

Hudson Pacific Properties, Inc.  
Form 10-Q  
August 08, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34789

Hudson Pacific Properties, Inc.  
(Exact name of Registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation or organization)  
11601 Wilshire Blvd., Suite 1600  
Los Angeles, California  
(Address of principal executive offices)  
(310) 445-5700  
(Registrant's telephone number, including area code)  
(Former name, former address and former fiscal year if changed since last report)

27-1430478  
(I.R.S. Employer Identification Number)  
90025  
(Zip Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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

The number of shares of common stock outstanding at August 1, 2013 was 56,711,202.



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## PART I—FINANCIAL INFORMATION

HUDSON PACIFIC PROPERTIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

	June 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>REAL ESTATE ASSETS</b>		
Land	\$507,823	\$478,273
Building and improvements	965,946	831,791
Tenant improvements	84,721	75,094
Furniture and fixtures	14,408	11,545
Property under development	32,699	23,961
Total real estate held for investment	1,605,597	1,420,664
Accumulated depreciation and amortization	(94,775	) (80,303
Investment in real estate, net	1,510,822	1,340,361
Cash and cash equivalents	96,330	18,904
Restricted cash	14,518	14,322
Accounts receivable, net	10,188	12,167
Notes receivable	—	4,000
Straight-line rent receivables	16,673	12,732
Deferred leasing costs and lease intangibles, net	88,893	81,010
Deferred finance costs, net	7,092	8,175
Interest rate contracts	123	71
Goodwill	8,754	8,754
Prepaid expenses and other assets	22,615	4,588
Assets associated with real estate held for sale	53,152	54,608
<b>TOTAL ASSETS</b>	<b>\$1,829,160</b>	<b>\$1,559,692</b>
<b>LIABILITIES AND EQUITY</b>		
Notes payable	\$637,118	\$582,085
Accounts payable and accrued liabilities	17,528	18,578
Below-market leases	35,216	31,560
Security deposits	5,671	5,291
Prepaid rent	8,719	11,276
Obligations associated with real estate held for sale	1,269	1,205
<b>TOTAL LIABILITIES</b>	<b>705,521</b>	<b>649,995</b>
6.25% series A cumulative redeemable preferred units of the Operating Partnership	12,475	12,475
<b>EQUITY</b>		
Hudson Pacific Properties, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 authorized; 8.375% series B cumulative redeemable preferred stock, \$25.00 liquidation preference, 5,800,000 shares outstanding at June 30, 2013 and December 31, 2012, respectively	145,000	145,000
Common stock, \$0.01 par value, 490,000,000 authorized, 56,709,792 shares and 47,496,732 shares outstanding at June 30, 2013 and December 31, 2012, respectively	567	475
Additional paid-in capital	904,805	726,605
Accumulated other comprehensive loss	(1,177	) (1,287

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Accumulated deficit	(39,478	) (30,580	)
Total Hudson Pacific Properties, Inc. stockholders' equity	1,009,717	840,213	
Non-controlling interest—members in Consolidated Entities	46,883	1,460	
Non-controlling common units in the Operating Partnership	54,564	55,549	
TOTAL EQUITY	1,111,164	897,222	
TOTAL LIABILITIES AND EQUITY	\$1,829,160	\$1,559,692	

The accompanying notes are an integral part of these consolidated financial statements.

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HUDSON PACIFIC PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues				
Office				
Rental	\$29,286	\$21,158	\$56,090	\$42,122
Tenant recoveries	5,348	5,522	11,097	10,867
Parking and other	3,108	2,433	7,046	4,525
Total office revenues	37,742	29,113	74,233	57,514
Media & entertainment				
Rental	5,417	5,805	11,185	11,256
Tenant recoveries	323	417	741	665
Other property-related revenue	3,708	3,697	8,198	6,321
Other	200	62	436	102
Total media & entertainment revenues	9,648	9,981	20,560	18,344
Total revenues	47,390	39,094	94,793	75,858
Operating expenses				
Office operating expenses	14,079	13,057	27,425	23,766
Media & entertainment operating expenses	6,429	6,289	11,997	11,059
General and administrative	5,186	4,151	10,175	8,665
Depreciation and amortization	14,382	13,192	32,813	24,806
Total operating expenses	40,076	36,689	82,410	68,296
Income from operations	7,314	2,405	12,383	7,562
Other expense (income)				
Interest expense	5,762	4,575	11,354	9,466
Interest income	(90)	(2)	(240)	(7)
Acquisition-related expenses	509	299	509	360
Other expenses	9	46	54	90
Income (loss) from continuing operations	1,124	(2,513)	706	(2,347)
Income from discontinued operations	883	284	1,618	586
Impairment loss from discontinued operations	(5,435)	—	(5,435)	—
Net (loss) income from discontinued operations	(4,552)	284	(3,817)	586
Net loss	(3,428)	(2,229)	(3,111)	(1,761)
Net income attributable to preferred stock and units	(3,231)	(3,231)	(6,462)	(6,462)
Net income attributable to restricted shares	(79)	(79)	(158)	(157)
Net loss attributable to non-controlling interest in Consolidated Entities	291	—	281	—
Net loss attributable to common units in the Operating Partnership	263	322	394	525
Net loss attributable to Hudson Pacific Properties, Inc. common stockholders	\$(6,184)	\$(5,217)	\$(9,056)	\$(7,855)
Basic and diluted per share amounts:				
	\$(0.03)	\$(0.14)	\$(0.10)	\$(0.23)

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Net loss from continuing operations attributable to common stockholders

Net (loss) income from discontinued operations	(0.08 )	0.01	(0.07 )	0.02
Net loss attributable to common stockholders' per share—basic and diluted	\$(0.11 )	\$(0.13 )	\$(0.17 )	\$(0.21 )
Weighted average shares of common stock outstanding—basic and diluted	56,075,747	39,772,030	54,140,594	36,546,240
Dividends declared per share of common stock	\$0.1250	\$0.1250	\$0.2500	\$0.2500

The accompanying notes are an integral part of these consolidated financial statements.

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## HUDSON PACIFIC PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except share and per share amounts)

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2013	2012	2013	2012
Net loss	\$(3,428 )	\$(2,229 )	\$(3,111 )	\$(1,761 )
Other comprehensive income (loss): cash flow hedge adjustment	98	(262 )	115	(353 )
Comprehensive loss	(3,330 )	(2,491 )	(2,996 )	(2,114 )
Comprehensive income attributable to preferred stock and units	(3,231 )	(3,231 )	(6,462 )	(6,462 )
Comprehensive income attributable to restricted shares	(79 )	(79 )	(158 )	(157 )
Comprehensive loss attributable to non-controlling interest in consolidated real estate entities	291	—	281	—
Comprehensive loss attributable to common units in the Operating Partnership	259	337	389	546
Comprehensive loss attributable to Hudson Pacific Properties, Inc. stockholders	\$(6,090 )	\$(5,464 )		