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PRESENTATION

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Welcome to the 11:35 a.m. session here at Day 1 of Citi's 2019 Global Property CEO Conference. I'm Manny Korchman with Citi Research. We're pleased to have with us Douglas Emmett's CEO, Jordan Kaplan. This session is for investing clients only, and if media or other individuals are on the line, please disconnect now. Disclosure is available here and on the webcast on the disclosures tab. For those in the room or the webcast, you can sign on for liveqa.com. enter code Citi19 to submit any questions.

Jordan, I'll turn it over to you to introduce your company and management team and provide the audience 3 reasons why investors should buy your stock today, and then we'll go to Q&A.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

All right. Thanks, Manny. So this is Peter Seymour, our CFO; and this is Stuart McElhinney, our Vice President of Investor Relations. Happy to be here. So here are my 3 reasons, which should be the same thing I'd give you if I was describing the company, and I assume you all know by now that Manney has given all these questions out in advance. So this better be good, right, because I've had it for a few days. The number one, in terms of basic supply and demand, we're in the strongest supply-demand metrics market in The United States. We have extremely strong tenant demand, virtually no new supply, right? In terms of demand, our demand is generated by more than just entertainment. It's entertainment, technology, health care, health care research, the university system, foreign trade, tourism, green tech. So we have a lot of demand drivers, a lot of the industries that you would bet on for the United States over the next 30 years, and we have virtually no supply coming on in our markets.

In terms of growth, great prospects for internal growth, great prospects for external growth. The internal growth, we have very high built-in annual bumps in our leases ranged from 3% to 5% during an interim, about 4% annually in our office leases. Over the last year, we had over 30% rent roll up on a straight-line basis, double-digit roll up on a cash basis. So very good internal growth in terms of rents going up, in terms of getting more cash flow out of our properties, all of that very positive. In terms of external growth, we've spent probably the last 30 years living off acquisitions. Now we have a very robust development pipeline, both development on land that we own, where we're doing ground-up residential, and repositioning of properties that we already own. And the returns we're getting on those repositioning projects are very high, in the high-teens, '20s in terms of IRRs. And then, lastly, we own such a high percentage of many of the markets we're in, the last development thing we do is community enhancement. So it actually makes sense for us, in many cases, to move in and build parks and do other things that change the feel of the small markets that we control, where, some of them, we're literally like 70% of the market, and that changes the rent structure in those markets and provides amenities to both the residential and office that we own in those markets. The third thing is, we have a unique and very tough to replicate operating platform.

So our operating platform, obviously, residential, fine, but for office, is designed to make office feel like residential. 40% of the leases we do -- don't even use a broker. You can go onto our website, find office space, figure out what you want, and by the time you're calling one of our brokers, you'll be saying that this is where I want to be, how do I finish making that deal, and we provide all of those services. Our time from signing letter of intent to moving in and paying rent is only 4 months, that's almost unheard of. So we do our cost of lease turnover, TIs, commissions is almost half of our peer set. Now some of that's that we built out this robust platform. Some of that's that we deal with smaller tenants. Our average tenant size is about 5,800 feet; our median is like 2,800 feet. So those 3 reasons are 3 strong reasons why residential and office platform have -- they are strong now and they have very good prospects going forward. And in fact, if you look at the growth of our cash flow, during the entire time we've been public, we've grown it at almost an 8% CAGR AFFO on a per share basis for the whole last -- now almost 13 years.

Could you ask for any better reasons than that?

QUESTIONS AND ANSWERS

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

So are we done? We can all just go home.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Well, those are good reasons to buy the stock.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

You talked about external growth through acquisitions, some development. What does the acquisition pipeline look like today? What are you targeting? And how do you finance it?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

So we went through -- we did quite a few acquisitions over '16 and '17. We bought over 3 million feet, and it's had a big positive impact on our portfolio. It was all in markets where we already owned a large percentage. We made no acquisitions in 2018. So maybe the world balances itself out. I'm optimistic that we will make additional acquisitions in 2019. In terms of financing them, we have a lot of sources of capital, including the fact that our dividend only represents about 60% of our AFFO. So we have well over $100 million of free cash flow every year for whatever we may be doing, the construction projects, et cetera. We also -- in terms of just straight debt, we finance ourselves on a property level, and close to 1/3 of the properties that we own don't even have debt on them. It's all first-trustee nonrecourse loans and small pools. So we have debt we can use. We have cash flow we're producing. We also have very significant equity relationships with sovereign investors. The way we were able to buy that other stuff was through JV agreements that we have with sovereign investors where we put in a portion but control the whole property, and then we -- I guess, we also have the stock market.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Do those JV investors have appetite for you to buy more?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Definitely. Yes.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Would you go outside of your core markets to satisfy the need, especially since they are putting up so much of the equity?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Whatever we buy, going outside of the market, going inside of the market, would be something we will be willing to buy ourselves, but when we spend -- and we have bought -- we've also brought individual buildings ourselves. But when deals are larger, just out of -- just due to risk tolerance, it's good to have partners when you're putting a lot of capital out, and therefore, that's why use that JV platform. But what they want to do wouldn't cause us to go in the market or out of the market. In fact, I feel like there's still good deals that we can make in our market, and obviously, we have the kind of home-court advantage when we do stuff in our market. We win more than our fair share of those deals, and I suspect that we'll be much more successful staying in our market for the short term, in terms of what I know is coming up, than we will try and open up a new market with our platform and everything that we do.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

What's the biggest potential disruption to your business? And what are you doing to take advantage of it or to mitigate the risk of it?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Okay. So you're saying disruption and risks are like the same thing. So I'll do risks first. So in terms of risks, I think the most impactful thing for us would be a downturn in the national economy. I don't see anything in our local markets that would be impactful. By the way, I named the industries that drive our market. We really don't have a lot of new supply coming on. So if you were to just take that listing of industries and just make a bet on the United States over the next 30 years, where do you think we'd be most competitive, you'd name most of those industries. Those are all industries that got no TARP or other types of money during the last recession, recovered on their own and are growing strongly on their own. But certainly, a national recession is impactful, and it's impactful all across the country. It'd be impactful to us. I also think that just there is political stuff across the country that could be impactful to the real estate industry in general. Trends that -- we're spending more and more money fighting off, whether it be in California, Hawaii, whether you guys are dealing with it on the East Coast. I mean, you probably couldn't have imagined going back 5 years losing a deal like that Amazon deal like. So there's -- those sort of populous trends that people might not have ever thought that they would have to guard against that now we're spending time and energy and money, frankly, guarding against.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

You mentioned at the beginning of your opening the varied industries, at least from you, at least in your markets. In other markets, it seems like tech is taking the bulk of leasing. You didn't make it sound that way. Is it because of your smaller leases that you're not seeing that? Is it that you're trying to sort of just paint a picture of a broader diversity to tenancy? Help us figure that part out?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Wait, you are asking me if I'm like falsifying or...

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

No, but if you look at the bulk of leasing in New York and San Francisco.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

If you look at our portfolio, let me say this, if you look at our portfolio, you're not going to say it's overweighted by tech or highly weighted by tech. All right? So I know that, when we were shareholders a lot of times and talk about our market, one of the reasons they like our market is, every other market people say to them, the same tenants, whether it be Facebook or Apple or Google or whatever, and they go, "They're opening a big facility here, they're doing a big thing there" and they'll say, "We're kind of tired of hearing about the same 4 or 5 tenants being the reason why that's a great market." Okay? I sincerely do not believe those tenants are the reasons our market is so good. I believe our markets are so good for -- primarily because there's regulation, legislation that stops you from building in any significant way in terms of adding supply to the office markets. And the environment that those office buildings live in, which is surrounded by some of the most expensive housing in the world, literally, and most -- and retail and whatever, combined with commuting patterns makes it so that these are just very unique properties. I mean, whether it be height limits, FAR limitations. So you have this extremely sought-after unique locations for people that live in houses where what they're paying to be in their houses literally, in some cases, 100x of rent they're paying to be in their office, if you were to calculate it. And you have no significant new supply and you have industries that are among the most profitable industries in the country driving demand, that's why we're doing well. Is tech on that list? Yes, but it is tech in terms of that core down the Wilshire Corridor or along Ventura. They can't even fit there. We don't have large spaces. So they are in-filling in Playa Vista, Hollywood, out in the valley and other places. And those dollars that come in are certainly impactful and meaningful. But even with all of that, it's not causing new supply to be built, and that lack of new supply is both the core of our strength and our protection in a downturn. If you look at the other gateway markets, where new supply is being built, and we have the stats on, we'll call it, all 5 of them, right? It's meaningless in our kind of West L.A. markets that we're in, and it's meaningful, not to bag on the markets, but it's meaningful in New York, it's meaningful in Texas. Now right now they're leasing all of that, right? But in a downturn, when the markets -- when the rents fall off, the percentage dip from peak to trough, if you look at the other markets, our dip from peak to trough is half, less than half of the other markets. And though -- when we came -- went into the last recession, our trough was 10% higher than the previous peak. No other of the gateway markets can claim that. And it's simple because we had no construction. We had no new building. So that new supply overhang is what makes the recessions so volatile and so risky to real estate, right, because you're carrying those last buildings that were built.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Questions in the room? Jordan, do you wanted standing room?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

What?

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

You wanted people to stand.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

I'm glad you're staying. But I don't want to answer your questions. I mean I could go through other issues. You haven't asked me about -- I have questions.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Do you want to ask yourself questions?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Yes. I have some good areas to talk about. And people that are following us, I don't know if they've followed what we're doing in Hawaii. Do you want to ask me about Hawaii? I'll let it be your question. Go ahead.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Sure. I'll ask about Hawaii. So on the last call, you gave some detail on taking off one of your -- over time, taking off one of your office buildings and converting it into multi-family. Maybe you can elaborate on that plan and sort of how you think about that as measuring the success of that versus not? And then whether you continue it once you do the first building?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

So that's been a great program for us. So we went into Hawaii years ago, a decade ago, more, and -- with a simple thing. You add a -- it's very expensive to build there. You have a downtown where you really can't build any more significant kind of office and high-rise. And I thought, "Wow, this market is a size." And we saw trades where we could buy enough that we could have significant owner-level strength in the market to change the way the market works and be very impactful. And by the way, I figured it's an island. So if rents go up, where they are going to go, right? They have nowhere they could go. So about 3 years ago, I was at lunch with a guy named -- or dinner, with a guy named [Jay Schiedler]. Maybe some of you guys know [Jay], right? And he's a very smart guy, and he was laughing because he said, "You know what, you came here thinking that these tenants have nowhere to go, and you didn't know the other side of the equation, which is you could lower rents all you want and you have nowhere to get tenants." Okay? And that's the other side of being on an island. No matter what we do, we can't drive occupancy because no one is moving from Orange County to Honolulu, right? So somehow when he said that this light went off in my mind, where I said, I can't control this through the demand side of the equation. We have to shift over to the supply side of the equation. And at the same time, we were in the process of building 500, basically, workforce units in a 30-acre project that we owned about 10 or 15 minutes from downtown. And the kind of reviews and the success of that project was building and we were becoming more confident. So at that time, I said, "All right. I got it." We're going to take one building out. We're going to reduce the supply. And then, "Okay, I'll have a better supply-demand metric in terms of the office." Well, as we worked through the program and started -- and were finishing the MHA, Moanalua Hillside's project, we got to the point where all of a sudden we realized the rents we were getting -- where we had pro forma-ed [3.25 to 3.50] rents building that project, we got [5.25]. Okay? You can imagine how impactful that beat was in terms of our pro forma. So we started looking at the downtown. We originally were looking at it saying, "Well, we need to buy another office building because if we take one of our office buildings out of the mix and that might be a looser to convert that to residential but we'll make it back on the office side. Then we realized, wait a minute, the rents that are being paid in this market, because there's some 20,000 to 25,000 unit shortfall in terms of workforce housing in that market. Okay? And this is based on studies being done by the state, the county, the city, all of them. I mean, it's in the press all the time. So we said this could be good all the way around. We could build workforce housing units. And the building we chose takes over -- is it 480,000 feet? 490,000 feet out of the market, out of a market, by the way, that's about 4.5 million feet. So a market that's normally maybe was languishing at 84%, 85% leased, we take more than 10% out of the market, right? We have about 110,000 feet vacant in our portfolio. We're going to displace 325,000, 350,000 feet. So both now -- then we became more and more confident when we saw rents, we said, "Wait, this deal is going to be a winner," just converting and creating workforce housing, which is so positive in so many ways, in terms of turning the downtown into a 24-hour downtown, in terms of the amenities that we're moving around us. We met with the mayor, he's given us control of kind of this thing called, Union Mall that wraps around our property, which has retail and pedestrian space. So in terms of changing that whole block and that whole area, we got control over that. This will create, whatever, almost 500 residential units in the area, and it improves the supply-demand balance, presumably puts us well into the 90s in terms of lease level, occupancy level in that downtown office market. Win, win, win all the way across the board. Now we're in the middle of doing that, the biggest challenge we faced was doing that conversion without having to empty the building first because that would be very punishing on our revenue, and we have come up with a way to do that. We're doing that. We're converting it floor by floor. We hope to deliver 100 units in 2020 with the first set of floors that we have vacant. Still operating it as an office building at the same time. So I'm super excited about that project because that takes that market and kind of rightsizes it and makes it -- it puts it back on track to being as successful as we originally felt it would be. The residential there has been extremely successful. It's just the office that we're focused on making successful. So I'm very optimistic about that program. And I'm -- it's only one of the construction programs we have going on. All of the other construction stuff we have going on, both on West L.A. and in Hawaii, have also been extremely successful and accretive.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

As you transition or move those office tenants, are you seeing increases in their rents? Or are you just sort of moving them from one space to another?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

We have already seen an increase in rents across the market, a matter of fact, well ahead of our expectations. So before we announced formally we were doing the conversion, we went in and had -- we wanted to proactively pull certain permits that we knew would be hard to get, and we wanted to have them in hand, and that was picked up by the press. So there were a lot of articles already about what we were doing. And as a result of those articles and the fact that the leasing brokers mentioned to many people that we had stopped leasing space in that particular building, even though we had vacancy, rents moved up about 30% on -- before our announcement.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Questions in the room? Peter, you recently got appointed as new CFO. Anything we should know about the process or why that happened there?

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

I've been working very closely with my predecessor, Mona Gisler, for the last 2 years. I, in my old role as a Chief Strategy Officer, was overseeing all our financial planning, budgeting and then working closely with Stuart on Investor Relations and coming out to meet with all our investors and so on, and then working closely with Mona on the rest of the financial reporting. So this is a pretty seamless move. She's going to become our Chief Accounting Officer, and we're going to continue to work closely.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

So I'll just mention that, interestingly, because I've been asked the question. That -- so Peter was doing a portion of the work anyways because Mona had come and said I want to split the job up. She had split the job. We were going fine. Everybody was fine. She came to us then recently and said, for her own reasons, she has kids school, elementary school level kids. And more of a commute and has a lot of involvement in her church and stuff down a block from her. And she said, "I can't do justice towards raising my kids and doing this at the same time." And she actually proposed that she kind of create this role reversal with Peter and have him be the CFO. The thing that I thought was also noteworthy though, for people that have followed our stock for a while, every CFO of Douglas Emmett still works at Douglas Emmett. So I was the CFO of the predecessor company from 1991 till we went public in 2006. Then Bill came and was the CFO, whose office is like 5 offices down from me, then -- who is still working at Douglas Emmett. Then, Ted Guth, whose office is next to me, still working at Douglas Emmett. Mona, still with Douglas Emmett; and Peter, obviously at Douglas Emmett. So while I do like having one CFO be like the same one for the whole time, we do have a lot of CFO talent still in the company, and so a lot of people that Peter ask questions, we all -- we have 5 different answers for him because we all have been there.

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

I get a lot of advice, a lot of competing advice. It's lot of fun.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Yes.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

So they love the company, they hate seeing us?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

That's so close to the truth. It's scary.

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

Jordan and I love seeing you.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Yes, we like seeing you.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

That's the same for Stuart, who has stuck for a long time.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Yes, Stuart likes seeing you, yes.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Just quickly switching to Warner Center. That's been the one that hasn't leased up as quickly as, I guess, you guys hoped. Are you seeing a rebound there in momentum?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

So we have -- and do you want to answer that because I answered him the last time?

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

Yes, I mean, so that's a market where we've had a lot of big tenants over the years and as those big tenants move out, we've done a good job of converting to small tenant -- to our small tenant model. I think we have one large tenant still left in place, and we still have a good deal of time left on their lease. So we feel pretty good about where we are in terms of converting to the multi-tenant model that we have in the rest of our submarkets. We're actually now in the interesting position of being slightly behind the rest of the market. The rest of the market has tightened up as some of the big tenants in some of the other buildings have moved in and taken up occupancy. So that's got to be a good thing for us over time. We're going to continue to chip away it. We're pretty optimistic about it.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Is that a long-term hold for you guys?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

It's definitely a market where, when it hits its stride properly, we would reduce our capital exposure to the market. And that's not because I don't believe in the market, I believe in the market long term, but it is a market where you can still build. And we have -- we're not designed for that type of competition for the kind of open-supply competition. So where that market will -- it's actually almost -- it's starting to hit its stride a little bit because rents are moving there, everything is getting going, and as Peter said that even the occupancy levels in all markets has moved up. But you're seeing a broader class of tenants moving there that are being pushed out of the west side, some of the guys that need larger footprints. So there will be a point where we would reduce our exposure to that market. Just like in any kind of company, you have kind of your core operations that you protect and you build on that is your main generator. And then you have stuff that's little more stretched, a little more risk, which is what Hawaii and Warner Center has been for us. But when that plays out, when you make -- when you get it to where you think it can go, you reduce your exposure to those because that's why they're not core. And that's what Warner Center always was. I was afraid that's what Hawaii is, too, to some degree. Although, I believe, in both of those markets, we would probably look at bringing in partners or using our platform just to -- because if it goes where we think it's going to go, then we would have a lot of equity there. And we will probably reduce the amount of equity as a percentage of the whole company that we have exposed to those markets.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

With Hawaii, do you mean on the office side or on the multi-family side?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

It could be both. It could be just the office, it could be just some multi -- I mean, it's just exposure to a market that's not our core market. You would hope that we take a little more risk. They're all starting at lower numbers. So they have the ability to move more aggressively when they get going. But when they do, both of those markets, for 2 different reasons, one being that it's an island economy and the other being that you can still produce -- you can still add supply, are just going to be more volatile markets in terms of the ups and downs. And I don't want to be -- it's good to -- the natural thing of diversification is when you have an investment that's successful, you're supposed to reduce it and go into other stuff that's not at a peak. It causes you to buy low and sell high instead of the reverse, which so many people are inclined to do. And when those things rise up, probably when everyone is saying this is the worst time to sell, because it's producing so much cash and it's doing so well will probably be when you'll see us reduce our exposure to it.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

So when you think about diversification, do you think that the multi-family piece is beneficial to the company or would you rather be closer to pure office, multi-family, in general, both in LA and...?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

If I had the choice, my -- in the markets we are in, my favorite product type is multi-family. I would own as much of it as we can. Now it's hard to buy meaningful institutional multi-family projects in the markets we're in. They're like 99% markets, and they trade -- I mean, let's just assume we're willing to bear obscenely low cap rates. They trade below those numbers. So where I normally say in the office side, we get more than our fair share. We get less than our fair share on multi-family even when it does trade because we own -- we're probably one of the largest multi-family owners in those markets. We know how our cash flow and rents have grown, which is extremely strong, but even extremely strong maybe cannot justify some of the prices of some of these projects that are leased at market. So we haven't been winning more than our fair share, which is why you see that we built out -- one of the reasons is construction platform, which we can build thousands of units on land that we already own with no additional cost for land, just build the buildings. And that's why that's what we're pursuing, and we're adding units that way. We just completed 500 at Moanalua. We're converting 500 in downtown Honolulu. We're in process on 376 of a tower in Brentwood. We're working on entitlements on multiple other sites, so those construction crews can keep moving and building units. And I hope that, that's a program and a growth trajectory for us that lasts for years and years and years, and it should. We're working on entitlements that will be meaningful for the next 5 to 10 years, in terms of rolling into additional projects and building on land that we already own.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

If you could entitle all of that land, as of right, without sort of stretching whatever else, how many units could you build in all the land right now that's excess to your office properties?

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

Look at it. Both of them are saying we don't give a number. Thousands of units. Can I say more than?

Peter D. Seymour - *Douglas Emmett, Inc. - CFO*

I think you've said what you wanted to say.

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

We can build thousands of units -- thousands with an s on the end.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Any questions in the room? Jordan, do you have any more questions for yourself?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

No. I only have joke questions.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

All right. We'll wrap it with our rapid fires here, which Jordan has prepped for. Will your property sector have more or fewer public companies a year from now?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

So the office sector, and I think about the same.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

What will same-store NOI growth be for the office sector overall in 2020?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

Okay. So one great rule for everybody that has kids, tell them not to take any tests. If the answers are available, get the answer first, okay, that's super important. So when I can just have Stuart look up that my property sector is 2% to 3% from everyone's guidance, that'd be a good number for them. But I'm going to tell you, we're at 5% to 6%.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Stuart must have misread the questions. We asked about 2020, and there's no guidance out yet. So Stuart was giving bad answers.

Stuart McElhinney - *Douglas Emmett, Inc. - VP, IR*

Oh, 2020? Oh, I thought it was for this next year.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Are you using last year's sheet, Stuart?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

All right, that's fair enough. It's 2020. You know what, I'm going to still stay with, for that group, the 2% to 3%.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

What will the 10-year treasury yields be 1 year from today?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

That's definitely one you can look up, which is 2.7. I'll even give a better answer that I think it's going to be lower than that, but if you ask what's the financial markets are predicting on the 10-year a year from today, it's 2.7 for the 10-year.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

And in what year will the U.S. enter a recession?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

I thought that was next year's question. The biggest things -- the biggest trouble-making things that are out there, and maybe they're mitigated now, is all those like, to me, if you're saying big risk is, one, immigration issue because we need a lot of immigration to power, particularly, the coasts, which is where we are to power growth, economic growth; and the second is trade-war-type stuff, all trade war-related things. So to drive us into a recession, we'd have to bring the temperature up on that stuff even higher than it is now, which is pretty high. That's what I see as being the types of drivers, getting completely crosswise with China, getting completely crosswise with some of our closest friends, whether it be Canada or otherwise. So I don't -- interest rates don't seem like they pose a gigantic risk because even the movement we had wasn't necessarily perfectly in response to inflation. I think the inflation was a little manufactured in the labor market. So I don't see a lot of big risks for meaningful recessions over the next few years.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

Before everyone gets up, we had one question here on the ask thing that I forgot to ask. How would you amend Prop 13 today?

Jordan L. Kaplan - *Douglas Emmett, Inc. - President, CEO & Director*

I wouldn't amend it. Like, how would I amend it? I would not amend it. I would not amend Prop 13. For people, there is a proposal to amend Prop 13, which limits property taxes in the State of California to 1% of your purchase price, growing at 2% a year. There is a proposal to amend it so that rule would not apply to commercial real estate. There is obviously -- commercial real estate, the small subsector of commercial real estate is the people you would be thinking of, which is commercial real estate owners that are landlords. The large sector of commercial real estate owners that have the most at risk is every major company, whether we go from Disney to tech, that's everybody in the State of California that owns huge facilities all over the state. And that amendment is polling like in the low 40s, which, even when you offer -- things go downhill, not uphill when amendments are proposed for -- when propositions are proposed, they go up, not down. This one is starting in a losing position. I'm asked this all the time, it's not going to pass, even though it's being pushed. The reason I think it's not going to pass is it's starting as a loser, headed down. The California Chamber of Commerce has taken it on with very strong backing across the board, labor, everybody, I mean, backing it. So it will probably be on the ballot, but I feel relatively confident that there will be no amendment to Prop 13.

Emmanuel Korchman - *Citigroup Inc, Research Division - VP and Senior Analyst*

All right. Thank you.
