales expectations, generate free cash flow and maximize performance from our invested capital. Longer term, we believe these efforts, our core operating approach, relatively low unsold standing housing inventory and financial resources will allow us to capitalize on improvements in housing markets as they occur. From a financial perspective, we have made substantial strides in strengthening our balance sheet. Over the past twelve months, we have reduced our debt by approximately $1.40 billion, or nearly 40%. As of August 31, 2007, our ratio of debt to total capital was 45%, improved from 54% as of August 31, 2006, and we had approximately $650 million of cash and no borrowings outstanding under our $1.5 Billion Revolving Credit Facility. While we expect our 2007 operating results to fall below those of recent record years, we believe our overall land and community inventory and debt levels will decline from 2006 levels as we intend to remain selective in land purchases while generating positive cash flow from our operations. Overall, we believe KB Home is well-positioned to weather the current market environment and capitalize on strategic investment opportunities when the housing markets recover.

Forward Looking Statements

Investors are cautioned that certain statements contained in this document, as well as some statements by us in periodic press releases and other public disclosures and some oral statements by us to securities analysts and stockholders during presentations, are forward-looking statements within the meaning of the Private Securities

Litigation Reform Act of 1995 (the Act). Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, h similar expressions constitute forward-looking statements. In addition, any statements concerning future financial or operating performance (including future revenues, unit deliveries, selling prices, expenses, expense ratios, margins, earnings or earnings per share, or growth or growth rates), future market conditions, future interest rates, and other economic conditions, ongoing business strategies or prospects, future dividends and changes in dividend levels, the value of backlog (including amounts that we expect to realize upon delivery of units included

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in backlog and the timing of those deliveries), potential entry into new markets and the impact of such entry, potential future acquisitions and the impact of completed acquisitions, future share repurchases and possible future actions, which may be provided by us, are also forward-looking statements as defined by the Act. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors and the homebuilding industry, among other things. These statements are not guarantees of future performance, and we have no specific policy or intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to: general economic and business conditions; material prices and availability; labor costs and availability; changes in interest rates; our debt level; declines in consumer confidence; increases in competition; weather conditions, significant natural disasters and other environmental factors; government regulations; the availability and cost of land in desirable areas; violations of our policies; the consequences of our past stock option grant practices and the restatement of certain of our financial statements; government investigations and shareholder lawsuits regarding our past stock option grant practices; other legal or regulatory proceedings or claims; conditions in the capital, credit (including consumer mortgage lending standards) and homebuilding markets; and other events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We primarily enter into debt obligations to support general corporate purposes, including acquisitions and the operations of our subsidiaries. We are subject to interest rate risk on our senior and senior subordinated notes. For our fixed rate debt, changes in interest rates generally affect the fair market value of each such debt instrument, but not our earnings, cash flows or interest expense costs. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes.

The following table sets forth as of August 31, 2007, the Company s long-term debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated market value (in thousands):

Fiscal Year of Expected Maturity		Fixed Rate Debt (1)	Weighted Average Interest Rate
2007	$		%
2008			
2009		200,000	8.6
2010		298,091	7.8
2011		348,463	6.4
Thereafter		1,295,729	6.3
Total	$	2,142,283	6.7%
Fair value at August 31, 2007	$	1,919,882	

(1) Reflects senior and senior subordinated notes.

For additional information regarding our market risk, refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended November 30, 2006.

Item 4. Controls and Procedures

We have established disclosure controls and procedures to ensure the information required to be disclosed by KB Home, including its consolidated entities, in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission s rules and forms and to ensure that information required to be disclosed in the reports it files or submits under the Act is accumulated and communicated to management, including the President and Chief Executive Officer (the Principal Executive Officer) and Executive Vice President and Chief Financial Officer (the Principal Financial Officer), as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of senior management, including our Principal Executive Officer and our Principal Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Act. Based on this evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were effective as of August 31, 2007.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Derivative Litigation

On July 10, 2006, a shareholder derivative action, Wildt v. Karatz, et al., was filed in Los Angeles Superior Court. On August 8, 2006, a virtually identical shareholder derivative lawsuit, Davidson v. Karatz, et al., was also filed in Los Angeles Superior Court. These actions, which ostensibly are brought on our behalf, allege, among other things, that defendants (various of our current and former directors and officers) breached their fiduciary duties to us by, among other things, backdating grants of stock options to various current and former executives in violation of our shareholder-approved stock option plans. Defendants have not yet responded to the complaints. We and the parties agreed to a stipulation and proposed order that was submitted to the court on January 5, 2007, providing, among other things, that, to preserve the status quo without prejudicing any party s substantive rights, our former Chairman and Chief Executive Officer shall not exercise any of his outstanding options, at any price, during the period in which the order is in effect, and that the order would be effective upon entry by the court and expire on March 31, 2007, unless otherwise agreed in writing. The court entered the order on January 22, 2007, and the parties subsequently agreed to extend the order, which now expires on December 1, 2007. In connection with the entry of this order, the plaintiffs agreed to stay their cases while the parallel federal court derivative lawsuits discussed below are pursued. A stipulation and order effectuating the parties agreement to stay the state court actions was entered by the court on February 7, 2007. The parties may extend the agreement that options will not be exercised by our former Chairman and Chief Executive Officer beyond the current December 1, 2007 expiration date.

On August 16, 2006, a shareholder derivative lawsuit, Redfield v. Karatz, et al., was filed in the United States District Court for the Central District of California. On August 31, 2006, a virtually identical shareholder derivative lawsuit, Staehr v. Karatz, et al., was also filed in the United States District Court for the Central District of California. These actions, which ostensibly are brought on our behalf, allege, among other things, that defendants (various of our current and former directors and officers) breached their fiduciary duties to us by, among other things, backdating grants of stock options to various current and former executives in violation of our shareholder-approved stock option plans. Unlike Wildt and Davidson, however, these lawsuits also include substantive claims under the federal securities laws. On January 9, 2007, plaintiffs filed a consolidated complaint. All defendants filed motions to dismiss the complaint on April 2, 2007. Subsequently, plaintiffs filed a motion for partial summary judgment against certain of the defendants. Pursuant to stipulated orders, the motions to dismiss and the motion for partial summary judgment have been taken off calendar to permit the parties to explore settlement via mediation. The latest order provides that unless otherwise agreed to by the parties or ordered by the court, the motions shall be back on calendar as of late October. Discovery has not commenced.

Government Investigations

In August 2006, we announced that we had received an informal inquiry from the SEC relating to our stock option grant practices. In January 2007, we were informed that the SEC is now conducting a formal investigation of this matter. The DOJ is also looking into these practices but has informed KB Home that it is not a target of this investigation. We have cooperated with these government agencies and intend to continue to do so.

ERISA Litigation

A complaint dated March 14, 2007 in an action brought under Section 502 of ERISA, 29 U.S.C. § 1132, Bagley et al., v. KB Home, et al., was filed in the United States District Court for the Central District of California. The action is brought against us, our directors, and certain of our current and former officers. Plaintiffs allege that they are bringing the action on behalf of all participants in the 401(k) Plan. Plaintiffs allege that the defendants breached their fiduciary duties to members of the 401(k) Plan by virtue of issuing backdated option grants and by failing to disclose this information to the 401(k) Plan participants. Plaintiffs claim that this conduct unjustly enriched certain defendants to the detriment of the 401(k) Plan and its participants, and caused the 401(k) Plan to invest in our securities at allegedly artificially inflated prices. The action purports to assert three causes of action for various alleged breaches of fiduciary duty. We have filed a motion to dismiss all claims alleged against us. A hearing on the motion is scheduled for November 19, 2007.

Storm Water Matter

In January 2003, we received a request for information from the EPA pursuant to Section 308 of the Clean Water Act. Several other public homebuilders have received similar requests. The request sought information about storm water pollution control

program implementation at certain of our construction sites, and we provided information pursuant to the request. In May 2004, on behalf of the EPA, the DOJ tentatively asserted that certain regulatory requirements applicable to storm water discharges had been violated on certain occasions at certain of our construction sites, and civil penalties and injunctive relief might be warranted. The DOJ has also proposed certain steps it would expect us to take in the future relating to compliance with the EPA s requirements applicable to storm water discharges. We have defenses to the claims that have been asserted and are exploring with the EPA, DOJ and other homebuilders methods of resolving the matter. To resolve the matter, the DOJ will want us to pay civil penalties and sign a consent decree affecting our storm water pollution practices at construction sites.

Other Matters

We are also involved in other litigation and governmental proceedings incidental to our business. These cases are in various procedural stages and, based on reports of counsel, we believe that provisions or reserves made for potential losses are adequate and any liabilities or costs arising out of currently pending litigation should not have a materially adverse effect on our consolidated financial position or results of operations.

Item 1A. Risk Factors

There has been no material change in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended November 30, 2006.

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

The following table summarizes our purchases of our own equity securities during the three months ended August 31, 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
June 1 30		$		4,000,000
July 1 31				4,000,000
August 1 31	19,235	34.89		4,000,000
Total	19,235	$ 34.89		

On December 8, 2005, our board of directors authorized a share repurchase program under which we may repurchase up to 10 million shares of our common stock. At August 31, 2007, the Company was authorized to repurchase four million shares under the December 8, 2005 Board authorization. During the three months ended August 31, 2007, no shares were repurchased pursuant to this share repurchase program. The Company acquired 19,235 shares, or $.7 million, of common stock in the third quarter of 2007 in connection with the satisfaction of employee withholding taxes on vested restricted stock awards.

Item 5. Other Information

Fiscal Year 2008 Long Term Incentive Awards

On October 4, 2007, we granted long term incentive awards for fiscal year 2008 to more than 130 officers and employees. The awards included cash-settled SARs and cash-settled phantom shares that are identical in form to the fiscal year 2007 awards that were granted on July 12, 2007, with the exception of the performance goal that must be met in order for the phantom shares granted to our senior management, and all of the SARs to vest. The performance goal for the fiscal year 2008 awards is that the Management Development and Compensation Committee of our Board of Directors (the Compensation Committee) shall have determined that we generated cash flow such that the ratio of net debt (total debt less cash) to total capitalization (the sum of net

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debt and total stockholders equity) does not exceed 50% as of August 31, 2008. The form agreements for the SARs and phantom shares were attached as exhibits to our Current Report on Form 8-K, filed with the SEC on July 18, 2007.
We also granted options to purchase 137,500 shares of our common stock to our President and Chief Executive Officer. The stock option agreement evidencing this award is attached as Exhibit 10.40 hereto.
Our named executive officers who were granted fiscal year 2008 long term incentive awards received stock options, SARs and phantom shares in the following amounts:

Officer	Stock Options	SARs	Phantom Shares
Jeffrey T. Mezger	137,500	412,500	None
William R. Hollinger	None	36,885	10,677
Kelly Masuda	None	24,590	7,118

Stockholder Proposal Regarding Executive Severance
At the 2007 Annual Meeting of Stockholders, our stockholders approved an advisory proposal urging the Board of Directors to seek shareholder approval of future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executive s base salary plus bonus. The proposal defined benefits broadly to include lump sum cash payments, any gross-up payments for tax liabilities, the estimated present value of special retirement provisions, any stock or option awards granted under a severance agreement, any prior stock or option awards that are accelerated under a severance agreement, any fringe benefits and any consulting fees.
The Board of Directors, through the Compensation Committee, has carefully considered the advisory proposal and recognizes the importance of taking a thoughtful and responsible approach to severance arrangements. The Board of Directors and the Compensation Committee are concerned, however, that the sweeping definition of benefits expressed in the proposal would place us at a competitive disadvantage in attracting, motivating and retaining talented executives who are critical to our future success.
Following a review of executive severance policies at peer homebuilding companies and other similarly sized public companies, the Compensation Committee has adopted an overall executive severance policy for non-change of control situations that it believes is consistent with the spirit of the proposal while still allowing us to remain competitive in the market for executive talent.
The new policy applies to our President and Chief Executive Officer, Executive Vice Presidents, Senior Vice Presidents and Regional Presidents (each, a Senior Executive). It provides that no severance will be payable to a Senior Executive if he or she voluntarily terminates employment or is terminated by us with cause. On the other hand, if a Senior Executive is involuntarily terminated by us without cause, his or her cash severance payment shall equal a multiple of his or her base salary and average bonus, as follows:

Officer	Severance Amount
President and Chief Executive Officer	2x base salary and average bonus, with a cap per employment agreement
Executive Vice Presidents; Senior Vice President, Human Resources; and Senior Vice President, Chief Accounting Officer	2x base salary and average bonus, with an average bonus cap of 3x base salary
Other Senior Vice Presidents and Regional Presidents	1x base salary and average bonus, with an average bonus cap of 3x base salary

For purposes of this calculation, the base salary will be the Senior Executive s base salary in effect at the time of the termination, and the average bonus will be the mean average of the bonuses paid to the Senior Executive for each of

the three fiscal years preceding the termination (or such shorter time as the Senior Executive has been employed by us). In addition, each Senior Executive who is terminated by us without cause will be entitled to a continuation of company-provided health benefits for a period of years equal to his or her severance multiple.

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All severance benefits under this policy will be conditioned upon receipt from the Senior Executive of a full release of all claims against us, as well as a non-competition, non-solicitation, non-disclosure and non-disparagement agreement. This policy does not change in any way the rights and benefits available under our Retirement Plan to any Senior Executive who participates in that plan. Furthermore, the vesting of all equity awards and other long term incentive awards will continue to be governed by the terms of those awards. Severance payments in change of control situations will continue to be governed by our existing Change in Control Severance Plan and the President and Chief Executive Officer s employment agreement.

Stockholder Proposal Regarding Performance-Vesting Shares

Our stockholders also approved a second advisory proposal at the 2007 Annual Meeting of Stockholders urging the Board of Directors to adopt a policy that a significant portion of future equity compensation grants to senior executives be shares of stock that require the achievement of performance goals as a prerequisite to vesting (Performance-Vesting Shares).

The Board of Directors through the Compensation Committee, has carefully considered the advisory proposal and strongly supports performance-based compensation to link senior executive pay to shareholder value creation and long-term corporate performance. The Compensation Committee in fact recently approved grants of Performance-Vesting Shares to the Company s President and Chief Executive Officer per his employment agreement, and also approved grants of cash-settled SARs and phantom shares to senior management for both fiscal year 2007 and fiscal year 2008 that vest only on the achievement of a performance goal.

The Board of Directors and the Compensation Committee will consider the use of Performance-Vesting Shares in conjunction with other performance-based incentive arrangements in carrying out the Board of Directors role in establishing and overseeing senior executive compensation. However, the Board of Directors believes that it is not in our best interests to adopt a specific policy that requires a significant portion of future equity compensation grants to senior executives be in the form of Performance-Vesting Shares. Rather, the Board of Directors believes that we should have the flexibility and discretion to use all forms of performance-based and other equity-based compensation to ensure that we can attract, motivate and retain the absolute best executive talent, and align their compensation with our business strategy and long-term stockholder interests.

Item 6. Exhibits

Exhibits

4.23	Fifth Supplemental Indenture, dated August 17, 2007, relating to the Company s Senior Notes by and between the Company, the Guarantors, and the Trustee, filed as an exhibit to the Company s Current Report on Form 8-K dated August 22, 2007, is incorporated by reference herein.
4.24	Third Supplemental Indenture, dated August 17, 2007, relating to the Company s Senior Subordinated Notes by and between the Company, the Guarantors, and the Trustee, and the Guaranties, each dated August 17, 2007, of the Senior Subordinated Notes, filed as an exhibit to the Company s Current Report on Form 8-K dated August 22, 2007, is incorporated by reference herein.
10.33	Amended and Restated 1999 Incentive Plan Performance Stock Agreement between the Company and Jeffrey T. Mezger, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.34	Form of Stock Option Agreement under the Employment Agreement between the Company and Jeffrey T. Mezger dated as of February 28, 2007, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.35	Form of Amended and Restated 1999 Incentive Plan Stock Appreciation Right Agreement, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.36	Form of Amended and Restated 1999 Incentive Plan Phantom Share Agreement, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.37	Form of Phantom Share Agreement for Non-Senior Management, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.38	Form of Over Cap Phantom Share Agreement, filed as an exhibit to the Company s Current Report on Form 8-K dated July 18, 2007, is incorporated by reference herein.
10.39	Third Amendment Agreement, dated August 17, 2007, to Revolving Loan Agreement, dated as of November 22, 2005, between the Company, as Borrower, the banks party thereto, and Bank of America, N.A., as Administrative Agent, filed as an exhibit to the Company s Current Report on Form 8-K dated August 22, 2007, is incorporated by reference herein.
10.40	Form of Stock Option Agreement under the Amended and Restated 1999 Incentive Plan for stock option grant to Jeffrey T. Mezger.
31.1	Certification of Jeffrey T. Mezger, President and Chief Executive Officer of KB Home, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Domenico Cecere, Executive Vice President and Chief Financial Officer of KB Home, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Jeffrey T. Mezger, President and Chief Executive Officer of KB Home, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Domenico Cecere, Executive Vice President and Chief Financial Officer of KB Home, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	KB HOME Registrant
Dated October 9, 2007	/s/ JEFFREY T. MEZGER Jeffrey T. Mezger President and Chief Executive Officer (Principal Executive Officer)
Dated October 9, 2007	/s/ DOMENICO CECERE Domenico Cecere Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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