FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

ARDEN REALTY INC

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SIC: **6512** Operators of nonresidential buildings

Mailing Address
11601 WILSHIRE BOULEVARD
FOURTH FLOOR
LOS ANGELES CA 90025

Business Address
11601 WILSHIRE BOULEVARD
FOURTH FLOOR
E TOWER STE 700
LOS ANGELES CA 90025
3109662600

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-12193

ARDEN REALTY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	95-4578533 (IRS EMPLOYER I.D. NUMBER)
11601 WILSHIRE BOULEVARD FOURTH FLOOR LOS ANGELES, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)	90025-1740 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 966-2600

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.01 PAR VALUE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by checkmark 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. Yes [ ]

The aggregate market value of the shares of common stock held by non-affiliates was approximately $1.4 billion based on the closing price on the New York Stock Exchange for such shares on March 15, 1999.

The number of the Registrant's shares of common stock outstanding was 62,407,737 as of March 15, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders, to be held on May 18, 1999.

ARDEN REALTY, INC.

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PART I

ITEM 1. BUSINESS

(a) General Development of Business.

BACKGROUND AND FORMATION

The terms "Arden Realty", "us", "we" and "our" as used in this report refer to Arden Realty, Inc. Arden Realty was incorporated in Maryland in May 1996 and was formed to continue and expand the real estate business of Arden Realty Group, Inc. and a group of affiliated entities (the "Arden Predecessors"). Commencing with our taxable year ended December 31, 1996, Arden Realty has operated and qualified as a real estate investment trust ("REIT") for federal income tax purposes.

Arden Realty is the sole general partner of Arden Realty Limited Partnership (the "Operating Partnership"). We conduct substantially all of our business through the Operating Partnership and certain other majority owned subsidiaries, which hold our interests in our real estate assets.

On October 9, 1996, we completed an initial public offering (the "IPO") of our common stock, $.01 par value (the "Common Stock"). Concurrent with consummation of the IPO, Arden Realty, together with the partners and members of the Arden Predecessors, engaged in certain formation transactions which, among other things, resulted in our acquisition of 24 commercial properties from certain members of the Arden Predecessors. Since our initial public offering, we have pursued a strategy of acquiring under-performing commercial properties, properties in need of renovation, properties which provide attractive yields with stable cash flow, and more recently, fully entitled commercial undeveloped real estate, all in Southern California submarkets where we can utilize our local market expertise.

(b) Financial Information about Industry Segments.

We are currently involved in only one industry segment, namely real estate. Therefore, all of the financial information contained herein relates to this industry segment.

(c) Narrative Description of the Business.

BUSINESS

We are a self-administered and self-managed REIT engaged in acquiring, developing, renovating, leasing and managing commercial properties located in Southern California. As of December 31, 1998, we owned a portfolio of 138 primarily office properties containing approximately 18 million rentable square feet (the "Properties"), making us the largest publicly traded owner of office space in Southern California as measured by total rentable square feet owned.

BUSINESS AND GROWTH STRATEGIES

Our primary business objectives are to maximize growth in cash flow and to enhance the value of our portfolio to maximize total return to our stockholders. We believe we can achieve these objectives by continuing to implement our business strategies and by capitalizing on the internal and external growth opportunities described below. Based on our geographic focus and evaluation of local market conditions, we also believe that a number of factors provides us opportunities to maximize occupancy and rental rates and overall portfolio value, including:

- The continuing improvement of the Southern California economy.

- The limited construction of new office properties in the Southern California region due to substantial building construction limitations in many submarkets.

BUSINESS STRATEGIES

Our primary business strategy is to actively manage our portfolio to achieve gains in occupancy and rental rates and to reduce operating expenses. When market conditions permit, we may also acquire underperforming office and industrial properties, properties in need of renovation, or properties that provide attractive yields with stable cash flow in submarkets where we can utilize our local market expertise and extensive real estate experience. We may also continue to develop new properties, when market conditions permit, in submarkets where we have extensive local market expertise.

Through our regional management and leasing offices, we implement our business strategies by:

- Utilizing a multidisciplinary approach to acquisition, finance, development, renovation, leasing and management activities that is designed to coordinate decision-making and enhance responsiveness to market opportunities and tenant needs.

- Emphasizing tenant satisfaction and retention and employing intensive property marketing programs.

- Implementing cost control management techniques and systems that capitalize on economies of scale and concentration arising from the size and geographic focus of our portfolio.

We believe the implementation of these operating practices has been instrumental in the increased occupancy and operating results of our existing portfolio.

Integrated Decision-Making and Responsiveness.

Our acquisition, finance, development, renovation, leasing and management activities are coordinated to enhance responsiveness to market opportunities and tenant needs. The acquisition, finance, development, leasing and renovation teams work closely with our senior management, from the initial meetings with prospective tenants or sellers and throughout the negotiation process. This integrated approach permits us to analyze the economic terms and costs (including tenant build-out and retrofitting costs) for each lease on a timely and efficient basis throughout lease negotiations. With respect to acquisitions, this integrated approach allows us to quickly analyze the costs of necessary upgrades and lease-up potential. We are therefore able to analyze and commit to leasing and acquisition terms quickly, facilitate timely deal execution and build-out of space for prospective tenants, and minimize downtime after lease expirations.

Aggressive Leasing.

The concentration of many of our Properties within certain office submarkets and our relationships with a broad array of tenants and brokers enable us to pursue aggressive leasing strategies, to effectively monitor the office space requirements of existing and potential tenants and to offer tenants a variety of space alternatives across our portfolio. In an effort to realize cost savings and exercise more control over lease negotiations, we have implemented in-house leasing programs for approximately 72% of our Properties in selected submarkets in which we have a substantial market presence. We continue to employ third-party broker listings in the submarkets in which we have a less significant market presence. In 1998, we signed 905 leases for approximately 4.2 million rentable square feet, including approximately 900,000 square feet of net absorption.

Our ability to rent expiring lease space at estimated levels is highly dependent upon many factors over which we have no control. These factors include, the national economic climate, perceptions of prospective tenants of the attractiveness of the property, and our ability to maintain and manage the properties. We also have numerous competitors and some of the competing properties may be newer, better located or owned by parties better capitalized than us. As new commercial properties are developed and the number of competitive commercial properties in a particular area increases, competitive pressures will increase as well. Additionally, all of our properties are located in Southern California. Our ability to charge estimated rents could adversely affected by the local economic

climate (which could be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply of or reduced demand for office and other competing commercial properties). The preceding discussion is not intended as an exhaustive list of the risks associated with occupancy and rental rate projections and should be read in conjunction with "Risk Factors -- Real Estate Ownership Risk," "-- Risk that We May be Unable to Retain Tenants or Rent Space Upon Lease Expirations," "-- Impact of Competition on Occupancy Levels and Rents Charged," and "-- Concentration of Properties in Southern California."

Cost Control and Operating Efficiencies.

The size and geographic location of our portfolio permits us to enhance portfolio value by lowering operating costs and expenses, in comparison to single-site ownership and management. We seek to capitalize on the economies of scale and concentration which result from the geographic focus of our portfolio, the ownership and management of multiple properties within certain submarkets and the maintenance of a centralized purchasing and accounting system for cost control at each of our Properties.

GROWTH STRATEGIES

Internal Growth.

We believe that opportunities exist to increase cash flow from our existing portfolio and that such opportunities will be enhanced as the Southern California commercial real estate market continues to improve. We intend to pursue internal growth by:

- Continuing to maintain and improve occupancy rates through active management and aggressive leasing.

- Realizing fixed contractual base rental increases or increases tied to indices such as the Consumer Price Index.

- Re-leasing space as leases expire at increasing market rents which are expected to result over time from increased demand for commercial space in Southern California.

- Controlling operating expenses through active cost control management and systems.

- Optimizing economies of scale and concentration arising from the size and geographic focus of our portfolio.

(i) Maintaining and improving occupancy rates: We believe that we have been successful in attracting, expanding and retaining a diverse tenant base by actively managing our Properties with an emphasis on tenant satisfaction and retention. We strive to be responsive to the needs of individual tenants through our on-site professional management staff and by providing tenants with alternative space within our portfolio to accommodate their changing space requirements. Our success in maintaining and improving occupancy rates is demonstrated, in part, by the number of existing tenants that have renewed or released their space, leased additional space to support their expansion needs, or moved to other space within our portfolio. During 1998 we retained 79.4% and 71.4.% of the tenant's whose leases expired in our office and industrial/retail Properties, respectively. We also seek to improve occupancies by aggressively marketing available space within our portfolio.

(ii) Re-leasing space as leases expire at increasing market rents: Although there can be no assurances in this regard, we believe that as the commercial real estate market in Southern California continues to improve, there will be increasing demand for office space and declining vacancy rates which are expected to result over time in increasing market rents. We believe we will have significant opportunities to increase cash flow during such periods of increasing market rents by renewing or re-leasing space as leases expire at higher market rents.

(iii) Cost control management and systems: We plan to continue lowering our operating expenses through active cost control management at all of our Properties. We focus on cost control in various areas of operations. We continuously monitor the operating performance of our Properties and employ energy enhancing and expense recovery technologies when appropriate. These system enhancements include lighting retrofits, replacement of inefficient heating, ventilation and air conditioning systems, computer-driven energy management systems which monitor and react to the climatic requirements of individual Properties and enhancement of billing systems, which enable us to more efficiently recover certain operating expenses from our tenants.

(iv) Capitalizing on economies of scale and concentration: In order to capitalize on economies of scale and concentration arising from the size and geographic focus of our portfolio, our property and regional managers are often responsible for several Properties, which spreads administrative costs over such Properties and reduces per square foot administrative expense. In addition, we believe that parking operations, building and other services and tenant improvements purchased in bulk on a portfolio-wide basis will facilitate further benefits from these economies of scale and concentration.

External Growth.

We believe in the strength and potential of the Southern California commercial real estate market and intend to continue focusing our resources in this region. We have assembled a management team that has extensive experience and knowledge in this market that we believe provides us with a competitive advantage in identifying and capitalizing on development and acquisition opportunities.

Consistent with our recent development and redevelopment activity at both Westwood Center and the Howard Hughes Center, our approach is to seek opportunities in Southern California submarkets where we have an existing presence and where the following conditions exist:

- Low vacancy rates.

- Opportunities for long-term stable and rising rental rates due to employment growth and or population movements.

- A minimum of developable land.

- Significant barriers to entry because of constraints on new development including challenging entitlement processes, strictly enforced height and density restrictions and governmental requirements resulting in significant additional construction costs.

We generally target properties for acquisition in submarkets in which we have an existing presence and which are underperforming, need renovation or provide attractive yields with stable cash flow and offer opportunities for us to implement our value-added strategy to increase cash flow. Volatility in both capital and investment markets have resulted in fewer recent viable acquisition opportunities. We intend to continue assessing market conditions and acquisition opportunities and add those properties to our portfolio that meet our strategic requirements.

ACQUISITIONS

The following table lists certain information on the 66 commercial properties we acquired during 1998:

<TABLE>
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PROPERTY NAME	LOCATION	APPROXIMATE NET RENTABLE SQUARE FEET	ACQUISITION COST (MILLIONS)	MONTH ACQUIRED
<S>	<C>	<C>	<C>	<C>

OFFICE				
LOS ANGELES COUNTY				
Los Angeles West				
9100 Wilshire	Beverly Hills	326,227	$ 65.1	January
Westwood Center(1)	Los Angeles	313,000	28.7	January
World Savings Center	Los Angeles	(2)	27.5	March
600 Corporate Pointe	Culver City	273,339	(3)	March
1919 Santa Monica	Santa Monica	44,096	(3)	March
11075 Santa Monica	Los Angeles	35,696	5.0	April
Los Angeles North				
Sunset Pointe Plaza	Newhall	58,105	8.5	January
Westlake Gardens	Westlake	49,639	7.3	January
5161 Lankershim	North Hollywood	178,317	(3)	March
150 East Colorado	Pasadena	61,168	(3)	March
Calabasas Tech Center	Calabasas	273,526	46.1	May
Lyons Plaza	Santa Clarita	61,203	8.4	June
601 South Glenoaks	Burbank	72,524	9.8	August
Tourney Pointe(1)(4)	Valencia	219,991	27.5	September
Los Angeles South				
1501 Hughes Way	Long Beach	77,060	(3)	March
3901 Via Oro	Long Beach	53,195	(3)	March
Continental Grand	El Segundo	235,926	47.6	April
Oceangate Tower	Long Beach	210,907	23.5	May
91 Freeway Center	Artesia	94,516	11.9	August
ORANGE COUNTY				
Savi Tech Center	Yorba Linda	341,446	(3)	March
Yorba Linda Business Park	Yorba Linda	167,142	(3)	March
Huntington Commerce Center	Huntington Beach	67,551	(3)	March
Huntington Beach Plaza I & II	Huntington Beach	52,186	(3)	March
5702 Bolsa	Huntington Beach	27,731	(3)	March
5632 Bolsa	Huntington Beach	21,568	(3)	March
5672 Bolsa	Huntington Beach	11,968	(3)	March
Von Karman Corporate Center	Irvine	451,477	(3)	March
Orange Financial Center	Orange	305,439	(3)	March
625 The City	Orange	139,806	(3)	March
Fountain Valley Plaza	Fountain Valley	107,252	(3)	March
3300 Irvine Avenue	Newport Beach	74,224	(3)	March
1503 South Coast	Costa Mesa	60,605	(3)	March
One Venture	Irvine	43,324	(3)	March
Lambert Office Plaza	Brea	32,807	(3)	March
SAN DIEGO COUNTY				
Activity Business Center	San Diego	167,045	14.9	January
Skypark Office Plaza	San Diego	202,164	(3)	March
Sorrento Valley Science Park	San Diego	181,207	(3)	March
Panorama Corporate Center	San Diego	133,245	(3)	March
Governor Park Plaza	San Diego	104,065	(3)	March
Torreyanna Science Park	La Jolla	81,204	(3)	March
Balboa Corporate Center	San Diego	69,890	(3)	March
10251 Vista Sorrento	San Diego	69,386	(3)	March
Westridge	San Diego	48,850	(3)	March
Ruffin Corporate Center	San Diego	45,059	(3)	March
10180 Scripps Ranch	San Diego	43,560	(3)	March
5120 Shoreham	San Diego	37,759	(3)	March

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<TABLE>
<CAPTION>

PROPERTY NAME	LOCATION	APPROXIMATE NET RENTABLE SQUARE FEET	ACQUISITION COST (MILLIONS)	MONTH ACQUIRED
<S>	<C>	<C>	<C>	<C>
SAN DIEGO COUNTY (CONTINUED)				
Uniden Building	San Diego	28,119	(3)	March
Cymer Technology Center	Rancho Bernardo	155,612	(3)	March
Carlsbad Corporate Center	Carlsbad	125,000	(3)	March
Poway Industrial	Poway	112,000	(3)	March
10965-93 Via Frontera	Rancho Bernardo	77,920	(3)	March
Genesee Executive Plaza	San Diego	155,820	27.0	June
VENTURA COUNTY				
Camarillo Business Center	Camarillo	154,216	(3)	March
Solar Drive Business Park	Oxnard	125,132	17.1	July
RIVERSIDE & SAN BERNARDINO COUNTIES				
Hunter Business Park	Riverside	106,782	(3)	March
Chicago Avenue Business Park	Riverside	47,482	(3)	March
Tower Plaza I	Temecula	72,350	(3)	March
Tower Plaza II	Temecula	19,301	(3)	March
Tower Plaza III	Temecula	12,483	(3)	March
Centrelake Plaza	Ontario	110,763	(3)	March

HDS Plaza	San Bernardino	104,178	(3)	March
Havengate Center	Rancho Cucamonga	80,557	(3)	March
INDUSTRIAL				
RIVERSIDE & SAN BERNARDINO COUNTIES				
Ontario Airport Commerce Center	Ontario	213,127	(3)	March
Highlands I	Temecula	26,856	(3)	March
Highlands II	Temecula	41,210	(3)	March
RETAIL				
INLAND EMPIRE				
Tower Plaza Retail	Temecula	133,481	(3)	March
LOS ANGELES WEST				
The Spectrum Club	Los Angeles	36,959	(5)	March
Sub-total		7,665,743	375.9	
LBA Portfolio		--	619.9(3)	
Howard Hughes Center		--	38.6(5)	
Total		7,665,743	$1,034.4	

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(1) Property currently under renovation.

(2) At January 1, 1998 we owned a 75% interest in this property and exercised an option to purchase the remaining 25% interest for $27.5 million on March 25, 1998, resulting in a total acquisition cost of approximately $110.7 million.

(3) On March 1, 1998, we acquired a portfolio of 50 primarily office and industrial properties (the "LBA Portfolio"), aggregating approximately 5.2 million rentable square feet for a purchase price of approximately $619.9 million, including $1.8 million of closing costs and the estimated $3.6 million value of warrants to purchase 2.5 million shares of our Common Stock.

(4) We acquired a 99.33% interest in this property.

(5) On March 31, 1998, we acquired the undeveloped commercial property portions of the 70-acre Howard Hughes Center and a building containing an executive health and athletic club (the "Center") for approximately $38.6 million. The Center, located in West Los Angeles, California, is a mixed-use development currently containing three office buildings, the executive health and athletic club building and entitlements for an additional 1.3 million square feet of office space.

EMPLOYEES

As of December 31, 1998, we had 228 full-time employees.

(d) Foreign Operations.

We do not engage in any foreign operations or derive revenues from foreign sources.

FORWARD-LOOKING STATEMENTS

This Form 10-K, including the documents incorporated herein by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act. Also, documents subsequently filed by Arden Realty with the Securities Exchange Commission and incorporated herein by reference will contain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth below and the matters set forth or incorporated in this Form 10-K generally. We caution the reader, however, that this list of factors may not be exhaustive, particularly with respect to future filings.

RISK FACTORS

In addition to the other information contained or incorporated by reference in this Form 10-K readers should carefully consider the following factors.

REAL ESTATE FINANCING RISKS

Inability to Repay or Refinance Indebtedness at Maturity.

We will be subject to risks normally associated with debt financing, including the risk that the our cash flow will be insufficient to meet required payments of principal and interest, the risk that any indebtedness will not be able to be refinanced or that the terms of any such refinancing will not be as favorable as the terms of our current indebtedness. If, at maturity, our indebtedness cannot be refinanced, extended or paid with proceeds of other capital transactions, such as the issuance of new equity capital, we expect that our cash flow will not be sufficient in all years to pay distributions at expected levels and to repay all maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates, the interest expense relating to that refinanced indebtedness would increase, adversely affecting our cash flow and the amounts available for distributions to our stockholders.

Risk of Failure to Cover Debt Service of Current Collateralized Debt Under the Mortgage Financing.

Arden Realty, through special purpose entities, currently has outstanding three mortgage financings (collectively the "Mortgage Financings") totaling $422.3 million. The payments and other obligations under each of the Mortgage Financings are secured by fully cross-collateralized and cross-defaulted first mortgage liens on 18, 22 and 12 of our properties (collectively, the "Mortgage Financing Properties"), respectively, and $10 million in cash collateral. One of the Mortgage Financings totaling $175 million requires monthly payments of interest only, with all principal anticipated to be repaid on June 2004. Two of the Mortgage Financings totaling $247.3 million require monthly payments of interest only for five years and monthly payments of principal and interest thereafter, with all principal anticipated to be repaid on June 2008. If the Mortgage Financing totaling $175 million is not repaid or refinanced by June 2004, the interest rate increases by at least 2% and all excess cash flow from the Mortgage Financing Properties must be used to pay down principal. If the Mortgage Financings totaling $247.3 million are not repaid or refinanced by June 2008, the interest rates increase by at least 5% and all excess cash flow from those Mortgage Financing Properties must be used to pay down principal. If we are unable to meet our obligations under the Mortgage Financings, the Mortgage Financing Properties securing our debt could be foreclosed on, which would have a material adverse effect on us and our ability to make expected distributions. Similarly, six of our other Properties that

are subject to single property mortgage financing are, and any of our future indebtedness secured by any of the Properties we own will be, subject to this risk of foreclosure.

Potential Effect of Rising Interest Rates on Our Variable Rate Debt.

Approximately 45% of our indebtedness at December 31, 1998 bore interest at variable rates. In addition, we may incur other variable rate indebtedness in the future. Increases in interest rates on that indebtedness would increase our interest expense, which could adversely affect our cash flow and the amounts available for distributions to our stockholders.

No Limitation on Debt.

While we currently have a policy of incurring debt only if, upon incurrence, the debt to total market capitalization ratio would be 50% or less, our organizational documents contain no limitation on the amount of indebtedness that we may incur. Accordingly, our Board of Directors could alter or eliminate this policy. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our cash flow and, consequently, the amount available for distribution to stockholders, and could increase the risk of default on our indebtedness.

We have established our debt policy relative to our total market capitalization rather than relative to the book value of our assets. We have used total market capitalization because we believe that the book value of our assets (which to a large extent is the depreciated original cost of real property, our primary tangible assets) does not accurately reflect our ability to borrow and to meet debt service requirements. Our market capitalization, however, is more variable than book value, and may not necessarily reflect the fair market value of our underlying assets at all times. We also will consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the use of proceeds from the indebtedness, the estimated market value of our Properties upon refinancing and the ability of particular Properties and Arden Realty as a whole to generate cash flow to cover expected debt service.

REAL ESTATE INVESTMENT RISKS

Real Estate Ownership Risks.

Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend in large part on the amount of income generated and expenses incurred. If our Properties do not generate revenue sufficient to meet operating expenses, including debt service, tenant improvements, leasing commissions and other capital expenditures, we may have to borrow additional amounts to cover fixed costs, and our cash flow and ability to make distributions to our stockholders will be adversely affected.

Our revenue and the value of our Properties may be adversely affected by a number of factors, including:

- The national economic climate.

- The local economic climate.

- Local real estate conditions.

- The perceptions of prospective tenants of the attractiveness of the property.

- Our ability to manage and maintain the Properties and secure adequate insurance.

- The potential increase in operating costs (including real estate taxes and utilities).

In addition, real estate values and income from properties are also affected by such factors as:

- Applicable laws, including tax laws.

- Interest rate levels.

- Availability of financing.

Risk That We May be Unable to Retain Tenants or Rent Space Upon Lease Expirations.

We are and will be subject to the risks that upon expiration, leases may not be renewed, the space may not be relet or the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. If we are unable to promptly relet or renew leases for all or a substantial portion of this space, or if the rental rates upon such renewal or reletting are significantly lower than expected, our cash flow and ability to make expected distributions to stockholders could be adversely affected.

Restraints on Our Flexibility to Liquidate Real Estate.

Equity real estate investments are relatively illiquid. That illiquidity will tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code of 1986, as amended (the "Code"), limits a REIT's ability to sell properties held for fewer than four years, which may affect our ability to sell properties without adversely affecting returns to stockholders.

Impact of Competition on Occupancy Levels and Rents Charged.

Numerous office properties compete with our Properties in attracting tenants to lease space. Some of the competing properties may be newer, better located or owned by parties better capitalized than Arden Realty. The number of competitive commercial properties in a particular area could have a material adverse effect on:

- Our ability to lease space in the Properties (or at newly acquired or developed properties).

- The rents we can charge.

Potential Increases in Certain Taxes and Regulatory Compliance Costs.

Because increases in income, service or transfer taxes are generally not passed through to tenants under leases, any increases may adversely affect our cash flow and our ability to make distributions to stockholders. Our Properties are also subject to various federal, state and local regulatory requirements, such as requirements of the Americans with Disabilities Act (the "ADA") and state and local fire and life safety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. We believe that our Properties are currently in substantial compliance with these regulatory requirements and that any noncompliance would not have a material adverse effect on us. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by us and could have an adverse effect on our cash flow and expected distributions.

Impact of Financial Condition and Solvency of Tenants on Our Cash Flow.

At any time, a tenant of our Properties may seek the protection of bankruptcy laws, which could result in rejection and termination of such tenant's lease and thereby cause a reduction in our cash flow available for distribution. Although we have not experienced material losses from tenant bankruptcies, no assurance can be given that tenants will not file for bankruptcy protection in the future or, if any tenants file, that they will affirm their leases and continue to make rental payments in

a timely manner. In addition, a tenant from time to time may experience a downturn in its business which may weaken its financial condition and result in the failure to make rental payments when due. If tenant leases are not affirmed following bankruptcy or if a tenant's financial condition weakens, our income may be adversely affected.

Americans With Disabilities Act Compliance Costs.

Under the ADA, all public accommodations and commercial facilities are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. Although we believe that our Properties are substantially in compliance with these requirements, we may incur additional costs to comply with the ADA. Although we believe that compliance costs will not have a material adverse effect on us, if required changes involved a greater expenditure than we currently anticipate, our ability to make expected distributions could be adversely affected.

Financial Dependency and Management Conflicts Associated with Partnership and Joint Venture Property Ownership Structures.

We own our interests in our Properties through the Operating Partnership and certain other majority owned subsidiaries. In addition, we may also participate with other entities in property ownership through joint ventures or partnerships in the future. We currently do not have any plans to invest in joint ventures or partnerships with our affiliates or promoters. Nonetheless, partnership or joint venture investments may, under certain circumstances, involve risks not otherwise present, including the possibility that our partners or co-venturers might become bankrupt, that the partners or co-venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals, and that the partners or co-venturers may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to maintaining our qualification as a REIT. We will, however, seek to maintain sufficient control of any partnerships or joint ventures with which we may become involved to permit our business objectives to be achieved. There is no limitation under our organizational documents as to the amount of available funds that may be invested in partnerships or joint ventures.

Concentration of Properties in Southern California.

All of our Properties are located in Southern California. Our revenue and the value of our Properties may be affected by a number of factors, including the local economic climate (which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply of or reduced demand for office and other competing commercial properties). Therefore, our performance and our ability to make distributions to stockholders will likely be dependent, to a large extent, on the economic conditions in this market area.

INABILITY TO INTEGRATE OR FINANCE ACQUISITION, RENOVATION AND DEVELOPMENT ACTIVITIES

As we acquire additional properties, we will be subject to risks associated with managing new properties, including lease-up and tenant retention. In addition, our ability to manage our growth effectively will require us to successfully integrate our new acquisitions into our existing management structure. No assurances can be given that we will be able to succeed with that integration or effectively manage additional properties or that newly acquired properties will perform as expected.

We intend to expand and/or renovate our Properties from time to time. Expansion and renovation projects generally require expenditures of capital as well as various government and other approvals, the receipt of which cannot be assured. While policies with respect to expansion and renovation activities are intended to limit some of the risks otherwise associated with these activities, we will nevertheless incur risks, including expenditures of funds on, and devotion of our time to, projects which may not be completed. We anticipate that future acquisitions and renovations will be financed through a combination of advances under our lines of credit, other forms of secured or unsecured financing and equity. If new developments are financed through construction loans, there is a risk that, upon completion of construction, permanent financing for newly developed properties may not be available or may be available only on disadvantageous terms.

While we have generally limited our acquisition, renovation, management and leasing business primarily to the Southern California market, it is possible that we will in the future expand our business to new geographic markets. We will not initially possess the same level of familiarity with new markets outside of Southern California, which could adversely affect our ability to acquire, develop, manage or lease properties in any new localities. Changing market conditions, including competition from other purchasers of suburban office properties, may diminish our opportunities for attractive additional acquisitions.

We also intend to review from time to time the opportunities for developing and constructing office buildings and other commercial properties in accordance with our development and underwriting policies. Risks associated with our development and construction activities may include:

- Abandonment of development opportunities.

- Construction costs of a property exceeding original estimates, possibly making the property uneconomical.

- Occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable.

- Financing may not be available on favorable terms for development of a property.

- Construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs.

In addition, new development activities, regardless of whether they would ultimately be successful, typically require a substantial portion of our time and attention. Development activities would also be subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations.

CHANGES IN POLICIES WITHOUT STOCKHOLDER APPROVAL

Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our Board of Directors. Although our Board of Directors has no present intention to do so, these policies may be amended or revised at any time and from time to time at the discretion of our Board of Directors without a vote of our stockholders. In addition, our Board of Directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could adversely affect our financial condition, results of operations or the market price of our Common Stock.

POTENTIAL ADVERSE TAX CONSEQUENCES OF FAILURE TO QUALIFY AS A REIT

We have operated and intend to continue to operate so as to qualify as a REIT under the Code, commencing with our taxable year ended December 31, 1996. Although we believe that we have been and will continue to be organized and have operated and will continue to operate in such a manner, no assurance can be given that we have been or will continue to be organized or operated in

a manner so as to qualify or remain so qualified. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within the our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources and we must pay distributions to stockholders aggregating annually at least 95% of our REIT taxable income (excluding capital gains). The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT, like us, that holds its assets in partnership form. No assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. We are, however, not aware of any pending legislation that would adversely affect our ability to operate as a REIT. Our qualification and taxation as a REIT depend on our ability to meet (through actual annual operating results, distribution levels and diversity of stock ownership) the various qualification tests imposed under the Code, the results of which have not been and will not be reviewed by our tax counsel.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would significantly reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability to us for the years involved. In addition, distributions to stockholders would no longer be required to be made.

OTHER TAX LIABILITIES

Even if we qualify for and maintain our REIT status, we will be subject to certain federal, state and local taxes on our income and property. If we have net income from a prohibited transaction (in general, sales or other taxable disposition of property held primarily for sale to customers in the ordinary course of business), such income will be subject to a 100% tax.

INSURANCE

We carry comprehensive liability, fire, extended coverage and rental loss insurance policies which currently cover all of our Properties with certain specifications and insured limits that we believe are adequate and appropriate under the circumstances. We also carry earthquake insurance on all our Properties. There are, however, certain types of losses that are not generally insured because it is not economically feasible. Should an uninsured loss or a loss in excess of insured limits occur, we could lose our capital invested in the Property, as well as the anticipated future revenue from the property and, in the case of debt which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the Property. Any such loss would adversely affect us. Moreover, we could generally be liable for any unsatisfied obligations other than non-recourse obligations. We believe that our Properties are adequately insured. In addition, in light of the California earthquake risk, California building codes since the early 1970s have established construction standards for all newly built and renovated buildings, including office buildings, the current and strictest construction standards having been adopted in 1984. We believe all of our Properties were constructed in full compliance with the applicable standards existing at the time of construction. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

DEPENDENCE ON KEY PERSONNEL

We are dependent on the efforts of our executive officers, particularly Messrs. Ziman, Coleman, Sobel, and Ms. Laing. The loss of their services could have a material adverse effect on our operations.

Each of Messrs. Ziman, Coleman, Sobel, and Ms. Laing have entered into an employment agreement with us.

LIMITS ON CHANGES IN CONTROL

Certain provisions of our Charter and bylaws (our "Bylaws") as well as our Stockholder rights plan, which is described below, may have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for Arden Realty and may thereby inhibit a change in our control. For example, such provisions may:

- Deter tender offers for our Common Stock, which offers may be attractive to the stockholders.

- Deter purchases of large blocks of Common Stock, thereby limiting the opportunity for stockholders to receive a premium for their Common Stock over then-prevailing market prices.

Limits on Ownership of Common Stock.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares of Common Stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of our taxable year (other than the first year for which the election to be treated as a REIT has been made). In addition, if we, or an owner of 10% or more of our Stock, actually or constructively owns 10% or more of a tenant of ours (or a tenant of any partnership in which we are a partner), the rent received by us (either directly or through any such partnership) from such tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. In order to protect us against the risk of losing REIT status due to the concentration of ownership among our stockholders, the ownership limit included in our Charter (our "Ownership Limit") limits actual or constructive ownership of our outstanding shares of Common Stock by any single stockholder to 9.0% (by value or by number of shares, whichever is more restrictive) of the then outstanding shares of Common Stock. Although our Board of Directors presently has no intention of doing so (except as described below), our Board of Directors could waive this restriction with respect to a particular stockholder if it were satisfied, based upon the advice of counsel or a ruling from the Internal Revenue Service, that ownership by such stockholder in excess of the Ownership Limit would not jeopardize our status as a REIT and our Board of Directors otherwise decided such action would be in our best interests. Actual or constructive ownership of shares of Common Stock in excess of the Ownership Limit will cause the violative transfer or ownership to be void with respect to the transferee or owner as to that number of shares in excess of the Ownership Limit and such shares will be automatically transferred to a trust for the exclusive benefit of one or more qualified charitable organizations. That transferee or owner will have no right to vote such shares or be entitled to dividends or other distributions with respect to such shares. Our Board of Directors has waived our Ownership Limit with respect to Mr. Ziman and certain family members and affiliates and permitted these parties to actually and constructively own up to 13.0% of the outstanding shares of Common Stock.

Additional Common Stock and Preferred Stock Issuances.

Our Charter authorizes our Board of Directors to cause us to issue authorized but unissued shares of Common Stock or Preferred Stock and to reclassify any unissued shares of Common Stock or classify any unissued and reclassify any previously classified but unissued shares of Preferred Stock and, with respect to the Preferred Stock, to set the preferences, rights and other terms of such classified or unclassified shares. Although our Board of Directors has no such intention at the present time, it could establish a series of Preferred Stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change in control that might involve a premium price for the Common Stock or otherwise be in the best interest of our stockholders.

Staggered Board.

Our Board of Directors is divided into three classes of directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. The staggered terms of directors may reduce the possibility of a tender offer or an attempt to change control even though a tender offer or change in control might be in the best interest of our stockholders.

Preferred Share Purchase Rights Agreement.

In August 1998, we declared a dividend distribution of one preferred share purchase right on each outstanding share of our common stock. Subject to limited exceptions, these rights will be exercisable if a person or group (an "Acquiring Person") acquires 15% or more of our common stock or announces a tender offer for 15% or more of our common stock. Under certain circumstances, each right will entitle stockholders to buy one one-hundredth of a share of our newly created Class A Junior Participating Preferred Stock at an exercise price of $75. Our Board of Directors will be entitled to redeem the Rights at $.01 per Right at any time before a person has acquired 15% or more of the outstanding common stock. The Rights Plan will expire in August 2008.

If a person becomes an Acquiring Person, each right will entitle its holder to purchase, at the right's then-current exercise price, a number of our common shares having a market value at that time of twice the Right's exercise price. Rights held by the Acquiring Person will become void and will not be exercisable to purchase shares at the bargain purchase price. If we are acquired in a merger or other business combination transaction which has not been approved by our Board of Directors, each right will entitle its holder to purchase, at the right's then-current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the right's exercise price.

POSSIBLE ENVIRONMENTAL LIABILITIES

Under federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at the property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by those parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under these laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation or responsibility. The cost of investigation, remediation or removal of the substances may be substantial, and the presence of these substances, or the failure to remediate the contamination on the property, may adversely affect the owner's ability to sell or rent the property or to borrow using the property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility also may be liable for the costs of removal or remediation of a release of hazardous or toxic substances at the disposal or treatment facility, whether or not the facility is owned or operated by that person. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs incurred with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from that site.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials when those materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of asbestos-containing material and may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials. In connection with the ownership and operation of our properties, we may be potentially

liable for such costs. Except for two properties, one of which is currently undergoing abatement activities, we are not aware of any friable asbestos-containing materials at any of our properties.

In the past few years, independent environmental consultants have conducted or updated Phase I Environmental Assessments and other environmental investigations as appropriate ("Environmental Site Assessments") at our Properties. These Environmental Site Assessments have included, among other things, a visual inspection of the Properties and the surrounding area and a review of relevant state, federal and historical documents. Soil and groundwater sampling were performed where warranted and remediation, if necessary, has or is being conducted.

The Environmental Site Assessments of our Properties identified several Properties that may be impacted by known or suspected regional contamination. The Environmental Site Assessments have not, however, revealed any environmental liability that we believe would have a material adverse effect on our business, assets or results of operations taken as a whole, nor are we aware of any such material environmental liability. Nevertheless, it is possible that our Environmental Site Assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which we are unaware. Moreover, there can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability or the current environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of our properties (such as the presence of underground storage tanks), or by third parties unrelated to us.

We believe that our Properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products, except as noted above. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of our present Properties, other than as noted above.

ITEM 2. PROPERTIES

GENERAL

As of December 31, 1998 our portfolio consisted of 138 commercial properties containing approximately 18 million rentable square feet. Our Properties consist primarily of suburban office and industrial properties and individually range from approximately 12,000 to 600,000 rentable square feet. All of our Properties are located in Southern California as follows:

<TABLE>
<CAPTION>

APPROXIMATE NET

LOCATION	NUMBER OF PROPERTIES OFFICE	INDUSTRIAL AND RETAIL	TOTAL	RENTABLE SQUARE FEET OFFICE	INDUSTRIAL AND RETAIL	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Los Angeles County						
West................................	25	1	26	3,960,812	36,959	3,997,771
North...............................	28	--	28	2,583,054	--	2,583,054
South...............................	16	--	16	2,206,114	--	2,206,114
Central.............................	3	--	3	608,789	--	608,789
Orange County..........................	20	--	20	3,202,241	--	3,202,241
San Diego County.......................	21	--	21	2,486,768	--	2,486,768
Ventura County.........................	4	--	4	561,838	--	561,838
Riverside/San Bernardino Counties......	8	4	12	553,896	414,674	968,570
Kern County............................	2	--	2	216,522	--	216,522
Subtotal.....................	127	5	132	16,380,034	451,633	16,831,667
Renovation Properties..................	6	--	6	1,141,549	--	1,141,549
Total........................	133	5	138	17,521,583	451,633	17,973,216

</TABLE>

Following is a summary of our Properties under renovation at December 31, 1998:

<TABLE>
<CAPTION>

PROPERTY	APPROXIMATE NET RENTABLE SQUARE FEET	ESTIMATED TOTAL COST PER SQ. FT.(1)	ESTIMATED WEIGHTED AVERAGE ANNUAL RENTAL RATE(2)	PERCENT LEASED	ESTIMATED STABILIZATION DATE
<S>	<C>	<C>	<C>	<C>	<C>
299 Euclid................	73,400	$140	$23.75	100%	1st QTR 1999
1821 Dyer Boulevard.......	115,061	$ 88	$17.59	56%	2nd QTR 1999
535 Brand Boulevard.......	109,187	$175	$23.23	53%	2nd QTR 1999
5200 West Century.........	310,910	$ 65	$15.66	63%	2nd QTR 1999
Tourney Pointe............	219,991	$151	$21.03	6%	4th QTR 1999
Westwood Center...........	313,000	$251	$34.80	--	2nd QTR 2000
	1,141,549				

</TABLE>

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(1) Estimated total cost per square foot includes all purchase and closing costs, capital expenditures, tenant improvements, leasing commissions and carrying costs during renovation.

(2) Except for 299 Euclid, anticipated weighted average annual rental rate represents the weighted average of the in-place rental rates for occupied space and market rental rates for vacant space. Our estimates of the market rental rates are based on current trends which could change or reverse at any time as a result of future events. The calculation for 299 Euclid, which is 100% leased, was based on leases in place. Our ability to rent vacant space at estimated levels is highly dependent upon many factors over which we have no control. We undertake no obligation to update or correct these estimates if future events prove them to be inaccurate.

PORTFOLIO SUMMARY

The following table sets forth certain information regarding our properties as of December 31, 1998:

<TABLE>
<CAPTION>

LOCATION:	PERCENT OCCUPIED AT DECEMBER 31, 1998 OFFICE	INDUSTRIAL AND RETAIL	TOTAL	PERCENT LEASED AT DECEMBER 31, 1998 OFFICE	INDUSTRIAL AND RETAIL	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Los Angeles County						
West....................	90.0%	100.0%	90.1%	91.6%	100.0%	91.7%
North...................	91.2%	--	91.2%	92.6%	--	92.6%
South...................	88.6%	--	88.6%	88.6%	--	88.6%
Central.................	88.1%	--	88.1%	88.1%	--	88.1%

Orange County............	94.9%	--	94.9%	96.1%	--	96.1%
San Diego County..........	95.1%	--	95.1%	95.7%	--	95.7%
Ventura County............	93.7%	--	93.7%	94.0%	--	94.0%
Riverside/San Bernardino Counties................	79.7%	94.9%	86.2%	81.3%	95.2%	87.3%
Kern County...............	93.3%	--	93.3%	94.9%	--	94.9%
Subtotal/Weighted Average............	91.5%	95.3%	91.6%	92.5%	95.6%	92.6%
Renovation Properties.....	28.6%	--	28.6%	38.4%	--	38.4%
Weighted Average Total/Weighted Average..............	87.5%	95.3%	87.7%	89.1%	95.6%	89.2%

<CAPTION>

ANNUALIZED BASE RENT PER LEASED SQUARE FOOT(1)

LOCATION:	OFFICE	INDUSTRIAL AND RETAIL	TOTAL	FULL SERVICE GROSS LEASES(2)
<S>	<C>	<C>	<C>	<C>
Los Angeles County				
West....................	$22.57	$24.60	$22.59	$22.57
North...................	$19.35	--	$19.35	$20.39
South...................	$16.97	--	$16.97	$18.55
Central.................	$19.86	--	$19.86	$19.86
Orange County............	$15.18	--	$15.18	$17.41
San Diego County..........	$14.77	--	$14.77	$17.25
Ventura County............	$16.62	--	$16.62	$16.62
Riverside/San Bernardino Counties................	$14.16	$ 8.07	$11.32	$16.60
Kern County...............	$21.94	--	$21.94	--
Subtotal/Weighted Average............	$18.05	$ 9.48	$17.82	$19.73
Renovation Properties.....	$16.24	--	$16.24	$16.82
Weighted Average Total/Weighted Average..............	$18.00	$ 9.48	$17.77	$19.65

</TABLE>

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(1) Annualized base rent is calculated as monthly contractual base rent under existing leases as of December 31, 1998, multiplied by 12; for those leases where rent has not yet commenced or which are in a free rent period, the first month in which rent is received is used to determine Annualized Base Rent.

(2) Excludes 48 properties and 4,718,622 square feet under triple net and modified gross leases.

We believe our Properties have desirable locations within established business communities and are well maintained. Of our 138 Properties, 113 have been built since 1980 and 39 have been substantially renovated within the last five years. The average age of our buildings is approximately 15 years. Our Properties offer an array of amenities including security, parking, conference facilities, on-site management, food services and health clubs.

We believe that the location, quality of construction and building amenities, as well as our reputation for providing a high level of tenant service, have enabled us to attract and retain a diverse tenant base. As of December 31, 1998, no one tenant represented more than 2% of the aggregate Annualized Base Rent (as defined herein) of our Properties, and only five tenants individually represented more than 1% of our aggregate Annualized Base Rent.

Our Properties are leased to a variety of local, national and foreign businesses. Leases are typically structured for terms of three, five or 10 years. Most of the leases are full service, gross leases under which tenants typically pay for all real property taxes and operating expenses above those for an established base year or expense stop. Leases typically contain provisions permitting tenants to renew at prevailing market rates. Under these leases, we are generally responsible for structural repairs. Finally, tenants generally pay directly (without regard to a base year or expense stop) for overtime use of air conditioning and for on site monthly employee and visitor parking.

Although the leases at our Properties primarily consist of gross leases, approximately 15% of the total portfolio leased square footage as of December 31, 1998 is leased pursuant to triple net leases. In general, triple net leases require the tenants to pay all real property taxes, insurance and expenses of maintaining the leased space and have renewal and termination provisions similar to those described above.

Our Properties are regionally managed under active central control. All administration (including the formation and implementation of policies and procedures), leasing, capital expenditures and construction decisions are centrally administered at our corporate office. We employ regional managers to oversee and direct the day-to-day operations of our Properties, as well as the on-site personnel, which may include a manager, assistant manager and other necessary staff. Regional managers communicate frequently with our corporate office to implement our policies and procedures.

The on-site staffing of each property is dictated by the property's size, tenant profile, number of tenants and location. We contract with third parties for cleaning services, day porters, engineers and any other personnel necessary to operate our Properties.

The following table sets forth certain information regarding our 138 Properties as of December 31, 1998:

<TABLE>
<CAPTION>

PROPERTY NAME	SUBMARKET	LOCATION	YEAR(S) BUILT/ RENOVATED	APPROXIMATE NET RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL PORTFOLIO NET RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
OFFICE					
LOS ANGELES COUNTY					
Los Angeles West					
9665 Wilshire....................	Beverly Hills/Century City	Beverly Hills	1972/92-93	158,684	0.9%
Beverly Atrium...................	Beverly Hills/Century City	Beverly Hills	1989	61,314	0.3%
8383 Wilshire....................	Beverly Hills/Century City	Beverly Hills	1971/93	417,463	2.3%
120 Spalding.....................	Beverly Hills/Century City	Beverly Hills	1984	60,656	0.3%
9100 Wilshire....................	Beverly Hills/Century City	Beverly Hills	1971/90	326,227	1.8%
Century Park Center..............	Beverly Hills/Century City	Los Angeles	1972/94	243,404	1.4%
10350 Santa Monica...............	Beverly Hills/Century City	Los Angeles	1979	42,292	0.2%
10351 Santa Monica...............	Beverly Hills/Century City	Los Angeles	1984	96,251	0.5%
Westwood Terrace.................	Westwood/West Los Angeles	Los Angeles	1988	135,943	0.8%
1950 Sawtelle....................	Westwood/West Los Angeles	Los Angeles	1988/95	103,772	0.6%
10780 Santa Monica...............	Westwood/West Los Angeles	Los Angeles	1984	92,486	0.5%
Wilshire Pacific Plaza...........	Westwood/West Los Angeles	Los Angeles	1976/1987	100,122	0.6%
World Savings Center(2)(3).......	Westwood/West Los Angeles	Los Angeles	1983	469,115	2.6%
11075 Santa Monica...............	Westwood/West Los Angeles	Los Angeles	1983	35,696	0.2%
2730 Wilshire(4).................	Westwood/West Los Angeles	Santa Monica	1985	55,080	0.3%
Carlsberg Corporate Center.......	Westwood/West Los Angeles	Santa Monica	1979	103,506	0.6%
1919 Santa Monica................	Westwood/West Los Angeles	Santa Monica	1991	44,096	0.2%
400 Corporate Pointe.............	Marina Area/Culver City/LAX	Culver City	1987	164,598	0.9%
600 Corporate Pointe.............	Marina Area/Culver City/LAX	Culver City	1989	273,339	1.5%
Bristol Plaza....................	Marina Area/Culver City/LAX	Culver City	1982	84,014	0.5%
Skyview Center...................	Marina Area/Culver City/LAX	Los Angeles	1981,87/95	391,675	2.2%
Northpoint.......................	Marina Area/Culver City/LAX	Los Angeles	1991	104,235	0.6%
The New Wilshire.................	Park Mile/West Hollywood	Los Angeles	1986	202,704	1.1%
145 South Fairfax................	Park Mile/West Hollywood	Los Angeles	1984	54,429	0.3%
9201 Sunset......................	Park Mile/West Hollywood	Los Angeles	1963/92-95	139,711	0.8%
				----------	-----
Subtotal/Weighted Average -- Los Angeles West				3,960,812	22.0%
Los Angeles North					
Calabasas Commerce Center........	Simi/Conejo Valley	Calabasas	1990	123,121	0.7%
Calabasas Tech Center............	Simi/Conejo Valley	Calabasas	1990	273,526	1.5%

<CAPTION>

PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
<S>	<C>	<C>	<C>	<C>
OFFICE				
LOS ANGELES COUNTY				
Los Angeles West				

9665 Wilshire.....................	100.0%	$ 4,691	23	$29.74
Beverly Atrium....................	83.6%	1,307	10	25.49
8383 Wilshire.....................	89.6%	7,669	131	20.50
120 Spalding......................	100.0%	2,211	19	35.79
9100 Wilshire.....................	88.2%	6,204	76	21.56
Century Park Center...............	89.9%	4,635	91	21.19
10350 Santa Monica................	92.3%	718	16	18.39
10351 Santa Monica................	97.1%	1,698	17	18.17
Westwood Terrace..................	99.6%	3,244	28	23.95
1950 Sawtelle.....................	96.2%	1,977	35	19.80
10780 Santa Monica................	92.5%	1,670	32	19.52
Wilshire Pacific Plaza............	77.1%	1,481	34	19.19
World Savings Center(2)(3)........	95.1%	13,259	51	29.73
11075 Santa Monica................	100.0%	627	5	17.55
2730 Wilshire(4)..................	85.3%	1,038	28	22.08
Carlsberg Corporate Center........	94.0%	2,070	41	21.29
1919 Santa Monica.................	100.0%	1,065	5	24.33
400 Corporate Pointe..............	98.3%	3,317	18	20.51
600 Corporate Pointe..............	93.1%	4,741	22	18.63
Bristol Plaza.....................	90.7%	1,332	24	17.48
Skyview Center....................	90.3%	5,836	47	16.50
Northpoint........................	96.4%	3,184	6	31.69
The New Wilshire..................	87.2%	3,720	34	21.05
145 South Fairfax.................	100.0%	1,057	13	19.57
9201 Sunset.......................	71.1%	3,146	55	31.67
	-----	--------	-----	------
Subtotal/Weighted Average -- Los Angeles West	91.6%	$ 81,897	861	$22.57
Los Angeles North				
Calabasas Commerce Center.........	100.0%	$ 1,827	13	$14.47
Calabasas Tech Center.............	100.0%	5,241	12	19.16

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PROPERTY NAME	SUBMARKET	LOCATION	YEAR(S) BUILT/ RENOVATED	APPROXIMATE NET RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL PORTFOLIO NET RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
Thousand Oaks Plaza...............	Simi/Conejo Valley	Thousand Oaks	1988	13,434	0.1%
Rancho Plaza......................	Simi/Conejo Valley	Thousand Oaks	1987	24,057	0.1%
Pennsfield Plaza..................	Simi/Conejo Valley	Thousand Oaks	1989	21,202	0.1%
Conejo Business Park..............	Simi/Conejo Valley	Thousand Oaks	1991	69,017	0.4%
Marin Corporate Center............	Simi/Conejo Valley	Thousand Oaks	1986	51,360	0.3%
Evergreen Plaza...................	Simi/Conejo Valley	Thousand Oaks	1979/96	75,722	0.4%
5601 Lindero Canyon...............	Simi/Conejo Valley	Westlake	1989	105,830	0.6%
Renaissance Court.................	Simi/Conejo Valley	Westlake	1981/92	61,245	0.3%
Westlake Gardens..................	Simi/Conejo Valley	Westlake	1998	49,639	0.3%
6800 Owensmouth(3)................	West San Fernando Valley	Canoga Park	1986	80,014	0.4%
Woodland Hills Financial Center...	West San Fernando Valley	Woodland Hills	1972/95	224,955	1.4%
Clarendon Crest...................	West San Fernando Valley	Woodland Hills	1990	43,063	0.2%
Lyons Plaza.......................	Santa Clarita Valley	Santa Clarita	1990	61,203	0.3%
16000 Ventura.....................	Central San Fernando Valley	Encino	1980/96	174,841	1.0%
Sumitomo Bank Building............	Central San Fernando Valley	Sherman Oaks	1970/90-91	110,641	0.6%
Noble Professional Center.........	Central San Fernando Valley	Sherman Oaks	1985/93	51,828	0.3%
Sunset Pointe Plaza...............	Valencia	Newhall	1988	58,105	0.3%
303 Glenoaks......................	East San Fernando Valley/Tri-Cities	Burbank	1983/96	175,449	1.0%
601 South Glenoaks................	East San Fernando Valley/Tri-Cities	Burbank	1990	72,524	0.4%
Burbank Executive Plaza...........	East San Fernando Valley/Tri-Cities	Burbank	1983	60,395	0.3%
California Federal Building.......	East San Fernando Valley/Tri-Cities	Burbank	1978	82,467	0.5%
425 West Broadway.................	East San Fernando Valley/Tri-Cities	Glendale	1984	71,589	0.4%
Glendale Corporate Center.........	East San Fernando Valley/Tri-Cities	Glendale	1985	108,209	0.6%
70 South Lake.....................	East San Fernando Valley/Tri-Cities	Pasadena	1982/94	100,133	0.6%
150 East Colorado.................	East San Fernando Valley/Tri-Cities	Pasadena	1979/97	61,168	0.3%
5161 Lankershim...................	East San Fernando Valley/Tri-Cities	North Hollywood	1985/97	178,317	1.0%
				----------	-----
Subtotal/Weighted Average -- Los Angeles North				2,583,054	14.4%
Los Angeles South					
4811 Airport Plaza(3).............	Long Beach	Long Beach	1987/95	121,610	0.7%
4900/10 Airport Plaza(3)..........	Long Beach	Long Beach	1987/95	150,403	0.8%
5000 Spring(3)....................	Long Beach	Long Beach	1989/95	163,358	0.9%
100 West Broadway.................	Long Beach	Long Beach	1987/96	191,727	1.1%
1501 Hughes Way...................	Long Beach	Long Beach	1983/97	77,060	0.4%
3901 Via Oro......................	Long Beach	Long Beach	1986/97	53,195	0.3%

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PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
<S>	<C>	<C>	<C>	<C>
Thousand Oaks Plaza..............	100.0%	$ 212	6	$15.78
Rancho Plaza......................	93.5%	349	19	15.51
Pennsfield Plaza..................	55.2%	193	9	16.49
Conejo Business Park..............	80.2%	1,001	26	18.08
Marin Corporate Center............	96.7%	993	30	20.00
Evergreen Plaza...................	93.2%	1,235	38	17.51
5601 Lindero Canyon...............	100.0%	1,206	2	11.39
Renaissance Court.................	86.7%	1,005	15	18.92
Westlake Gardens..................	70.0%	842	13	24.26
6800 Owensmouth(3)................	83.4%	1,205	21	18.06
Woodland Hills Financial Center...	83.4%	4,082	62	21.76
Clarendon Crest...................	95.7%	765	11	18.57
Lyons Plaza.......................	91.0%	1,230	24	22.08
16000 Ventura.....................	89.2%	2,955	44	18.96
Sumitomo Bank Building............	85.2%	1,841	43	19.52
Noble Professional Center.........	90.6%	1,032	18	21.97
Sunset Pointe Plaza...............	100.0%	1,254	29	21.64
303 Glenoaks......................	100.0%	3,685	26	20.84
601 South Glenoaks................	100.0%	1,365	16	18.82
Burbank Executive Plaza...........	96.8%	1,283	13	21.94
California Federal Building.......	100.0%	1,741	11	21.43
425 West Broadway.................	92.1%	1,263	13	19.16
Glendale Corporate Center.........	88.6%	1,766	17	18.43
70 South Lake.....................	99.8%	2,107	18	21.09
150 East Colorado.................	88.7%	994	19	18.32
5161 Lankershim...................	92.0%	3,620	9	22.07
	-----	--------	-----	------
Subtotal/Weighted Average -- Los Angeles North	92.6%	$ 46,292	577	$19.35
Los Angeles South				
4811 Airport Plaza(3).............	100.0%	$ 1,051	1	$ 8.64
4900/10 Airport Plaza(3)..........	100.0%	1,173	1	7.80
5000 Spring(3)....................	97.3%	3,183	30	20.03
100 West Broadway.................	98.0%	3,969	30	21.13
1501 Hughes Way...................	45.1%	513	3	14.74
3901 Via Oro......................	85.1%	704	3	15.54

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PROPERTY NAME	SUBMARKET	LOCATION	YEAR(S) BUILT/ RENOVATED	APPROXIMATE NET RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL PORTFOLIO NET RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
100 Oceangate Tower..............	Long Beach	Long Beach	1971/93-94	210,907	1.2%
12501 East Imperial Highway.......	Long Beach	Norwalk	1978/94	122,175	0.7%
91 Freeway Center.................	Mid-Cities	Artesia	1986/97	94,516	0.5%
Continental Grand.................	El Segundo	El Segundo	1986	235,926	1.3%
Grand Avenue Plaza................	El Segundo	El Segundo	1979,80	84,500	0.5%
South Bay Centre..................	Torrance	Gardena	1984	202,830	1.1%
Harbor Corporate Center...........	Torrance	Gardena	1985	63,925	0.4%
Pacific Gateway II................	Torrance	Torrance	1982/90	223,731	1.2%
Mariner Court.....................	Torrance	Torrance	1989	105,436	0.6%
South Bay Technology Center.......	Torrance	Torrance	1984	104,815	0.6%
				----------	-----
Subtotal/Weighted Average -- Los Angeles South				2,206,114	12.3%
Los Angeles Central					
Los Angeles Corporate Center......	San Gabriel Valley	Monterey Park	1984,86	389,293	2.1%
Whittier Financial Center.........	San Gabriel Valley	Whittier	1967,82	135,415	0.8%
1370 Valley Vista.................	San Gabriel Valley	Diamond Bar	1988	84,081	0.5%
				----------	-----
Subtotal/Weighted Average -- Los Angeles Central				608,789	3.4%
ORANGE COUNTY					
5832 Bolsa........................	West County	Huntington Beach	1985	49,355	0.3%
Huntington Beach Plaza I & II.....	West County	Huntington Beach	1984/96	52,186	0.3%
5702 Bolsa........................	West County	Huntington Beach	1987/97	27,731	0.2%
5672 Bolsa........................	West County	Huntington Beach	1987	11,968	0.1%
5632 Bolsa........................	West County	Huntington Beach	1987	21,568	0.1%

Huntington Commerce Center........	West County	Huntington Beach	1987	67,551	0.4%
City Centre.......................	West County	Fountain Valley	1982	302,519	1.7%
Fountain Valley Plaza.............	West County	Fountain Valley	1982	107,252	0.6%
3300 Irvine Avenue................	Greater Airport Area	Newport Beach	1981/97	74,224	0.4%
Von Karman Corporate Center.......	Greater Airport Area	Irvine	1981/84	451,477	2.5%
1503 South Coast..................	Greater Airport Area	Costa Mesa	1979/97	60,605	0.3%
Anaheim City Centre(3)............	Tri-Freeway Area	Anaheim	1986/91	175,391	1.0%
Crown Cabot.......................	South County	Laguna Niguel	1989	172,900	1.0%
625 The City......................	Tri-Freeway Area	Orange	1985/97	139,806	0.8%
One Venture.......................	South County	Irvine	1990/97	43,324	0.2%
Orange Financial Center...........	Central County	Orange	1985/95	305,439	1.7%

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PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
<S>	<C>	<C>	<C>	<C>
100 Oceangate Tower..............	83.1%	$ 2,894	37	$16.51
12501 East Imperial Highway.......	96.9%	2,029	5	17.15
91 Freeway Center.................	97.9%	1,691	19	18.28
Continental Grand.................	89.4%	4,772	35	22.63
Grand Avenue Plaza................	100.0%	1,303	6	16.00
South Bay Centre..................	91.2%	3,215	37	17.38
Harbor Corporate Center...........	72.0%	655	15	14.23
Pacific Gateway II................	72.8%	3,107	32	19.09
Mariner Court.....................	96.4%	1,738	37	17.09
South Bay Technology Center.......	78.3%	1,174	8	14.30
Subtotal/Weighted Average -- Los Angeles South	88.6%	$ 33,171	299	$16.97
Los Angeles Central				
Los Angeles Corporate Center......	85.3%	$ 6,530	29	$19.66
Whittier Financial Center.........	90.0%	2,487	41	20.41
1370 Valley Vista.................	97.6%	1,635	16	19.92
Subtotal/Weighted Average -- Los Angeles Central	88.1%	$ 10,652	86	$19.86
ORANGE COUNTY				
5832 Bolsa........................	100.0%	$ 699	1	$14.16
Huntington Beach Plaza I & II.....	91.1%	684	14	14.39
5702 Bolsa........................	100.0%	191	2	6.89
5672 Bolsa........................	100.0%	75	1	6.24
5632 Bolsa........................	100.0%	155	1	7.20
Huntington Commerce Center........	97.9%	453	21	6.85
City Centre.......................	98.7%	4,420	30	14.80
Fountain Valley Plaza.............	100.0%	1,758	4	16.39
3300 Irvine Avenue................	90.8%	1,267	28	18.81
Von Karman Corporate Center.......	93.6%	6,647	30	15.73
1503 South Coast..................	95.4%	871	23	15.07
Anaheim City Centre(3)............	93.6%	3,039	12	18.51
Crown Cabot.......................	100.0%	3,767	37	21.68
625 The City......................	98.6%	2,538	33	18.41
One Venture.......................	65.5%	623	8	21.95
Orange Financial Center...........	96.9%	5,740	42	19.39

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PROPERTY NAME	SUBMARKET	LOCATION	YEAR(S) BUILT/ RENOVATED	APPROXIMATE NET RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL PORTFOLIO NET RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
Centerpointe La Palma.............	North County	La Palma	1986,88,90	597,550	3.2%
Lambert Office Plaza..............	North County	Brea	1986/97	32,807	0.2%
Savi Tech Center..................	North County	Yorba Linda	1989	341,446	1.9%
Yorba Linda Business Park.........	North County	Yorba Linda	1988	167,142	0.9%
Subtotal/Weighted Average -- Orange County................				3,202,241	17.8%
SAN DIEGO COUNTY					
Imperial Bank Tower(3)............	Downtown	San Diego	1982/96	540,413	2.9%
Foremost Professional Plaza.......	I-15 Corridor	San Diego	1992	60,534	0.3%
Activity Business Center..........	I-15 Corridor	San Diego	1987	167,045	0.9%
Bernardo Regency..................	I-15 Corridor	San Diego	1986	47,916	0.3%

Carlsbad Corporate Center.........	North Coast	Carlsbad	1996	125,000	0.7%
10180 Scripps Ranch...............	I-15 Corridor	San Diego	1978/96	43,560	0.2%
Cymer Technology Center...........		Rancho			
	I-15 Corridor	Bernardino	1986	155,612	0.9%
10965-93 Via Frontera.............		Rancho			
	I-15 Corridor	Bernardino	1982/97	77,920	0.4%
Poway Industrial..................	I-15 Corridor	Poway	1991/96	112,000	0.6%
Balboa Corporate Center...........	Mission Valley/Kearny Mesa	San Diego	1990	69,890	0.4%
Panorama Corporate Center.........	Mission Valley/Kearny Mesa	San Diego	1991	133,245	0.7%
Ruffin Corporate Center...........	Mission Valley/Kearny Mesa	San Diego	1990	45,059	0.3%
Skypark Office Plaza..............	Mission Valley/Kearny Mesa	San Diego	1986	202,164	1.1%
Governor Park Plaza...............	North City	San Diego	1986	104,065	0.6%
Westridge.........................	North City	San Diego	1984/96	48,850	0.3%
5120 Shoreham.....................	North City	San Diego	1984	37,759	0.2%
Sorrento Valley Science Park......	North City	San Diego	1984	181,207	1.0%
Torreyanna Science Park...........	North City	La Jolla	1980/97	81,204	0.5%
Uniden Building...................	North City	San Diego	1990	28,119	0.2%
Genesee Executive Park............	North City	San Diego	1984	155,820	0.9%
10251 Vista Sorrento..............	North City	San Diego	1981/95	69,386	0.4%
Subtotal/Weighted Average -- San Diego County..............				2,486,768	13.8%
VENTURA COUNTY					
Center Promenade..................	West County	Ventura	1982	174,837	0.9%
1000 Town Center..................	West County	Oxnard	1989	107,653	0.6%
Solar Drive Business Park.........	West County	Oxnard	1982	125,132	0.7%

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PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
<S>	<C>	<C>	<C>	<C>
Centerpointe La Palma.............	95.0%	$ 9,486	83	$16.72
Lambert Office Plaza..............	85.5%	500	8	17.82
Savi Tech Center..................	100.0%	2,611	4	7.65
Yorba Linda Business Park.........	96.5%	1,188	61	7.36
Subtotal/Weighted Average -- Orange County.................	96.1%	$ 46,712	443	$15.18
SAN DIEGO COUNTY				
Imperial Bank Tower(3)............	90.2%	$ 8,548	66	$17.54
Foremost Professional Plaza.......	91.0%	1,125	39	20.42
Activity Business Center..........	92.4%	1,717	40	11.12
Bernardo Regency..................	92.2%	784	19	17.75
Carlsbad Corporate Center.........	100.0%	1,628	1	13.02
10180 Scripps Ranch...............	100.0%	381	1	8.75
Cymer Technology Center...........				
	100.0%	1,659	2	10.66
10965-93 Via Frontera.............				
	93.4%	639	5	8.78
Poway Industrial..................	100.0%	605	1	5.40
Balboa Corporate Center...........	100.0%	728	1	10.42
Panorama Corporate Center.........	100.0%	2,237	1	16.79
Ruffin Corporate Center...........	100.0%	407	1	9.57
Skypark Office Plaza..............	94.4%	3,205	13	16.08
Governor Park Plaza...............	98.6%	1,603	18	15.40
Westridge.........................	100.0%	566	4	11.59
5120 Shoreham.....................	100.0%	639	1	16.92
Sorrento Valley Science Park......	100.0%	2,677	10	14.77
Torreyanna Science Park...........	100.0%	1,608	1	19.80
Uniden Building...................	100.0%	330	2	11.74
Genesee Executive Park............	90.0%	3,007	17	21.44
10251 Vista Sorrento..............	100.0%	1,060	1	15.28
Subtotal/Weighted Average -- San Diego County..............	95.7%	$ 35,153	244	$14.77
VENTURA COUNTY				
Center Promenade..................	89.6%	$ 2,424	55	$15.47
1000 Town Center..................	100.0%	2,123	13	19.72
Solar Drive Business Park.........	97.1%	2,114	41	17.40

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			YEAR(S)	APPROXIMATE	PERCENTAGE OF TOTAL PORTFOLIO NET

PROPERTY NAME	SUBMARKET	LOCATION	BUILT/ RENOVATED	NET RENTABLE SQUARE FEET	RENTABLE SQUARE FEET
Camarillo Business Center.........	West County	Camarillo	1984/1997	154,216	0.9%
Subtotal/Weighted Average -- Ventura County................				561,838	3.1%
RIVERSIDE AND SAN BERNARDINO COUNTIES					
Centrelake Plaza..................	Inland Empire West	Ontario	1989	110,763	0.6%
Tower Plaza I.....................	Temecula	Temecula	1988	72,350	0.4%
Tower Plaza II....................	Temecula	Temecula	1983	19,301	0.1%
Tower Plaza III...................	Temecula	Temecula	1983	12,483	0.1%
Chicago Avenue Business Park......	Inland Empire East	Riverside	1986	47,482	0.3%
Hunter Business Park..............	Inland Empire East	Riverside	1990	106,782	0.6%
Havengate Center..................	Inland Empire East	Rancho Cucamonga	1985	80,557	0.4%
HDS Plaza.........................	Inland Empire East	San Bernardino	1987	104,178	0.6%
Subtotal/Weighted Average -- Riverside and San Bernardino Counties......................				553,896	3.1%
KERN COUNTY					
Parkway Center....................	Bakersfield	Bakersfield	1992,95	61,333	0.3%
California Twin Center............	Bakersfield	Bakersfield	1983	155,189	0.9%
Subtotal/Weighted Average -- Kern County...................				216,522	1.2%
Total/ Weighted Average -- Office (Excluding properties under renovation).....................				16,380,034	91.1%
INDUSTRIAL					
RIVERSIDE AND SAN BERNARDINO COUNTIES					
Ontario Airport Commerce Center...	Inland Empire West	Ontario	1987/97	213,127	1.3%
Highlands I.......................	Temecula	Temecula	1988	26,856	0.1%
Highlands II......................	Temecula	Temecula	1990	41,210	0.2%
Total/Weighted Average-- Industrial............				281,193	1.6%

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PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
Camarillo Business Center.........	92.4%	$ 2,121	21	$14.89
Subtotal/Weighted Average -- Ventura County................	94.0%	$ 8,782	130	$16.63
RIVERSIDE AND SAN BERNARDINO COUNTIES				
Centrelake Plaza..................	77.7%	$ 1,543	17	$17.94
Tower Plaza I.....................	89.1%	1,004	19	15.56
Tower Plaza II....................	97.0%	221	22	11.83
Tower Plaza III...................	75.0%	108	20	11.50
Chicago Avenue Business Park......	86.4%	569	6	13.86
Hunter Business Park..............	77.1%	517	13	6.29
Havengate Center..................	71.9%	913	9	15.77
HDS Plaza.........................	87.1%	1,505	14	16.59
Subtotal/Weighted Average -- Riverside and San Bernardino Counties......................	81.3%	$ 6,380	120	$14.17
KERN COUNTY				
Parkway Center....................	90.5%	$ 993	9	$17.89
California Twin Center............	96.7%	3,518	11	23.44
Subtotal/Weighted Average -- Kern County...................	94.9%	$ 4,511	20	$21.95
Total/ Weighted Average -- Office (Excluding properties under renovation).....................	92.5%	$273,550	2,780	$18.05
INDUSTRIAL				
RIVERSIDE AND SAN BERNARDINO COUNTIES				
Ontario Airport Commerce Center...	97.7%	$ 1,277	44	$ 6.13
Highlands I.......................	100.0%	250	9	9.32
Highlands II......................	100.0%	366	13	8.89

Total/Weighted Average-- Industrial...........	98.2%	$ 1,893	66	$ 6.86

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PROPERTY NAME	SUBMARKET	LOCATION	YEAR(S) BUILT/ RENOVATED	APPROXIMATE NET RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL PORTFOLIO NET RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
RETAIL					
RIVERSIDE AND SAN BERNARDINO COUNTIES					
Tower Plaza Retail................	Temecula	Temecula	1970/97	133,481	0.7%
Los Angeles West					
Howard Hughes Spectrum............	Marina Area/Culver City/LAX	Los Angeles	1993	36,959	100.0%
Total-Retail......................				170,440	0.9%
Total Industrial and Retail.......				451,633	2.5%
Portfolio Total (excluding renovations)....................				16,831,667	93.6%
RENOVATIONS					
Westwood Center(5)(6)............	Westwood/West Los Angeles	Los Angeles	1965	313,000	1.8%
5200 West Century(6).............	Marina Area/Culver City/LAX	Los Angeles	1982	310,910	1.8%
Tourney Pointe(6)(7).............	Santa Clarita Valley	Valencia	1985/98	219,991	1.2%
535 Brand Boulevard(6)...........	East San Fernando Valley/Tri-Cities	Glendale	1973/92	109,187	0.6%
299 Euclid(6)....................	East San Fernando Valley/Tri-Cities	Pasadena	1983	73,400	0.4%
1821 Dyer Boulevard(6)...........	Greater Airport Area	Irvine	1980/88	115,061	0.6%
Total Renovations.................				1,141,549	6.4%
Total Office (including renovations)....................				17,521,583	97.5%
Portfolio total...................				17,973,216	100.0%

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PROPERTY NAME	PERCENT LEASED	ANNUALIZED BASE RENT(1) ($000S)	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
<S>	<C>	<C>	<C>	<C>
RETAIL				
RIVERSIDE AND SAN BERNARDINO COUNTIES				
Tower Plaza Retail................	88.7%	$ 1,291	21	$10.91
Los Angeles West				
Howard Hughes Spectrum............	100.0%	909	1	24.60
Total-Retail......................	91.1%	$ 2,200	22	$14.17
Total Industrial and Retail.......	95.6%	$ 4,093	88	$ 9.48
Portfolio Total (excluding renovations)....................	92.6%	$277,643	2,868	$17.81
RENOVATIONS				
Westwood Center(5)(6)............	0.0%	N/A	N/A	N/A
5200 West Century(6).............	62.6%	$ 2,976	33	$15.29
Tourney Pointe(6)(7).............	5.5%	266	1	21.96
535 Brand Boulevard(6)...........	52.8%	1,111	9	19.27
299 Euclid(6)....................	100.0%	1,743	4	23.75
1821 Dyer Boulevard(6)...........	56.2%	1,151	1	17.80
Total Renovations.................	38.4%	$ 7,247	48	$16.53
Total Office (including renovations)....................	89.1%	$280,797	2,828	$17.99
Portfolio total...................	89.2%	$284,890	2,916	$17.77

</TABLE>

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(1) Except for 299 Euclid and 1821 Dyer Boulevard, annualized base rent is calculated as monthly contractual base rent under existing leases as of December 31, 1998, multiplied by 12; for those leases where rent has not yet commenced or which are in a free rent period, the first month in which rent is to be received is used to determine Annualized Base Rent. The calculation for 299 Euclid and 1821 Dyer Boulevard includes estimated operating expense reimbursements.
(2) At January 1, 1998, we owned a 75% interest in this property and on March 25, 1998 exercised our option to purchase the remaining 25% interest for $27.5 million, resulting in a total acquisition cost of approximately $110.7 million.
(3) We lease the land underlying these Properties and/or their parking structures pursuant to long term ground leases.
(4) Above amounts for 2730 Wilshire exclude the 100%-occupied 12,740 square foot, 16-unit apartment complex we also own.
(5) We own a 97.5% interest in this property.
(6) Property is currently under renovation.
(7) We own a 99.3% interest in this property.

TENANT INFORMATION

Our 138 Properties are leased to over 2,900 tenants which are engaged in a variety of businesses, including financial services, entertainment, health care services, accounting, law, computer technology, education and publishing. The following table sets forth certain information as of December 31, 1998 derived from the 20 largest tenants at our Properties (based on percentage of aggregate portfolio annualized base rent):

<TABLE>
<CAPTION>

TENANT	NUMBER OF LEASES	WEIGHTED AVERAGE REMAINING LEASE TERM IN MONTHS	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED BASE RENT
<S>	<C>	<C>	<C>	<C>
State of California................................	29	58	1.66%	1.61%
Wells Fargo Bank...................................	4	93	0.66%	1.16%
University of Phoenix, Inc.........................	9	61	1.17%	1.14%
Walt Disney Pictures & Television, Inc..............	2	52	0.94%	1.14%
Foote, Cone & Belding -- Honig, Inc.................	2	56	0.40%	1.05%
Chevron USA, Inc...................................	1	20	0.65%	0.97%
GTE (Consolidated Entities).........................	5	23	1.00%	0.90%
Atlantic Richfield Company..........................	2	92	0.79%	0.80%
Community Healthcare Alliance.......................	1	56	0.84%	0.79%
McDonnell Douglas Corp.............................	1	82	1.70%	0.78%
Maritz...	4	29	0.68%	0.77%
Pepperdine University..............................	2	48	0.58%	0.74%
State Compensation Insurance Fund...................	1	51	0.71%	0.73%
Sony (Consolidated Entities)........................	4	60	0.72%	0.72%
Omnicom Group, Inc.................................	1	58	0.32%	0.71%
U.S. Government....................................	16	28	0.60%	0.64%
Salomon Smith Barney................................	6	85	0.44%	0.63%
Cymer, Inc...	1	132	0.97%	0.58%
Pacific Southwest Bank..............................	1	108	0.78%	0.57%
Aurora Biosciences Corp.............................	1	117	0.51%	0.57%
Total/Weighted Average (1)................	93	66	16.12%	17.00%

</TABLE>

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(1) Weighted average calculation based on rentable square footage leased by each tenant.

LEASE DISTRIBUTIONS

The following table sets forth information relating to the distribution of the leases for our 138 Properties, based on rentable square feet under lease, as of December 31, 1998:

<TABLE>
<CAPTION>

		AVERAGE	
PERCENTAGE	ANNUALIZED	BASE	PERCENTAGE

SQUARE FEET UNDER LEASE	NUMBER OF LEASES	PERCENTAGE OF ALL LEASES	SQUARE FOOTAGE OF LEASES	OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	BASED RENT OF LEASES(1) ($000S)	RENT PER SQUARE FOOT OF LEASES	OF AGGREGATE PORTFOLIO ANNUALIZED BASE RENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2,500 or less..............	1,566	53.71%	2,153,029	13.47%	$ 42,009	$19.51	13.88%
2,501 - 5,000..............	611	20.96%	2,125,565	13.30%	41,802	19.67	13.82%
5,001 - 7,500..............	227	7.78%	1,394,439	8.72%	26,837	19.25	8.87%
7,501 - 10,000.............	157	5.38%	1,349,603	8.44%	24,305	18.01	8.03%
10,001 - 20,000.............	226	7.75%	3,079,048	19.26%	60,445	19.63	19.98%
20,001 - 40,000.............	75	2.57%	2,066,091	12.93%	38,354	18.56	12.68%
40,001 and over.............	54	1.85%	3,816,940	23.88%	68,809	18.03	22.74%
Total/Weighted Average...	2,916	100.00%	15,984,715	100.00%	$302,561	$18.93	100.00%

</TABLE>

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(1) Base rent is as of the date of lease expiration, including all fixed contractual base rent increases; increases tied to indices such as the Consumer Price Index are not included.

LEASE EXPIRATIONS

The following table sets forth a summary schedule of the total lease expirations for our 138 Properties for leases in place at January 1, 1999. This table assumes that none of the tenants exercise renewal options or termination rights, if any, at or prior to the scheduled expirations:

<TABLE>
<CAPTION>

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES EXPIRING	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	ANNUALIZED BASE RENT OF EXPIRING LEASES ($000S)(1)	AVERAGE BASE RENT PER SQUARE FOOT OF EXPIRING LEASES	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED BASE RENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Month-to-Month..............	214	504,242	3.15%	$ 8,189	$16.24	2.71%
1999........................	562	2,099,373	13.13%	35,866	17.08	11.85%
2000........................	570	2,230,962	13.96%	41,313	18.52	13.65%
2001........................	512	2,267,357	14.18%	44,394	19.58	14.67%
2002........................	358	2,161,960	13.53%	40,511	18.74	13.39%
2003........................	350	2,661,485	16.65%	55,053	20.69	18.20%
2004........................	129	1,394,306	8.72%	25,890	18.57	8.56%
2005........................	72	1,060,386	6.63%	17,360	16.37	5.74%
2006........................	33	392,107	2.45%	8,569	21.85	2.83%
2007........................	30	398,898	2.50%	8,021	20.11	2.65%
2008........................	27	308,269	1.93%	8,326	27.01	2.75%
2009........................	10	210,252	1.32%	4,047	19.25	1.34%
2010+.......................	49	295,118	1.85%	5,022	17.02	1.66%
Total/Weighted Average..........	2,916	15,984,715	100.00%	$302,561	$18.93	100.00%

</TABLE>

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(1) Base rent is as of the date of lease expiration, including all fixed contractual base rent increases; increases tied to indices such as the Consumer Price Index are not included.

ITEM 3. LEGAL PROCEEDINGS

We are not presently subject to any material litigation nor, to our knowledge, is any litigation threatened against us, other than routine litigation arising in the ordinary course of business, some of which is expected to be covered by liability insurance and all of which collectively is not expected to have a material adverse effect on our consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of the year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock began trading on the New York Stock Exchange ("NYSE") on October 4, 1996 under the symbol "ARI." On March 15, 1999, the last reported sales price per share of Common Stock on the NYSE was $22 3/8, and there were approximately 156 holders of record of the Common Stock. The table below sets forth the quarterly high and low closing sales price per share of Common Stock reported on the NYSE and the distributions per share we declared with respect to each period.

<TABLE>
<CAPTION>

	HIGH	LOW	DISTRIBUTIONS DECLARED
<S>	<C>	<C>	<C>
1996			
Fourth Quarter (from October 9)............................	$27 5/8	$22	$0.36(1)
1997			
First Quarter...	29 1/2	26 1/4	0.40
Second Quarter..	27 3/8	23 3/4	0.40
Third Quarter...	31 3/8	25 13/16	0.40
Fourth Quarter..	32 1/4	28 5/8	0.40
1998			
First Quarter...	30 7/8	27 1/2	0.42
Second Quarter..	28 13/16	25 3/16	0.42
Third Quarter...	26 3/4	19 15/16	0.42
Fourth Quarter..	23 5/8	20 1/8	0.42

</TABLE>

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(1) We paid a distribution of $.36 per share of Common Stock on January 15, 1997, to Stockholders of record on December 31, 1996. The distribution was for the period from October 9, 1996 through December 31, 1996 and is approximately equivalent to a quarterly distribution of $.40 per share and an annual distribution of $1.60 per share.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated/combined financial data for Arden Realty and the Arden Predecessors (in thousands except per share amounts) and should be read in conjunction with the consolidated/combined financial statements included elsewhere in this Form 10-K.

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS		
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31,	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8,	FOR THE YEARS ENDED DECEMBER 31,	
	1998	1997	1996	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:						
Revenues................................	$281,067	$133,817	$19,434	$39,135	$10,236	$5,867
Property operating expenses............	86,570	44,332	6,005	14,224	3,340	2,191
	194,497	89,485	13,429	24,911	6,896	3,676
General and administrative expense......	6,665	4,322	753	1,758	1,377	689
Interest expense........................	43,403	19,511	1,280	24,521	5,537	1,673
Loss on valuation of derivative.........	--	3,111	--	--	--	--
Depreciation and amortization...........	51,822	20,260	3,108	5,264	1,898	1,143
Interest and other income...............	(3,515)	(1,630)	(138)	(1,330)	(1,457)	(685)
Equity in net loss (income) of noncombined entities..................	--	--	--	336	116	(201)
Income (loss) before minority interests and extraordinary items...............	96,122	43,911	8,426	(5,638)	(575)	1,057
Minority interests' share of loss (income) of Arden Predecessors........	--	--	--	721	(1)	1
Minority interests......................	(5,447)	(4,281)	(993)	--	--	--
Income (loss) before extraordinary items................................	90,675	39,630	7,433	(4,917)	(576)	1,058

Extraordinary (loss) gain on early extinguishment of debt, net of minority interests' share	--	--	(13,105)	1,877	--	--
Net income (loss)	$ 90,675	$ 39,630	$(5,672)	$(3,040)	$ (576)	$1,058
Earnings per share:						
Net income (loss) per common share:						
Income before extraordinary item	$ 1.55	$ 1.43	$ .34			
Extraordinary item -- loss on early extinguishment of debt	--	--	(.60)			
Net income (loss) per common share:						
Basic	$ 1.55	$ 1.43	$ (.26)			
Diluted	$ 1.54	$ 1.41	$ (.26)			
Weighted average common shares outstanding:						
Basic	58,660	27,794	21,680			
Diluted	58,814	28,039	21,680			
Cash dividends declared	$ 1.68	$ 1.60	$ .36			

</TABLE>

<TABLE>
<CAPTION>

<S>	ARDEN REALTY, INC. DECEMBER 31, 1998 <C>	1997 <C>	1996 <C>	<C>	ARDEN PREDECESSORS DECEMBER 31, 1995 <C>	1994 <C>
BALANCE SHEET DATA:						
Commercial properties, net of accumulated depreciation	$2,238,069	$1,203,172	$529,568		$160,874	$34,977
Total assets	2,331,919	1,284,004	551,256		182,379	46,090
Mortgage loans payable and unsecured lines of credit	840,477	477,566	155,000		168,451	32,944
Total liabilities	902,307	515,048	173,612		174,163	34,148
Minority interests	56,222	95,973	45,667		100	99
Total Stockholders' Equity/owners' equity	1,373,390	672,983	331,977		8,116	11,843

</TABLE>

ARDEN REALTY, INC.
AND
ARDEN PREDECESSORS
(IN THOUSANDS, EXCEPT NUMBER OF PROPERTIES AND PERCENTAGES)

<TABLE>
<CAPTION>

<S>	ARDEN REALTY, INC. FOR THE YEARS ENDED DECEMBER 31, 1998 <C>	1997 <C>	FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31, 1996 <C>	ARDEN PREDECESSORS FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996 <C>	FOR THE YEARS ENDED DECEMBER 31, 1995 <C>	1994 <C>
OTHER DATA:						
Funds from Operations(1)	$ 147,369	$ 67,282	$ 11,534	$ (374)	$ 1,323	$ 2,200
Company's Share Percentage	95.3%	90.3%	88.2%	N/A	N/A	N/A
Company's Share of Funds from Operations	$ 140,443	$ 60,756	$ 10,173	$ (374)	$ 1,323	$ 2,200
Cash flows from operating activities	143,588	35,116	8,665	7,387	(8,819)	834
Cash flows from investing activities	(1,099,517)	(659,670)	(164,763)	(119,083)	(123,358)	(17,921)

Cash flows from financing activities.............	955,207	622,222	163,730	119,908	132,356	16,845
Number of Properties owned at period end...........	138	72	33	22	17	8
Gross rentable square feet of Properties owned at end of period...........	17,973	10,307	5,443	3,739	2,634	1,130
Occupancy of Properties owned at end of period..................	88%	84%	85%	88%	88%	82%

</TABLE>

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(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 (the "White Paper") defines Funds from Operations as net income (loss) computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and unusual items, plus real estate related depreciation and amortization. We believe Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. Our computation of Funds from Operations may differ from the methodology for calculating Funds from Operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or as an alternative to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion should be read in conjunction with our historical consolidated financial statements and the combined financial statements of the Arden Predecessors and related notes thereto included elsewhere in this Form 10-K.

Since our initial public offering in October 1996, we have pursued a strategy of acquiring under-performing commercial properties, properties in need of renovation, properties which provide attractive yields with stable cash flow, and more recently, fully entitled commercial undeveloped real estate, all in Southern California submarkets where we can utilize our local market expertise. We have also used our active in-house management, leasing and finance expertise to maximize growth in cash flow. In particular, for the year ended December 31, 1998, we have:

- Raised approximately $744.7 million of equity in a series of four public offerings. Proceeds from these offerings, net of underwriters' discount, advisory fees and offering costs aggregating approximately $38.1 million, were approximately $706.6 million.

- Acquired 66 commercial properties, with 7.7 million rentable square feet for approximately $1.0 billion.

- Acquired the undeveloped commercial property portions of the 70-acre Howard Hughes Center and a building containing an executive health and athletic club tenant (the "Center") for approximately $38.6 million. The Center, located in West Los Angeles, California, is a mixed-use development currently containing three office buildings, the building containing the health and athletic club tenant and entitlements for an additional 1.3 million square feet of office space.

- Refinanced $200 million of variable rate mortgage debt that matured on July 1, 1998 (the "Lehman Bridge Loan II"), with two-fixed rate mortgage loans totaling $236.7 million. In October 1998, we borrowed an additional $10.6 million under one of these mortgage loans to repay outstanding indebtedness and reduced the annual fixed rate from 6.74% to 6.61% on $111.2 million of these borrowings.

- Increased the operating margin from our Properties by over 2% in 1998 to 69% from 67% in 1997.

- Increased the total occupancy in our portfolio by 5.6% (excluding the six properties under renovation), that included net absorption of approximately 900,000 square feet.

We intend to continue focusing on maximizing growth in cash flow and on enhancing the value of our portfolio of commercial properties. These objectives will be pursued by active management of our existing portfolio and by acquisitions of underperforming office and industrial properties, properties in need of renovation and properties that provide attractive yields with stable cash flows in submarkets where we can utilize our local market expertise. We may also continue to develop new properties when market conditions permit in submarkets where we have extensive local market expertise.

RECENT DEVELOPMENTS

In January 1999, along with Lowe Enterprise as the construction manager, we commenced construction on a 240,000 square foot office building at Howard Hughes Center that is scheduled for completion in the first quarter of 2000.

On January 29, 1999 the Lehman Bridge Loan I was expanded to $111.4 million. Pursuant to the fifth amendment to the Lehman Bridge Loan I, the loan bears interest at LIBOR plus 2.25% per annum (effective rate of 7.19% at January 29, 1999), requires monthly payments of interest only, and matures on April 20, 1999.

On February 2,1999, we executed a $115 million loan commitment with Mass Mutual Life Insurance Company (the "Mass Mutual Loan"). The Mass Mutual Loan is secured by 12 Properties, has a ten year term and bears interest at a fixed rate of 6.94% (7.049% including the amortization of loan fees) and requires monthly payments of principal and interest amortized over a 25 year period. The estimated funding date for the Mass Mutual Loan is March 31, 1999. Proceeds from this loan will be used to repay a portion of our lines of credit and the Lehman Bridge Loan I.

RESULTS OF OPERATIONS

Our financial position and operating results are primarily comprised of our portfolio of commercial properties and income derived therefrom. Therefore, financial data from period to period will be affected by the timing of significant property acquisitions. Due to Arden Realty's and the Arden Predecessors' aggressive acquisition program through 1998, there has been significant variability in financial data from period to period.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1998 TO THE YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS).

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			
	1998	1997	DOLLAR CHANGE	PERCENT CHANGE
<S>	<C>	<C>	<C>	<C>
REVENUE				
Revenue from rental operations:				
Rental..	$250,467	$118,085	$132,382	112%
Tenant reimbursements.........................	9,505	5,945	3,560	60%
Parking, net of expense.......................	12,223	7,397	4,826	65%
Other rental operations.......................	8,872	2,390	6,482	271%
Total.................................	281,067	133,817	147,250	110%
Interest and other income.....................	3,515	1,630	1,885	116%
Total revenue.........................	$284,582	$135,447	$149,135	110%
EXPENSES				
Property expenses:				
Repairs and maintenance.......................	$ 27,141	$ 15,154	$ 11,987	79%
Utilities.....................................	26,559	14,321	12,238	85%
Real estate taxes.............................	19,433	8,003	11,430	143%
Insurance.....................................	4,110	2,125	1,985	93%
Ground rent...................................	714	314	400	127%
Marketing and other...........................	8,613	4,415	4,198	95%
Total property expenses...............	86,570	44,332	42,238	95%
General and administrative....................	6,665	4,322	2,343	54%
Interest......................................	43,403	19,511	23,892	122%
Loss on valuation of derivative...............	--	3,111	(3,111)	(100)%
Depreciation and amortization.................	51,822	20,260	31,562	156%

Total expenses	$188,460	$ 91,536	$ 96,924	106%
OTHER DATA:				
Number of Properties:				
Acquired during period	66	39	27	N/A
Owned at end of period	138	72	66	N/A
Square feet (in thousands):				
Acquired during period	7,666	4,864	2,802	N/A
Owned at end of period	17,973	10,307	7,666	N/A

</TABLE>

The increase in revenue from rental operations and property expenses in 1998 is primarily from properties acquired during 1997 and 1998. The 1997 amounts do not include a full year of operations for the 39 properties we acquired during 1997 or the 66 properties we acquired during 1998.

Following is a summary of the 1998 increase in revenue from rental operations and property expenses that relates to properties which we acquired during 1997 and 1998 and for properties owned for all of 1997 and 1998 (in thousands).

<TABLE>
<CAPTION>

	TOTAL VARIANCE	PROPERTIES ACQUIRED DURING 1997 AND 1998	PROPERTIES OWNED FOR ALL OF 1997 AND 1998(1)
REVENUE FROM RENTAL OPERATIONS:			
Rental	$132,382	$131,760	$ 622
Tenant reimbursements	3,560	4,931	(1,371)
Parking, net of expense	4,826	4,811	15
Other rental operations	6,482	4,683	1,799
	$147,250	$146,185	$ 1,065
PROPERTY EXPENSES:			
Repairs and maintenance	$ 11,987	$ 13,117	$(1,130)
Utilities	12,238	12,587	(349)
Real estate taxes	11,430	11,061	369
Insurance	1,985	2,126	(141)
Ground rent	400	374	26
Marketing and other	4,198	4,901	(703)
	$ 42,238	$ 44,166	$(1,928)
OTHER DATA:			
Number of Properties	N/A	105	33
Square feet (in thousands)	N/A	2,530	5,443

</TABLE>

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(1) See the Same Properties analysis below.

Interest and other income increased by approximately $1.9 million in 1998 as compared to 1997, primarily due to higher interest income earned on mortgage notes receivable acquired in September 1997 and on cash deposits required by certain of our mortgage loans.

General and administrative expenses were approximately $6.7 million or 2.4% of total revenue in 1998 as compared to $4.3 million or 3.2% of total revenue in 1997. General and administrative expenses as a percentage of total revenue decreased in 1998 compared to 1997 primarily due to benefits achieved from economies of scale and concentration over a larger property portfolio.

Interest expense increased approximately $23.9 million in 1998 as compared to 1997. This increase was due to higher outstanding debt balances in 1998 primarily to fund property acquisitions, which was partially offset by slightly lower effective interest rates in 1998 (See "-- Liquidity and Capital Resources").

In September 1997, we recorded a loss of approximately $3.1 million related to the retirement of agreements to convert certain floating rate debt liabilities to fixed rate liabilities. The underlying variable rate liabilities were repaid in full with proceeds from an equity offering in July 1997.

Depreciation and amortization expense increased by approximately $31.6 million in 1998, primarily due to the 105 Properties we acquired in 1997 and 1998.

SAME PROPERTIES

Following is a comparison of property operating data computed under generally accepted accounting principles ("GAAP Basis") and excluding the straight-line rent adjustment ("Cash Basis") for the 33 properties that we owned for the entire twelve month periods ended December 31, 1998 and 1997 (in thousands):

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	DOLLAR CHANGE	PERCENT CHANGE
GAAP BASIS:				
Revenue from rental operations	$101,505	$100,440	$ 1,065	1%
Property expenses	31,421	33,349	(1,928)	(6)%
	$ 70,084	$ 67,091	$ 2,993	5%
CASH BASIS(1):				
Revenue from rental operations	$100,554	$ 98,701	$ 1,853	2%
Property expenses	31,421	33,349	(1,928)	(6)%
	$ 69,133	$ 65,352	$ 3,781	6%

----

(1) Excludes straight-line rent adjustments.

Revenue from rental operations for these properties computed on a GAAP basis increased by approximately $1.1 million in 1998 compared to 1997, primarily due to increases in occupancy, rental rates and higher miscellaneous tenant charges. These increases were partially offset by lower tenant expense reimbursements from resetting base years for leases that were retenanted in 1998 and the reversing effect of straight-line rent adjustments on certain properties in 1998.

Excluding only the straight-line rent adjustments for these properties, revenue from rental operations, computed on a Cash Basis, increased by approximately $1.9 million for the reasons described above.

Property operating expenses for these properties decreased by approximately $1.9 million in 1998 compared to 1997, primarily due to repairs, maintenance and marketing and overhead expense reductions achieved primarily from economies of scale and concentration over a larger property portfolio.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1997 TO THE YEAR ENDED DECEMBER 31, 1996 (IN THOUSANDS).

We believe for a meaningful analysis of the financial statements to be made, certain transactions which occurred in 1996 should be considered in a manner which makes each accounting period comparable. Accordingly, the revenue and expenses for certain noncombined entities for the period from January 1, 1996 to October 8, 1996 have been included as though they were combined, with intercompany management fees relating to the noncombined entities of $704,000 eliminated in 1996 in the following discussion. The following section discusses the results of operations, as adjusted and in thousands.

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	DOLLAR CHANGE	PERCENT CHANGE
REVENUE				
Revenue from rental operations:				
Rental	$118,085	$62,156	$55,929	90%
Tenant reimbursements	5,945	3,076	2,869	93%
Parking, net of expense	7,397	4,948	2,449	49%
Other rental operations	2,390	1,305	1,085	83%
Total	133,817	71,485	62,332	87%
Interest and other income	1,630	1,468	162	11%

Total revenue	$135,447	$72,953	$62,494	86%
EXPENSES				
Property expenses:				
Repairs and maintenance	$ 15,154	$ 7,287	$ 7,867	108%
Utilities	14,321	7,054	7,267	103%
Real estate taxes	8,003	3,741	4,262	114%
Insurance	2,125	3,049	(924)	(30)%
Ground rent	314	189	125	66%
Marketing and other	4,415	3,451	964	28%
Total property expenses	44,332	24,771	19,561	79%
General and administrative	4,322	2,512	1,810	72%
Interest	19,511	33,157	(13,646)	(41)%
Loss on valuation of derivative	3,111	--	3,111	100%
Depreciation and amortization	20,260	11,078	9,182	83%
Total expenses	$ 91,536	$71,518	$20,018	28%
OTHER DATA:				
Number of Properties:				
Acquired during period	39	16	23	N/A
Owned at end of period	72	33	39	N/A
Square feet (in thousands):				
Acquired during period	4,864	2,809	2,055	N/A
Owned at end of period	10,307	5,443	4,864	N/A

</TABLE>

The increase in revenue from rental operations and property expenses in 1997 is primarily from properties acquired during 1996 and 1997. The 1996 amounts do not include a full year of operations for the 16 properties that were acquired during 1996 or the 39 properties we acquired in 1997.

Following is a summary of the increase in revenue from rental operations and property operating expenses in 1997 that relates to properties acquired during 1996 and 1997 and for properties which were owned for all of 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	TOTAL VARIANCE	PROPERTIES ACQUIRED DURING 1996 AND 1997	PROPERTIES OWNED FOR ALL OF 1996 AND 1997(1)
<S>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:			
Rental	$55,929	$55,086	$ 843
Tenant reimbursements	2,869	2,342	527
Parking, net of expense	2,449	2,187	262
Other rental operations	1,085	915	170
	$62,332	$60,530	$1,802
PROPERTY EXPENSES			
Repairs and maintenance	$ 7,867	$ 7,377	$ 490
Utilities	7,267	7,050	217
Real estate taxes	4,262	4,073	189
Insurance	(924)	62	(986)
Ground Rent	125	67	58
Marketing and other	964	1,365	(401)
	$19,561	$19,994	$ (433)
OTHER DATA:			
Number of Properties	N/A	55	17
Square feet (in thousands)	N/A	7,673	2,634

</TABLE>

----

(1) See Same Properties analysis below.

General and administrative expenses were approximately $4.3 million or 3.2% of total revenue in 1997 as compared to $2.5 million or 3.4% of total revenue in 1996. General and administrative expenses as a percentage of total revenue decreased in 1997 compared to 1996 primarily due to benefits achieved from economies of scale and concentration over a larger property portfolio.

Interest expense decreased approximately $13.6 million or 41% in 1997 as compared to 1996, primarily as a result of lower outstanding debt balances in 1997. We used the net proceeds of approximately $737.9 million from equity offerings in October 1996 and July 1997 to repay outstanding indebtedness and acquire additional properties.

In September 1997, we recorded a loss of approximately $3.1 million related to the retirement of agreements to convert certain floating rate debt liabilities to fixed rate liabilities. The underlying variable rate liabilities were repaid in full with proceeds from an equity offering in July 1997.

Depreciation and amortization expense increased $9.2 million or 83% in 1997, primarily due to 1996 and 1997 acquisitions.

SAME PROPERTIES

Following is a comparison of property operating data computed under generally accepted accounting principles ("GAAP Basis") and excluding the straight-line rent adjustment ("Cash Basis") for the 17 properties which were owned for the entire twelve month periods ended December 31, 1997 and 1996 (in thousands):

	YEAR ENDED DECEMBER 31, 1997	1996	DOLLAR CHANGE	PERCENT CHANGE
GAAP BASIS:				
Revenue from rental operations	$51,086	$49,284	$1,802	4%
Property expenses	16,898	17,331	(433)	(2)%
	$34,188	$31,953	$2,235	7%
CASH BASIS(1):				
Revenue from rental operations	$50,743	$47,669	$3,074	(6)%
Property expenses	16,898	17,331	(433)	(2)%
	$33,845	$30,338	$3,507	12%

----
(1) Excludes straight-line rent adjustments

Revenue from rental operations for these properties computed on a GAAP basis increased by approximately $1.8 million in 1997 compared to 1996, primarily due to increases in occupancy, rental rates and higher miscellaneous tenant charges, partially offset by the reversing effect of straight-line rent adjustments on certain properties in 1997.

Excluding only the straight-line rent adjustments for these properties, revenue from rental operations, computed on a Cash Basis, increased by approximately $3.1 million for the reasons described above.

Property operating expenses for these properties decreased by approximately $.4 million in 1997 compared to 1996, primarily due to insurance and marketing and overhead expense reductions primarily achieved from economies of scale and concentration over a larger property portfolio.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash provided by operating activities increased by $108.5 million to $143.6 million for the year ended December 31, 1998, as compared to $35.1 million for the year ended December 31, 1997, primarily due to operating results from the 105 properties acquired in 1997 and 1998. Cash used in investing activities increased by $439.8 million to $1.1 billion in 1998 compared to $659.7 million in 1997, due to property acquisitions and an increase in capital expenditures on properties owned. Cash provided by financing activities increased by $333.0 million to $955.2 million, as compared to $622.2 million in 1997. Cash provided by financing activities for the year ended December 31, 1998 consisted primarily of net proceeds from mortgage loans, unsecured lines of credit, and the issuance of 26,296,047 shares of common stock, partially offset by distributions to stockholders and minority interests. Cash provided by financing activities for the year ended December 31, 1997 consisted primarily of net proceeds from mortgage loans, unsecured lines of credit and the issuance of 13,896,666 shares of common stock, partially offset by distributions to shareholders and minority interests.

CAPITAL COMMITMENTS

As of December 31, 1998 we had approximately $8.1 million outstanding in capital commitments related to tenant improvements, renovation costs, and property related capital expenditures.

AVAILABLE BORROWINGS, CASH BALANCE AND CAPITAL RESOURCES

We have a $300 million unsecured line of credit (the "Amended Credit Facility") from a group of banks led by Wells Fargo. The Amended Credit Facility bears interest at a rate ranging between LIBOR plus 1.2% and LIBOR plus 1.45% (effective rate of 6.75% at December 31, 1998) depending on the leverage ratio of the Company. If we achieve an investment grade unsecured debt rating, the interest rate may be lowered to between LIBOR plus 0.9% and LIBOR plus 1.15% depending on the debt rating. Under certain circumstances, we have the option to convert the interest rate from LIBOR to the prime rate plus 0.5%. In addition, the Amended Credit Facility has a commitment fee ranging from .125% to .25% on the unused balance. The Amended Credit Facility matures on June 1, 2000. As of December 31, 1998, the aggregate outstanding balance on the Amended Credit Facility was $296.4 million, and $3.6 million was available for additional borrowing. Proceeds from the Amended Credit Facility have been used, among other things, to provide funds for tenant improvements and capital expenditures and provide for working capital and other corporate purposes.

We also have an unsecured line of credit with a total commitment of $10.0 million from City National Bank (the "City National Bank Credit Facility"). The City National Bank Credit Facility accrues interest at the City National Bank Prime Rate less 0.875% (effective rate of 7.4% at December 31, 1998), and is scheduled to mature on August 1, 1999. Proceeds from the City National Bank Credit Facility will be used, among other things, to provide funds for tenant improvements and capital expenditures and provide for working capital and other corporate purposes. As of December 31, 1998, there was no outstanding balance on the City National Bank Credit Facility.

On June 8, 1998 we repaid, through two special purpose subsidiaries, our $200 million Lehman Bridge Loan II with two new mortgage loans totaling $236.7 million. The additional proceeds were used to repay $22.0 million on our lines of credit and to repay $5.6 million on the Lehman Bridge Loan I. The $136.1 million ("Mortgage Financing III") and $100.6 million ("Mortgage Financing IV") mortgage loans payable to an affiliate of Lehman Brothers are non-recourse and secured by fully cross-collateralized and cross-defaulted first mortgage liens on 22 and 12 of our Properties ("Mortgage Financing III, and IV, Properties"), respectively. The Mortgage Financing III and IV mortgage loans each have a thirty year term, bear interest at a fixed rate of 6.74% (6.93% including the amortization of costs associated with the settlement of a related treasury rate lock agreement and amortization of related loan fees) per annum, require interest only payments through April 2003, and thereafter require monthly payments of principal and interest amortized over a 25 year period through maturity and are anticipated to be repaid within ten years of issuance. If the Mortgage Financing III and IV mortgage loans are not repaid within ten years of issuance, the interest rate will increase by at least 5% per annum and all excess cash flow (as defined) from the Mortgage Financing III and IV Properties must be used to pay down outstanding principal. The Mortgage Financing III and IV mortgage loans require us to maintain a cash reserve for tenant improvements of approximately $2.7 million and $3.3 million, respectively, and to comply with certain customary financial covenants, ongoing operational restrictions, and certain cash management procedures. In October 1998, pursuant to the execution of certain leasing transactions, we borrowed an additional $10.6 million and reduced the annual fixed rate to 6.61% under the Mortgage Financing IV loan.

In connection with the Mortgage Financing III and IV mortgage loans, we entered into a treasury rate lock agreement (the "Swap Agreement") with a notional amount of $100 million and locked in the United States 10 year treasury rate at 6.174%. On April 16,1998 we settled the Swap Agreement for $4.5 million and are amortizing the cost of settling the Swap Agreement over the term of the related mortgage loans payable.

Following is a summary of scheduled principal payments for our mortgage loans as of December 31, 1998 (in thousands):

<TABLE>
<CAPTION>

YEAR	AMOUNT
<S>	<C>

1999............................	$ 82,161
2000............................	743
2001............................	808
2002............................	5,879
2003............................	14,299
Thereafter......................	440,137

Total..................	$544,027
	========

</TABLE>

Following is certain other information related to our indebtedness as of December 31, 1998 (in thousands, except percentage data):

UNSECURED AND SECURED DEBT ANALYSIS

<TABLE>
<CAPTION>

	BALANCE	PERCENT	WEIGHTED AVERAGE INTEREST RATE(1)
<S>	<C>	<C>	<C>
Unsecured Debt..................	$296,450	35%	7.06%
Secured Debt....................	544,027	65%	7.28%
	--------	----	-----
Total/Weighted Average..........	$840,477	100%	7.20%
	========	====	=====

</TABLE>

FLOATING AND FIXED RATE DEBT ANALYSIS

<TABLE>
<CAPTION>

	BALANCE	PERCENT	WEIGHTED AVERAGE INTEREST RATE(1)
<S>	<C>	<C>	<C>
Floating Rate...................	$377,828	45%	6.89%
Fixed Rate......................	462,649	55%	7.46%
	--------	----	-----
Total/Weighted Average..........	$840,477	100%	7.20%
	========	====	=====

</TABLE>

----
(1) Includes amortization of prepaid financing costs.

As of December 31, 1998, we had approximately $17 million in cash and cash equivalents, including $10 million in restricted cash, representing interest bearing cash deposits required by three of our mortgage loans payable. In addition, we had $2.4 million in cash impound accounts for real estate taxes and insurance as required by several of our mortgage loans payable.

As of December 31, 1998, we had $13.6 million available under our lines of credit and the capacity to issue up to $255.3 million of our common stock pursuant to a Registration Statement filed with the Securities and Exchange Commission in January 1998.

On January 29, 1999, the Lehman Bridge Loan I was expanded to $111.4 million. Pursuant to the fifth amendment to the Lehman Bridge Loan I, the loan bears interest at LIBOR plus 2.25% per annum (effective rate of 7.19% on January 29, 1999), requires monthly payments of interest only, and matures on April 20, 1999.

On February 2, 1999, we executed a $115 million loan commitment with Mass Mutual Life Insurance Company (the "Mass Mutual Loan"). The Mass Mutual Loan is secured by 12 Properties, has a ten year term and bears interest at a fixed rate of 6.94% (7.049% including the amortization of loan fees) and requires monthly payments of principal and interest totaling $815,935 and is amortized over a 25 year period. The estimated funding date for the Mass Mutual Loan is March 31, 1999. Proceeds from this loan will be used to repay a portion of our lines of credit and the Lehman Bridge Loan I.

We expect to continue meeting our short-term liquidity and capital requirements generally through our net cash provided by operating activities and from proceeds from our lines of credit. We believe that the net cash provided by operating activities will continue to be sufficient to pay any distributions necessary to enable us to continue qualifying as a REIT. We also believe that the foregoing sources of capital will be sufficient to fund our short-term liquidity needs for the foreseeable future, including recurring non-revenue enhancing capital expenditures, tenant improvements and leasing commissions.

We expect to meet certain long-term liquidity and capital requirements such as scheduled debt payments, renovation costs, property acquisitions and other non-recurring capital expenditures through long-term secured and unsecured indebtedness and the issuance of additional equity securities.

FUNDS FROM OPERATIONS

We consider Funds from Operations, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), to be a useful financial measure of the operating performance for an equity REIT. We believe that Funds from Operations provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. Funds from Operations does not represent net income or cash flows from operations as defined by generally accepted accounting principles ("GAAP") and it should not be considered as an alternative to these indicators in evaluating our liquidity or operating performance.

The following table reflects the calculation of our Funds from Operations for the years ended December 31, 1998 and 1997 and for the period October 9, 1996 to December 31, 1996 and for the Arden Predecessors for the period January 1, 1996 to October 8, 1996 (in thousands):

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31, 1996	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997		
<S>	<C>	<C>	<C>	<C>
Funds from Operations:				
Net Income (loss).................	$ 90,675	$39,630	$ 7,433	$(5,638)
Depreciation and amortization.....	51,822	20,260	3,108	5,264
Minority Interest.................	4,872(a)	4,281	993	--
Loss on valuation of derivative...	--	3,111	--	--
Funds from Operations..........	147,369	67,282	11,534	(374)
Company's share percentage........	95.3%	90.3%	88.2%	--
Company's share of Funds from Operations........................	$140,443	$60,756	$10,173	$ (374)

</TABLE>

(a) Excludes $575,000 in distributions made to the former minority partners in the World Savings Center office property.

The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 (the "White Paper") defines Funds from Operations as net income (loss) computed in accordance with GAAP, excluding gains (or losses) from debt restructuring and unusual items, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We consider Funds from Operations an appropriate measure of performance of an equity REIT because it is predicated on cash flow analyses. We compute Funds from Operations in accordance with standards established by the White Paper which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our

liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

IMPACT OF YEAR 2000

Any of our computer programs that have date-sensitive software may not be able to distinguish the year 2000 from the year 1900 if those programs use two digits rather than four digits to define the year. This could result in a system failure or miscalculations causing disruption of operations, including, among other things, a temporary inability to process transactions, send tenant invoices, provide services to our Properties and tenants, or engage in similar normal business activities.

The accounting software we are currently using is not Year 2000 compliant. However, we have completed an assessment of our accounting software needs and have elected to install a different accounting software package that is both Year 2000 compliant and provides other features not available with our current software package. We plan to install the Year 2000 compliant version of this software in the second and third quarters of 1999. We estimate the total costs associated with installing this Year 2000 compliant accounting software to be between $400,000 to $600,000. The hardware used to run our accounting software is Year 2000 compliant.

We have completed an inventory of the computer hardware and software (collectively, the "System Components") used to run the operating systems (i.e. security, energy, elevator and safety) at our Properties. This process included determining which System Components are date-sensitive. We have also contacted the manufacturers of the date-sensitive System Components to determine if they are Year 2000 compliant. We plan to test the date-sensitive System Components represented to be Year 2000 compliant, and reprogram or replace the date-sensitive System Components found not be Year 2000 compliant by the end of the third quarter of 1999. We estimate the total costs associated with this phase of our Year 2000 Program to be between $200,000 and $500,000.

We believe our principal risks associated with the Year 2000 issue include the risk of disruption of our operations due to operational failures of third parties, including tenants, utility providers, vendors and financial institutions. We are currently surveying material vendors and tenants regarding the Year 2000 compliance status of their computer hardware and software. We will review the results of this survey, assess the impact of the results on our operations and take whatever action is deemed necessary. As this phase of our Year 2000 program is not yet complete, we cannot presently assess the associated risks and estimated costs.

Upon completion of our Year 2000 readiness program, we will consider the necessity of implementing a contingency plan to mitigate any adverse effects associated with the Year 2000 issue. Our ability to complete the Year 2000 modifications outlined above prior to any anticipated impact on our operating systems is based on numerous assumptions of future events and is dependent upon numerous factors, including the ability of third party software and hardware manufacturers to make necessary modifications to current versions of their products, the availability of resources to install and test the modified systems and other factors. Accordingly, there can be no guarantee that these modifications will be successful.

EXPOSURE TO ENVIRONMENTAL LIABILITIES

In connection with the acquisition of all of our properties, we have obtained Phase I environmental assessments to ascertain the existence of any environmental liabilities or other issues. The Phase I environmental assessments of our properties have not revealed any environmental liabilities that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole, nor are we aware of any material environmental liabilities.

INFLATION

Our leases generally require tenants to pay a majority of property operating expenses in excess of base amounts. The majority of our leases contain effective annual rent escalations that are either fixed or variable (based on the consumer price index or other index.) Accordingly, we do not believe that our earnings or cash flow are subject to any significant risk of inflation. An increase in inflation, however, could result in an increase in our variable rate borrowing cost, including borrowings under our unsecured lines of credit.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we are exposed is interest rate risk, which is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

INTEREST RATE RISK

In order to modify and manage the interest characteristics of our outstanding debt and limit the effects of interest rates on our operations, we may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks such as counter-party credit risk and legal enforceability of hedging contracts. We do not enter into any transactions for speculative or trading purposes.

Certain of our future earnings, cash flows and fair values relating to financial instruments are dependent upon prevailing market rates of interest, such as LIBOR. Based on interest rates and outstanding balance at December 31, 1998, a 1% increase in interest rates on our $377.8 million of floating rate debt would decrease annual future earnings and cash flows by approximately $3.8 million and would not have an impact on its fair value. A 1% decrease in interest rates on our $377.8 million of floating rate debt would increase annual future earnings and cash flows by approximately $3.8 million and would not have an impact on its fair value. A 1% increase or decrease in interest rates on our secured note receivable would not have a material impact on annual future earnings, cash flows and its fair value.

These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Regulation S-X are included in this Report on Form 10-K commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Certain information required by Part III is omitted from this Report in that we will file a definitive proxy statement within 120 days after the end of our fiscal year pursuant to Regulation 14A for our Annual Meeting of Stockholders to be held on May 18, 1999 (the "Proxy Statement") and the information included therein is incorporated herein by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the section captioned "Proposal I; Election of Directors" of the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the section captioned "Executive Compensation" of the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the section captioned "Principal and Management Stockholders" of the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the section captioned "Certain Relationships and Related Transactions" of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE, AND REPORTS ON FORM 8-K

(a) (1 and 2) FINANCIAL STATEMENTS AND SCHEDULE

The following consolidated financial information is included as a separate section of this Annual Report on Form 10-K:

<TABLE>
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	PAGE
<S>	<C>

ARDEN REALTY, INC. AND THE ARDEN PREDECESSORS

</TABLE>

All other schedules are omitted since the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

(3) EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
3.1	Amended and Restated Articles of Incorporation as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
3.2	Articles Supplementary of the Class A Junior Participating Preferred Stock as filed as an exhibit to the current report on Form 8-K, dated August 26, 1998, and incorporated herein by reference.
3.3	By-Laws of Registrant as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
3.4	Certificate of Amendment of the Bylaws of Arden Realty, Inc. dated July 14, 1998, filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998.
4.1	Rights Agreement, dated as of August 14, 1998, between Arden Realty, Inc. and the Bank of New York as filed as an exhibit to the current report on Form 8-K, dated August 26, 1998, and incorporated herein by reference.
10.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
10.2	1996 Stock Option and Incentive Plan of Arden Realty, Inc. and Arden Realty Limited Partnership as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
10.2.1	Amendment Number 1 to the 1996 Stock Option and Incentive Plan of Arden Realty, Inc. and Arden Realty Limited Partnership as filed as an exhibit to the Company's Schedule 14A filed with the Commission on June 23, 1998 and incorporated herein by reference.
10.3	Form of Officers and Directors Indemnification Agreement as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
10.4	Warrant Agreement dated as of March 2, 1998 by and among Arden Realty, Inc., a Maryland corporation and AEW/LBA Acquisition Co. II, LLC, a California limited liability

company as filed as an exhibit to Form 8-K filed on March 16, 1998 and incorporated herein by reference.

10.5 Loan Agreement by and between Arden Realty Finance III, LLC, a Delaware limited liability company and Lehman Brothers Realty Corporation, a Delaware corporation and incorporated herein by reference.

10.6 Mortgage Note, dated June 8, 1998 for $136,100,000 by and between Arden Realty Finance III,L.L.C., a Delaware limited liability company ("Maker"), and Lehman Brothers Realty Corporation, a Delaware corporation. (Exhibit B. to Exhibit 10.4 above).

10.7 Tenant Estoppel Certificate (Exhibit C. to Exhibit 10.4 above).

10.8 Subordination, Non-Disturbance and Attornment Agreement (Exhibit D. to Exhibit 10.4 above).

10.9 Deed of Trust, Assignment of Rents and Leases, Security Agreement, and Fixture Filing dated as of June 8, 1998 made by Arden Realty Finance III, L.L.C. as Grantor, to Commonwealth Land Title Company as Trustee for the benefit of Lehman Brothers Realty Corporation as Beneficiary, filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
10.10	Assignment of Leases and Rents dated June 8, 1998, by and between Arden Realty Finance III, L.L.C., a Delaware limited liability company ("Assignor"), and Lehman Brothers Realty Corporation, a Delaware corporation, its successors and assigns ("Assignee"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.11	Collateral Assignment of Management Agreement and Subordination Agreement (the "Agreement") dated as of June 8, 1998 among Arden Realty Finance III, L.L.C., a Delaware limited liability company ("Borrower"), Lehman Brothers Realty Corporation, a Delaware corporation, ("Lender"), and Arden Realty Limited Partnership, a Maryland limited partnership ("Manager"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.12	Security Agreement ("Security Agreement") is entered into as of June 8, 1998 by and between Arden Realty Finance III, L.L.C., a Delaware limited liability company ("Debtor"), and Lehman Brothers Realty Corporation, a Delaware corporation ("Secured Party"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.13	Environmental Indemnity Agreement ("Agreement") dated June 8, 1998 by Arden Realty Finance III, L.L.C., a Delaware limited liability company ("Indemnitor"), in favor of Lehman Brothers Realty Corporation, a Delaware corporation ("Lender"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.14	Letter agreement between Lehman Brothers Realty Corporation, or an affiliate thereof ("Lender"), Arden Realty Finance III, L.L.C. ("Borrower"), Arden Realty, Inc. (the "REIT") and Arden Realty Limited Partnership (the "Operating Partnership"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.15	Loan Agreement by and between Arden Realty Finance IV, LLC, a Delaware limited liability company and Lehman Brothers Realty Corporation, a Delaware corporation, filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.16	Mortgage Note, dated June 8, 1998 for $100,600,000 by and between Arden Realty Finance IV, L.L.C., a Delaware limited liability company ("Maker"), and Lehman Brothers Realty Corporation, a Delaware corporation (Exhibit B to Exhibit 10.14 above).

10.17 Tenant Estoppel Certificate (Exhibit C. to Exhibit 10.14 above).

10.18 Subordination, Non-Disturbance and Attornment Agreement (Exhibit D. to Exhibit 10.4 above).

10.19 Deed of Trust, Assignment of Rents and Leases, Security Agreement, and Fixture Filing dated as of June 8, 1998 made by Arden Realty Finance IV, L.L.C. as Grantor, to Commonwealth Land Title Company as Trustee for the benefit of Lehman Brothers Realty Corporation as Beneficiary, filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.

10.20 Assignment of Leases and Rents ("Assignment") dated June 8, 1998, by and between Arden Realty Finance IV, L.L.C., a Delaware limited liability company ("Assignor"), and Lehman Brothers Realty Corporation, a Delaware corporation, its successors and assigns ("Assignee"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.

</TABLE>

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EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
10.21	Collateral Assignment of Management Agreement and Subordination Agreement (the "Agreement") dated as of June 8, 1998 among Arden Realty Finance IV, L.L.C., a Delaware limited liability company ("Borrower"), Lehman Brothers Realty Corporation, a Delaware corporation, ("Lender"), and Arden Realty Limited Partnership, a Maryland limited partnership ("Manager"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.22	Security Agreement ("Security Agreement") is entered into as of June 8, 1998 by and between Arden Realty Finance IV, L.L.C., a Delaware limited liability company ("Debtor"), and Lehman Brothers Realty Corporation, a Delaware corporation ("Secured Party"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.23	Environmental Indemnity Agreement ("Agreement") dated June 8, 1998 by Arden Realty Finance IV, L.L.C., a Delaware limited liability company ("Indemnitor"), in favor of Lehman Brothers Realty Corporation, a Delaware corporation ("Lender"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.24	Letter agreement between Lehman Brothers Realty Corporation, or an affiliate thereof ("Lender"), Arden Realty Finance IV, L.L.C. ("Borrower"), Arden Realty, Inc. (the "REIT") and Arden Realty Limited Partnership (the "Operating Partnership"), filed as an exhibit to the Company's quarterly report on Form 10-Q filed with the Commission on August 14, 1998 and incorporated herein by reference.
10.25	Amended and Restated Employment Agreement dated August 4, 1998, between Arden Realty and Mr. Richard S. Ziman, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.26	Amended and Restated Employment Agreement dated August 4, 1998, between Arden Realty and Mr. Victor J. Coleman, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.27	Amended and Restated Employment Agreement dated August 4, 1998, between Arden Realty and Ms. Diana M. Laing, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.28	Amended and Restated Employment Agreement dated August 4, 1998, between Arden Realty and Mr. Andrew Sobel, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.29	Amended and Restated Employment Agreement dated August 4,

1998, between Arden Realty and Mr. Herbert Porter, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.

10.30 Promissory Note dated August 14, 1998, between Arden Realty and Ms. Diana M. Laing, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.

10.31 Promissory Note dated August 14, 1998, between Arden Realty and Mr. Andrew J. Sobel, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
10.32	Pledge Agreement dated August 14, 1998, between Arden Realty and Ms. Diana M. Laing, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.33	Pledge Agreement dated August 14, 1998, between Arden Realty and Mr. Andrew J. Sobel, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.34	Restricted Stock Agreement dated August 14, 1998, between Arden Realty and Ms. Diana M. Laing, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.35	Restricted Stock Agreement dated August 14, 1998, between Arden Realty and Mr. Andrew J. Sobel, filed as an exhibit to the Company's quarterly report on Form 10-Q/A filed with the Commission on December 15, 1998 and incorporated herein by reference.
10.36	Agreement for Purchase and Sale by and among AEW/LAB Acquisition Co., LLC, a California limited liability company, AEW/LBA Acquisition Co. II, LLC, a California limited liability company, Cal Portfolio VI, L.L.C., a Delaware limited liability company, AEW/LBA Acquisition Co. IV, LLC, a California limited liability company, Spectrum Chicago Avenue, LLC, a California limited liability company, Spectrum Waples Street, LLC, a California limited liability company, Spectrum Lambert Plaza, LLC, a California limited liability company, and Arden Realty, Inc., a incorporated herein by reference.
10.37	Closing Agreement dated March 2, 1998 as filed as an exhibit to Form 8-K filed on March 16, 1998 and incorporated herein by reference.
10.38	Miscellaneous Rights Agreement among the Company, the Operating Partnership, NAMIZ, Inc. and Mr. Ziman as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
10.39	Credit Facility documentation consisting of First Amended and Restated Revolving Credit Agreement by and among the Operating Partnership and Chase Manhatten Bank, Lehman Brothers Realty Corporation and Wells Fargo Bank as filed as an exhibit to Registration Statement of Form S-11 (No. 333-30059) and incorporated herein by reference.
10.40	Mortgage Financing documentation consisting of Loan Agreement by and between the Company's special purpose financing subsidiary and Lehman Brothers Realty Corporation (the Loan Agreement includes the Mortgage Note, Deed of Trust, and form of Tenant Estoppel Certificate and Agreement as exhibits) as filed as an exhibit to Registration Statement of Form S-11 (No. 333-30059) and incorporated herein by reference.
21.1	Subsidiary of Registrant as filed as an exhibit to Registration Statement on Form S-11 (No. 333-8163) and incorporated herein by reference.
23.1	Consent of Independent Auditors.
27.1	Financial Data Schedule.

</TABLE>

(b) REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 25, 1999.

ARDEN REALTY, INC.

By: /s/ RICHARD S. ZIMAN
Richard S. Ziman
Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ RICHARD S. ZIMAN Richard S. Ziman	Chairman of the Board, Chief Executive Officer and Director	March 25, 1999
/s/ VICTOR J. COLEMAN Victor J. Coleman	President, Chief Operating Officer and Director	March 25, 1999
/s/ DIANA M. LAING Diana M. Laing	Chief Financial Officer and Secretary	March 25, 1999
/s/ RICHARD S. DAVIS Richard S. Davis	Senior Vice President and Chief Accounting Officer	March 25, 1999
/s/ CARL D. COVITZ Carl D. Covitz	Director	March 25, 1999
/s/ LARRY S. FLAX Larry S. Flax	Director	March 25, 1999
/s/ PETER S. GOLD Peter S. Gold	Director	March 25, 1999
/s/ STEVEN C. GOOD Steven C. Good	Director	March 25, 1999
/s/ KENNETH B. ROATH Kenneth B. Roath	Director	March 25, 1999

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Arden Realty, Inc.

We have audited the accompanying consolidated balance sheets of Arden Realty, Inc. as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1998 and 1997 and for the period October 9, 1996 to December 31, 1996, and the related combined statement of operations, owners' equity and cash flows of the Arden Predecessors for the period January 1, 1996 to October 8, 1996. Our audits also included the financial statement schedule listed in the index at

Item 14(a). These financial statements and the financial statement schedule are the responsibility of the management of Arden Realty, Inc. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arden Realty, Inc. at December 31, 1998 and 1997 and the consolidated results of its operations and its cash flows for the years ended December 31, 1998 and 1997 and for the period October 9, 1996 to December 31, 1996 and the combined results of operations and cash flows of the Arden Predecessors for the period January 1, 1996 to October 8, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 2, 1999 except for
Note 9, as to which the date is
March 9, 1999

ARDEN REALTY, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Commercial properties:		
Land	$ 491,342	$ 241,440
Buildings and improvements	1,776,068	975,791
Tenant improvements	55,413	21,801
	2,322,823	1,239,032
Less: accumulated depreciation	(84,754)	(35,860)
	2,238,069	1,203,172
Cash and cash equivalents	4,578	5,300
Restricted cash	12,409	4,040
Rent and other receivables	9,024	10,203
Mortgage notes receivable, net of discount of $2,463 and $2,931, respectively	14,329	14,430
Deferred rent	17,004	8,811
Prepaid financing and leasing costs, net of accumulated amortization of $7,425 and $2,649, respectively	32,759	12,680
Prepaid expenses and other assets	3,747	25,368
Total assets	$2,331,919	$1,284,004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage loans payable	$ 544,027	$ 237,166
Unsecured lines of credit	296,450	240,400
Accounts payable and accrued expenses	21,687	16,458
Security deposits	13,933	6,847
Dividends payable	26,210	14,177
Total liabilities	902,307	515,048
Minority interests	56,222	95,973

STOCKHOLDERS' EQUITY

Preferred stock, $.01 par value, 20,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value, 100,000,000 shares authorized, 62,407,737 and 35,796,704 issued and outstanding, respectively	624	358
Additional paid-in capital	1,374,813	672,625
Notes receivable from officers for purchases of common stock	(2,047)	--
Total stockholders' equity	1,373,390	672,983
Total liabilities and stockholders' equity	$2,331,919	$1,284,004

</TABLE>

See accompanying notes to financial statements.

ARDEN REALTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
AND
ARDEN PREDECESSORS COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO	FOR THE PERIOD JANUARY 1, 1996 TO
	1998	1997	DECEMBER 31, 1996	OCTOBER 8, 1996
<S>	<C>	<C>	<C>	<C>
Revenue	$281,067	$133,817	$19,434	$39,135
Property operating expenses	86,570	44,332	6,005	14,224
	194,497	89,485	13,429	24,911
General and administrative	6,665	4,322	753	1,758
Interest	43,403	19,511	1,280	24,521
Loss on valuation of derivative	--	3,111	--	--
Depreciation and amortization	51,822	20,260	3,108	5,264
Interest and other income	(3,515)	(1,630)	(138)	(1,330)
Equity in net loss of noncombined entities	--	--	--	336
Income (loss) before minority interests and extraordinary items	96,122	43,911	8,426	(5,638)
Minority interests' share of loss of Arden Predecessors	--	--	--	721
Minority interests	(5,447)	(4,281)	(993)	--
Income (loss) before extraordinary items	90,675	39,630	7,433	(4,917)
Extraordinary (loss) gain on early extinguishment of debt, net of minority interests' share of $1,798 for the period October 9, 1996 to December 31, 1996	--	--	(13,105)	1,877
Net income (loss)	$ 90,675	$ 39,630	$(5,672)	$(3,040)
Net income (loss) per common share:				
Income before extraordinary item	$ 1.55	$ 1.43	$ .34	
Extraordinary loss on early extinguishment of debt	--	--	(.60)	
Net income (loss) per common share:				
Basic	$ 1.55	$ 1.43	$ (.26)	
Diluted	$ 1.54	$ 1.41	$ (.26)	
Weighted average common shares:				
Basic	58,660	27,794	21,680	
Diluted	58,814	28,039	21,680	

</TABLE>

See accompanying notes to financial statements.

ARDEN REALTY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED) DEFICIT	NOTES RECEIVABLE FROM OFFICERS-SHAREHOLDERS	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNTS				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at October 8, 1996.................	100					
Retirement of originally issued shares...	(100)					
Common stock bonus to certain employees.............................	5,000					
Sale of common stock, net of offering costs of $36,181......................	21,674,500	$217	$ 397,092			$ 397,309
Distributions paid to Arden Predecessors..........................	--	--	(16,554)			(16,554)
Allocation of minority interests in operating partnership..................	--	--	(35,301)			(35,301)
Net loss.................................	--	--	--	$ (5,672)		(5,672)
Dividends declared and payable...........	--	--	(7,805)	--		(7,805)
Balance at December 31, 1996..............	21,679,500	217	337,432	(5,672)		331,977
Common stock issued in connection with the exercise of options................	146,666	1	2,933	--		2,934
Stock Option compensation................	--	--	92	--		92
Sale of common stock, net of offering costs of $18,588......................	13,750,000	138	340,493	--		340,631
OP units converted.......................	220,538	2	3,425			3,427
Net income...............................	--	--	--	39,630		39,630
Dividends declared and payable...........	--	--	(11,750)	(33,958)		(45,708)
Balance at December 31, 1997..............	35,796,704	358	672,625	--		672,983
Sale of common stock, net of offering costs of $38,076......................	26,296,047	263	706,319	--		706,582
OP units converted.......................	229,880	2	3,897	--		3,899
Warrants.................................	--	--	3,600		--	3,600
Notes receivable from officers for purchase of common stock..............	85,106	1	1,999	--	$(2,047)	(47)
Net income...............................	--	--	--	90,675	--	90,675
Dividends declared and payable...........	--	--	(13,627)	(90,675)	--	(104,302)
Balance at December 31, 1998..............	62,407,737	$624	$1,374,813	$ --	$(2,047)	$1,369,790

</TABLE>

ARDEN PREDECESSORS

COMBINED STATEMENT OF OWNERS' EQUITY
(IN THOUSANDS)

<TABLE>
<CAPTION>

	OWNERS' EQUITY
<S>	<C>
Balance at December 31, 1995................................	$ 8,116
Owners' contributions...................................	2,923
Owners' distributions...................................	(2,309)
Net loss for the period January 1, to October 8, 1996.....	(3,040)
Balance at October 8, 1996.................................	$ 5,690

</TABLE>

See accompanying notes to financial statements.

ARDEN REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS AND
ARDEN PREDECESSORS
COMBINED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31,	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997	1996	
OPERATING ACTIVITIES:				
Net income (loss)	$ 90,675	$ 39,630	$ (5,672)	$ (3,040)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Extraordinary loss (gain) on early extinguishment of debt	--	--	13,105	(1,877)
Minority interests	5,447	4,281	993	--
Equity in net loss of noncombined entities	--	--	--	336
Loss allocable to minority interests of Arden Predecessors	--	--	--	(721)
Depreciation and amortization	51,822	20,260	3,108	5,264
Amortization of loan costs and fees	1,941	823	8	202
Changes in operating assets and liabilities:				
Rents and other receivables	1,280	(22,340)	557	(1,866)
Restricted cash	(8,369)	(4,040)	--	2,166
Deferred rent	(8,193)	(2,742)	(618)	(1,735)
Prepaid financing and leasing costs	(24,821)	(10,796)	(1,201)	(1,243)
Prepaid expenses and other assets	21,491	(3,497)	499	(1,136)
Accounts payable and accrued expenses	5,229	10,280	(2,911)	2,883
Deferred interest	--	--	--	7,607
Security deposits	7,086	3,257	797	547
Net cash provided by operating activities	143,588	35,116	8,665	7,387
INVESTING ACTIVITIES:				
Acquisitions and improvements to commercial properties	(1,119,517)	(639,670)	(164,763)	(119,083)
Escrow deposit	20,000	(20,000)	--	--
Net cash used in investing activities	(1,099,517)	(659,670)	(164,763)	(119,083)
FINANCING ACTIVITIES:				
Cash from contributed net assets	--	--	23,707	--
Distributions to Arden Predecessors in exchange for partnership assets	--	--	(16,554)	--
Proceeds from mortgage loans	677,520	308,202	104,000	120,485
Repayment of mortgage loans	(370,659)	(175,036)	(368,471)	(5,051)
Proceeds from secured line of credit	--	28,700	--	--
Repayment of secured line of credit	--	(28,700)	--	--
Proceeds from unsecured lines of credit	413,350	443,500	51,000	5,188
Repayments of unsecured lines of credit	(357,300)	(254,100)	(3,737)	(2,264)
Payments of additional interest	--	--	(23,524)	--
Proceeds from issuance of common stock, net of offering costs	706,582	343,565	397,309	--
Distributions to and contributions from minority interests, net	(22,017)	(3,534)	--	936
Dividends paid	(92,269)	(40,375)	--	--
Owners' contributions from and distributions to, net	--	--	--	614
Net cash provided by financing activities	955,207	622,222	163,730	119,908
Net (decrease) increase in cash and cash equivalents	(722)	(2,332)	7,632	8,212
Cash and cash equivalents at beginning of period	5,300	7,632	--	790
Cash and cash equivalents at end of period	$ 4,578	$ 5,300	$ 7,632	$ 9,002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the period for interest, net of amount capitalized	$ 48,206	$ 19,191	$ 3,130	$ 15,719

See accompanying notes to financial statements.

ARDEN REALTY, INC.
AND
ARDEN PREDECESSORS

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS

Description of Business

The terms "Arden Realty", "us", "we" and "our" as used in these financial statements refer to Arden Realty, Inc. Through our controlling interest in Arden Realty Limited Partnership (the "Operating Partnership") and our other subsidiaries, we are engaged in owning, acquiring, managing, leasing, and renovating commercial properties located in Southern California. As of December 31, 1998, our portfolio of properties included 138 commercial properties with approximately 18 million rentable square feet (the "Properties").

Organization and Formation of the Company

Arden Realty was incorporated in Maryland in May 1996 to continue and expand the real estate business of Arden Realty Group, Inc. and a group of affiliated entities (the "Arden Predecessors"). On October 9, 1996, we completed an initial public offering (the "IPO") of 21,674,500 shares of $.01 par value common stock. Concurrent with consummation of the IPO, Arden Realty and the Operating Partnership, together with the Partners and members of the Arden Predecessors (collectively, the "Participants"), engaged in certain formation transactions.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Arden Realty, the Operating Partnership, and its other subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The minority interests at December 31, 1998 and December 31, 1997 include limited partnership interests in the Operating Partnership of approximately 4.3% and 9.7%, respectively.

The Arden Predecessors were not a legal entity but rather a combination of partnerships and an affiliated real estate management corporation. The properties and entities were all managed by Messrs. Ziman and Coleman. In those instances where the financial interests held by Messrs. Ziman, Coleman, Gilbert and their affiliates were also controlling interests, the entities have been combined in the accompanying financial statements. Minority interests have been recorded for those entities that the affiliated Participants control but were not wholly-owned. Where controlling interests were not held by these affiliated Participants, or the Arden Predecessors did not have unilateral right to refinance the debt on the property, the entities were accounted for as investments in noncombined entities utilizing the equity method of accounting.

Risks and Uncertainties

The preparation of financial statements, in conformity with generally accepted accounting principles, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our Properties are all located in Southern California. As a result of our geographic concentration, the operations of these Properties could be affected by the economic conditions in this region.

Commercial Properties

Our Properties are stated at the lower of cost or estimated fair value. Write-downs to estimated fair value would be recognized when impairment indicators are present and a property's estimated undiscounted future cash flow, before interest charges, is less than its book value. In that situation, we would recognize an impairment loss to the extent the carrying amount exceeded the fair value of the property. Based on our assessment, no write-downs to estimated fair value were necessary.

Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized.

Depreciation is calculated under the straight-line method using forty-year lives for buildings and ten-year lives for building improvements. Amortization of tenant improvements is calculated using the straight-line method over the term of the related lease.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less when acquired.

Restricted Cash

Restricted cash primarily consists of $10 million in cash deposits as required by certain of our mortgage loans payable and $2.4 million in impound accounts for real estate taxes and insurance, as required by certain of our mortgage loans payable.

Prepaid Financing and Leasing Costs

Costs associated with leasing properties are capitalized and amortized to expense on a straight-line basis over the related lease term. Costs associated with obtaining long-term financing are capitalized and amortized to interest expense over the term of the related loan.

Revenue Recognition

Minimum rent, including rental abatements and contractual fixed increases attributable to operating leases, is recognized on a straight-line basis over the term of the related lease. Amounts expected to be received in later years are included in deferred rents. Property operating expense reimbursements due from tenants for common area maintenance, real estate taxes and other recoverable costs are recognized in the period the related expenses are incurred.

Industry Segments

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information," ("Statement 131") which is effective for years beginning after December 15, 1997. Statement 131 establishes standards for the way that public business enterprises report information about operating segments. Statement 131 also establishes standards for related disclosure about products and services, geographic areas, and major customers. We evaluate performance and allocate resources primarily based on the net operating income of our individual properties. However, because each of our Properties has similar economic characteristics, facilities, services and tenants, the properties have been aggregated into a single Property segment. Since we operate as a single segment, the implementation of Statement 131 did not have an impact on how we report our results of operations.

Income Taxes

Prior to October 9, 1996 the combined and noncombined entities that made up the Arden Predecessors consisted of a Subchapter S corporation, limited liability companies and partnerships. Taxable income for such entities was recorded on the separate tax returns of the shareholders, membership unit holders and individual partners and, accordingly, no provision for income taxes was recorded in the accompanying financial statements of the Arden Predecessors.

Arden Realty generally will not be subject to federal income taxes as long as we continue to qualify as a real estate investment trust ("REIT"). A REIT will generally not be subject to federal income taxation on that portion of income that qualifies as REIT taxable income and to the extent that it distributes such taxable income to its stockholders and complies with certain requirements. As a REIT, we are allowed to reduce taxable income by all or a portion of distributions to stockholders and must distribute at least 95% of our taxable income to qualify as a REIT. As dividends have eliminated taxable income, and compliance with certain requirements have been met, no Federal income tax provision has been reflected in the accompanying consolidated financial statements. State income tax requirements are essentially the equivalent of the Federal rules.

During 1998 and 1997, we declared dividends of $1.68 and $1.60 per share, respectively. For federal income tax purposes $1.53 and $1.45 per share was reported to shareholders as ordinary income for 1998 and 1997, respectively. A total of $.38 per share of the fourth quarter 1998 dividend will be reported to shareholders in 1999.

Fair Value of Financial Instruments

Our disclosures of estimated fair value of financial instruments at December 31, 1998 were determined using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, accounts payable, the lines of credit and other financial instruments are carried at amounts which reasonably approximate their fair value amounts. Our mortgage notes payable have an estimated aggregate fair value which approximates their carrying value. Estimated fair value is based on interest rates currently available for issuance of debt with similar terms and remaining maturities.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

3. COMMERCIAL PROPERTIES

During 1998 we acquired 66 commercial properties containing approximately 7.7 million rentable square feet, all located in Southern California for a total cost, including the purchase price and closing costs, of approximately $1.0 billion.

We capitalize interest and taxes related to buildings under construction and renovation to the extent such assets qualify for capitalization.

Total interest incurred and the amount capitalized was as follows (in thousands):

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			
	FOR THE YEAR ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31,	ARDEN PREDECESSORS FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997	1996	
<S>	<C>	<C>	<C>	<C>
Total interest incurred..................	$52,323	$20,689	$1,337	$24,521
Interest capitalized.....................	(8,920)	(1,178)	(57)	--
Interest expensed........................	$43,403	$19,511	$1,280	$24,521

</TABLE>

Sixty six of the commercial properties with a carrying value of approximately $1.1 billion are encumbered by mortgage loans totaling $544 million (See Note 7).

Office space in our properties is generally leased to tenants under lease terms which provide for the tenants to pay for increases in operating expenses in excess of specified amounts.

Future minimum lease payments to be received under noncancelable operating leases existing as of December 31, 1998, are as follows:

<TABLE>

<S>	<C>
1999........................	$ 264,184,000
2000........................	232,011,000
2001........................	194,088,000
2002........................	156,299,000
2003........................	112,525,000
Thereafter..................	1,321,153,000

</TABLE>

The above future minimum lease payments do not include specified payments for tenant reimbursements of operating expenses.

We lease the land underlying either the office buildings and/or parking structures of six of our buildings. Ground lease expense was approximately $2.0 million, $1.6 million, and $0.3 million for the years ended December 31, 1998 and 1997, and for the period from October 9, 1996 to December 31, 1996, respectively. Future minimum ground lease payments due under existing ground leases are as follows:

1999	$ 2,049,000
2000	1,716,000
2001	1,717,000
2002	1,754,000
2003	1,754,000
Thereafter	120,092,000

4. INVESTMENTS IN NONCOMBINED ENTITIES

The Arden Predecessors' affiliates did not own controlling financial interests in certain of the Arden Predecessors. These investments were accounted for utilizing the equity method of accounting. Under this accounting method, the net equity investment of these affiliates was reflected in the combined balance sheet, and the combined statements of operations included the affiliates' share of net income or loss from the entities. Subsequent to the IPO, we acquired the nonaffiliated Participants' interests

and accordingly, consolidate the accounts of these properties. The affiliates' ownership interest in each entity was as follows:

ENTITY	AFFILIATES' OWNERSHIP %
Bristol Encino Associates, LLC	20.9%
222 Harbor Associates, LLC	26.3
Beverly Ventura Associates, L.P.	50.0
5000 Spring Associates Tenancy in Common	77.5

Although these affiliates owned a 77.5% interest in 5000 Spring Associates Tenancy-in-Common, they did not have unilateral right to refinance the property. As a result, this investment was accounted for utilizing equity accounting.

Condensed operating information is presented below for all noncombined entities.

CONDENSED COMBINED STATEMENT OF OPERATIONS OF NONCOMBINED ENTITIES

FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
(IN THOUSANDS)

Revenues	$14,274
Expenses:	
Property operating expenses	6,053
Interest	7,356
Depreciation and amortization	2,705
Total expenses	16,114
Net loss	$(1,840)

The significant accounting policies used by the noncombined entities were similar to those used by the Arden Predecessors.

5. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses at December 31, 1997 included a $20 million deposit made in connection with acquisition of the LBA Portfolio. The deposit was funded with a draw on the Credit Facility (See Note 8).

6. MORTGAGE NOTES RECEIVABLE

In September 1997, the Company purchased two mortgage notes receivable, secured by a single commercial office property, with an aggregate balance of approximately $17.6 million, for approximately $14.4 million. The notes bear interest at the Eleventh District Cost of Funds plus 3.25% per annum (effective rate of 8.0% and 8.2% at December 31, 1998 and 1997, respectively), require monthly payments of principal, interest, and additional net cash flow from the property (as defined) and mature on May 31, 2004.

7. MORTGAGE LOANS PAYABLE

In January 1998, we borrowed $60 million from Lehman Brothers Realty Corporation (the "Lehman Bridge Loan I") in connection with the acquisition of our 9100 Wilshire Property. In June 1998, we repaid $5.6 million on the Lehman Bridge Loan I with proceeds from two of our mortgage loans payable to Lehman Brothers and their affiliates (as described below). In September 1998, the Lehman Bridge Loan I was expanded to $81.4 million. The Lehman Bridge Loan I is secured by seven of our properties, bears interest at LIBOR plus .75% per annum (effective rate of 5.814% at

December 31, 1998), requires monthly payments of interest only, and matures on February 20, 1999. On January 29, 1999, the Lehman Bridge Loan I was expanded to $111.4 million. Pursuant to the fifth amendment to the Lehman Bridge Loan I, the loan bears interest at LIBOR plus 2.25% per annum (effective rate of 7.19% on January 29, 1999), requires monthly payments of interest only, and matures on April 20, 1999.

On February 2, 1999, we executed a $115 million loan commitment with Mass Mutual Life Insurance Company (the "Mass Mutual Loan"). The Mass Mutual Loan is secured by 12 Properties, has a ten year term and bears interest at fixed rate of 6.94% (7.049% including the amortization of loan fees) and requires monthly payments of principal and interest totaling $815,935 and is amortized over a 25 year period. The estimated funding date for the Mass Mutual Loan is March 31, 1999. Proceeds from this loan will be used to repay a portion of our lines of credit and the Lehman Bridge Loan I.

At December 31, 1998 we had three mortgage loans payable to Lehman Brothers and their affiliates, secured by fully cross-collateralized and cross-defaulted first mortgage liens on 18, 22 and 12 of our properties, respectively. As of December 31, 1998, one of the loans totaling $175 million bears interest at 7.52%, requires monthly payments of interest only, with all principal anticipated to be repaid on June 2004. Two of the loans totaling $247.3 million bear interest at 6.61% to 6.74%, require monthly payments of interest only for five years and monthly payments of principal and interest thereafter, with all principal anticipated to be repaid on June 2008. These mortgage loans required us to maintain cash deposits aggregating $10 million and $4 million at December 31, 1998 and 1997, respectively, and to comply with certain financial covenants, ongoing operational restrictions, and certain cash management procedures.

In connection with two of our mortgage loans payable to Lehman Brothers and their affiliates, we entered into a treasury rate lock agreement (the "Swap Agreement") with a notional amount of $100 million and locked in the United States 10 year treasury rate at 6.174%. On April 16, 1998 we settled the Swap Agreement for $4.5 million and are amortizing the cost of settling the Swap Agreement over the term of two of the related mortgage loans payable to Lehman Brothers.

During the year ended December 31, 1997, we assumed five mortgage notes payable, with an aggregate balance of approximately $17.2 million in connection with the acquisition of certain properties. The notes bear interest ranging from 7.0% to 9.0% per annum and mature at various dates through 2027. Four of the notes with an aggregate balance of $12.2 million require monthly payments of principal and interest and one note with a balance of $5.0 million requires monthly payments of interest only. As of December 31, 1998 and 1997, the outstanding balances under these notes payable was approximately $16.9 million and $17.1 million, respectively.

During the year ended December 31, 1998, we assumed approximately $23.6 million in mortgage notes payable in connection with the acquisition of certain properties. The notes bear interest rates ranging from 8.09% to 8.85% per annum maturing at various dates through 2006 and require monthly payments of principal and interest. As of December 31, 1998 the outstanding balances under these notes payable were approximately $23.3 million.

Following is a summary of scheduled principal payments for our mortgage loans as of December 31, 1998:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	AMOUNT

1999.........................	$ 82,161,000
2000.........................	743,000
2001.........................	808,000
2002.........................	5,879,000
2003.........................	14,299,000
Thereafter...................	440,137,000
	$544,027,000

8. UNSECURED LINES OF CREDIT

As of December 31, 1998 and 1997 we had an unsecured line of credit (the "Credit Facility") in the amount of $300 million with a group of banks led by Wells Fargo Bank (the "Lenders"). The interest rate of the Credit Facility ranges between LIBOR plus 1.2% and LIBOR plus 1.45% depending on our leverage ratio (effective rate of 6.75% and 7.52% at December 31, 1998 and 1997, respectively). If we achieve an unsecured investment grade debt rating, the interest rate may be lowered to between LIBOR plus 0.9% and LIBOR plus 1.15% depending on such debt rating. Under certain circumstances, we have the option to convert the interest rate from LIBOR to the prime rate plus 0.5%. The outstanding balance of the Credit Facility was $296.4 million and $230.4 million at December 31, 1998 and 1997, respectively.

The Credit Facility is subject to customary conditions to borrowing; contains representations, warranties and defaults customary in REIT financings; and contains financial covenants, including requirements for a minimum tangible net worth, maximum liabilities to asset values, and minimum interest, unsecured interest and fixed charge coverage ratios (all calculated as defined in the Credit Facility documentation), and requirements to maintain a pool of unencumbered properties which meet certain defined characteristics and are approved by the Lenders. The Credit Facility also contains restrictions on, among other things, indebtedness, investments, distributions, liens and mergers. In addition, the Credit Facility has a commitment fee ranging from .125% to .25% on the unused balance. The Credit Facility matures on June 1, 2000. Proceeds from the Credit Facility will be used, among other things, to provide funds for tenant improvements and capital expenditures and provide for working capital and other corporate purposes.

As of December 31, 1998 and 1997 we also had an unsecured line of credit in the amount of $10 million with City National Bank (the "City National Bank Credit Facility"). The interest rate is the City National Bank Prime Rate less 0.875% (effective rate of 7.4% and 7.6% at December 31, 1998 and 1997, respectively) and is scheduled to mature on August 1, 1999. The outstanding balance of the City National Bank Credit Facility was $10 million at December 31, 1997. There was no outstanding balance at December 31, 1998.

9. STOCKHOLDERS' EQUITY

On January 12, 1998, we filed a form S-3 Registration Statement (the "Registration Statement") with the Securities Exchange Commission to offer in one or more series, shares of our $.01 par value common stock with an aggregate public offering price of up to $1.0 billion. This Registration Statement was declared effective on January 21, 1998.

During 1998, we completed four equity offerings under the Registration Statement, as follows
(in thousands):

	DATE	NUMBER OF SHARES	GROSS PROCEEDS	FEES AND COSTS	NET PROCEEDS
Unit Trust(a)........................	2/18/98	882	$ 24,970	$ 1,349	$ 23,621
Public Offering......................	2/19/98	23,000	651,188	32,982	618,206
Unit Trust(a)........................	2/23/98	1,304	37,000	1,945	35,055
Unit Trust(a)........................	4/23/98	1,110	31,500	1,800	29,700
		26,296(b)	$744,658	$38,076	$706,582

(a) Shares of common stock issued to the trustees of unrelated registered unit investment trusts.

(b) Excludes 229,880 shares issued in connection with Operating Partnership Unit conversions and 85,106 shares issued to officers for purchases of common stock .

An Operating Partnership Unit (OP Unit) and a share of common stock have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership. An OP Unit may be redeemed for cash or, at our election, for shares of common stock on a one-for-one basis.

In December 1997, the Operating Partnership issued 849,280 OP Units valued at approximately $24.7 million in connection with the acquisition of a 469,115 square foot office property in Los Angeles, and 220,538 OP Units were exchanged for Common Stock.

During 1998, we issued 300,255 OP units, valued at approximately $8.2 million in connection with certain Property acquisitions. In March 1998, we also issued warrants, which expire on March 2, 2001, to purchase 2.5 million shares of our Common Stock at a price of $29.59 per share, subject to adjustment, in connection with a portfolio acquisition.

In April 1998, we redeemed 542,382 of these OP units at a cost of approximately $16.3 million in cash based on the original issuance price of the OP Units.

In August 1998, we declared a dividend distribution of one preferred share purchase right on each outstanding share of our common stock. Subject to limited exceptions, these rights will be exercisable if a person or group (an "Acquiring Person") acquires 15% or more of our common stock or announces a tender offer for 15% or more of our common stock. Under certain circumstances, each right will entitle stockholders to buy one one-hundredth of a share of our newly created Class A Junior Participating Preferred Stock at an exercise price of $75. Our Board of Directors will be entitled to redeem the Rights at $.01 per Right at any time before a person has acquired 15% or more of the outstanding common stock. The Rights Plan will expire in August 2008.

If a person becomes an Acquiring Person, each right will entitle its holder to purchase, at the right's then-current exercise price, a number of our common shares having a market value at that time of twice the Right's exercise price. Rights held by the Acquiring Person will become void and will not be exercisable to purchase shares at the bargain purchase price. If we are acquired in a merger or other business combination transaction which has not been approved by our Board of Directors, each right will entitle its holder to purchase, at the right's then-current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the right's exercise price.

On March 9, 1999, we declared a first quarter dividend of $.445 per share to shareholders of record on March 31, 1999.

10. COMMITMENTS AND CONTINGENCIES

Capital Commitments

As of December 31, 1998 we had approximately $8.1 million outstanding in capital commitments related to tenant improvements, renovation costs, and general property related capital expenditures.

Litigation

We do not believe there is any litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by liability insurance and all of which is not expected to have a material adverse effect on our consolidated financial statements.

Concentration of Credit Risk

We maintain our cash and cash equivalents at financial institutions. The combined account balances at each institution periodically exceed FDIC insurance coverage, and as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. Management believes that the risk is not significant.

We generally do not require collateral or other security from our tenants, other than security deposits.

11. RELATED PARTY TRANSACTIONS

Property Acquisitions

In March 1997, we purchased a 109,187 square foot office property from a shareholder for approximately $10.2 million.

Notes Receivable from Officers

Under our stock option plan (Note 14), on August 14, 1998 we issued 42,553 shares of Common Stock to both Ms. Laing and Mr. Sobel. In consideration for the issuance of such Common Stock, Ms. Laing and Mr. Sobel executed Promissory Notes (the "Notes") in the amount of $1.0 million each.

The Notes are recourse and secured by the shares of Common Stock issued to Ms. Laing and Mr. Sobel, bear interest at 6% per annum with all accrued interest and principal due on August 14, 2004. Provided that Ms. Laing and Mr. Sobel are still employed by Arden Realty, the outstanding principal amount of the Notes will be forgiven as follows; August 14, 2001, $100,000; August 14, 2002, $166,667; August 14, 2003, $200,000; and August 14, 2004, $200,000. Additionally, provided that Ms. Laing and Mr. Sobel are still employed by Arden Realty, all accrued and unpaid interest and the outstanding principal amount of the Notes will be forgiven upon a change in control (as defined) of Arden Realty or upon the death or disability of Ms. Laing or Mr. Sobel.

12. REVENUE FROM RENTAL OPERATIONS AND PROPERTY OPERATING EXPENSES

Revenue from rental operations and property operating expenses are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31,	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997	1996	
<S>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:				
Rental............................	$250,467	$118,085	$17,041	$32,287
Tenant reimbursements.............	9,505	5,945	803	2,031
Parking, net of expenses..........	12,223	7,397	1,215	3,692
Other rental operations...........	8,872	2,390	375	1,125
	281,067	133,817	19,434	39,135
PROPERTY OPERATING EXPENSES:				
Repairs and maintenance...........	27,141	15,154	1,980	3,092
Utilities.........................	26,559	14,321	1,844	3,456
Real estate taxes.................	19,433	8,003	1,033	2,031
Insurance.........................	4,110	2,125	290	2,460
Ground rent.......................	714	314	78	806
Marketing and other...............	8,613	4,415	780	2,379
	86,570	44,332	6,005	14,224
	$194,497	$ 89,485	$13,429	$24,911

</TABLE>

13. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31,
	1998	1997	1996
<S>	<C>	<C>	<C>
Net income (loss)...................................	$90,675	$39,630	$(5,672)
Weighted average shares -- basic......................	58,660	27,794	21,680
Weighted average dilutive stock options...............	153	245	--
Weighted average shares -- diluted....................	58,814	28,039	21,680
Basic net income (loss) per share.....................	$ 1.55	$ 1.43	$ (0.26)
Diluted net income (loss) per share...................	$ 1.54	$ 1.41	$ (0.26)

=======   =======   =======

</TABLE>

14. STOCK OPTION PLAN

We have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee and directors stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("Statement 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under Statement 123, because the exercise price of employee and director stock options granted by the Company equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

We established a stock option plan for the purpose of attracting and retaining executive officers, directors and other key employees. As of December 31, 1998, 1,348,334 of our authorized shares have been reserved for issuance under such plan.

All holders of the above options have a ten year period to exercise and all options were granted at exercise prices equal to the market prices at the date of the grant.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if we had accounted for our employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and for the period of October 9, 1996 to December 31, 1996, respectively: Risk-free interest rate of 5.68%, 5.81% and 6.7%; dividend yield of 7.25%, 5.2% and 5.8%; volatility factor of the expected market price of our common stock of .268, .194, and .23. The weighted average expected life of the options ranges between eight and ten years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restriction and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee and director stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee and director stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Company's pro forma information follows (in thousands, except earnings per share information):

<TABLE>
<CAPTION>

<S>	FOR THE YEAR ENDED DECEMBER 31, 1998 <C>	FOR THE YEAR ENDED DECEMBER 31, 1997 <C>	FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31, 1996 <C>
Pro forma income before extraordinary items..................................	$88,711	$38,711	$ 7,189
Extraordinary loss on early extinguishment of debt................................	--	--	(13,105)
Net income (loss).........................	$88,711	$38,711	$ (5,916)
Pro forma income before extraordinary items per share.........................	$ 1.51	$ 1.39	$ .33
Extraordinary loss on early extinguishment of debt................................	--	--	(.60)
Pro forma net income (loss) per share.....	$ 1.51	$ 1.39	$ (.27)

</TABLE>

A summary of our stock option activity, and related information for the years ended December 31, 1998, 1997, and for the period October 9, 1996 to December 31, 1996 follows:

<TABLE>
<CAPTION>

	1998	1997	1996

	OPTIONS (000S)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000S)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000S)	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding, beginning of period.....................	1,303	$25.27	930	$20.15	--	$ --
Granted......................	685	26.23	556	32.09	930	20.15
Exercised....................	--	--	(147)	20.00	--	--
Forfeited....................	--	--	(36)	20.00	--	--
Outstanding at end of year...	1,988	$25.42	1,303	$25.27	930	$20.15
Weighted-average fair value of options granted.........	$ 3.27		$ 3.72		$3.40	

</TABLE>

Exercise prices for options outstanding as of December 31, 1998 ranged from $20.00 to $32.25. The weighted average remaining contractual life of those options is 9.2 years.

15. EMPLOYEE RETIREMENT SAVINGS PLAN

Effective June 12, 1997, we adopted a retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code ("Code"), whereby participants may contribute a portion of their compensation to their respective retirement accounts, in an amount not to exceed the maximum allowed under the Code. The plan provides for matching contributions by Arden Realty, which amounted to approximately $187,000 in 1998 and $71,000 in 1997. Plan participants are immediately vested in their contribution and are vested equally over four years in the matching contributions by Arden Realty.

16. QUARTERLY RESULTS

Following is a summary of our revenue and expenses for the years ended December 31, 1998 and 1997. Revenue and expenses have fluctuated significantly from quarter to quarter primarily due to property acquisitions made during 1998 and 1997 (unaudited).

<TABLE>
<CAPTION>

	FOR THE QUARTER ENDED (IN THOUSANDS, EXCEPT SHARE AMOUNTS)			
	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Revenue................................	$ 54,759	$ 70,503	$ 76,738	$ 79,067
Property operating expenses............	(16,738)	(21,543)	(24,072)	(24,217)
General and administrative.............	(1,635)	(1,388)	(1,564)	(2,078)
Interest expense.......................	(8,612)	(10,539)	(11,988)	(12,264)
Depreciation and amortization..........	(11,296)	(12,930)	(12,954)	(14,642)
Interest and other income..............	1,458	695	680	682
Minority interests.....................	(1,752)	(1,183)	(1,253)	(1,259)
Net Income.............................	$ 16,184	$ 23,615	$ 25,587	$ 25,289
Net income per share:				
Basic..............................	$ .34	$ .38	$ .41	$ .41
Diluted............................	$ .34	$ .38	$ .41	$ .40

</TABLE>

<TABLE>
<CAPTION>

	FOR THE QUARTER ENDED (IN THOUSANDS, EXCEPT SHARE AMOUNTS)			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
<S>	<C>	<C>	<C>	<C>
Revenue................................	$ 24,916	$ 29,704	$ 36,431	$ 42,766
Property operating expenses............	(7,894)	(9,544)	(11,737)	(15,157)
General and administrative.............	(918)	(931)	(979)	(1,494)
Interest expense.......................	(3,024)	(5,883)	(4,816)	(5,788)
Loss on valuation of derivative........	--	--	(3,111)	--
Depreciation and amortization..........	(3,562)	(4,458)	(5,241)	(6,999)
Interest and other income..............	54	59	450	1,067
Minority interests.....................	(1,134)	(1,090)	(881)	(1,176)
Net Income.............................	$ 8,438	$ 7,857	$ 10,116	$ 13,219

Net income per share:

Basic	$ .39	$ .36	$ .31	$ .37
Diluted	$ .38	$ .36	$ .31	$ .37

</TABLE>

ARDEN REALTY, INC.

SCHEDULE III -- COMMERCIAL PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT SQUARE FOOT DATA)

<TABLE>
<CAPTION>

		INITIAL COSTS		BASIS STEP-UP		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
	SQUARE FOOTAGE	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS	IMPROVEMENTS(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Century Park Center	243,404	$ 7,189	$ 16,742	$ --	$ --	$ 6,378
Beverly Atrium	61,314	4,127	11,513	117	328	894
Woodland Hills Financial Center	224,955	6,566	14,754	365	880	2,972
Anaheim City Centre	175,391	515	11,199	94	2,075	1,352
425 West Broadway	71,589	1,500	4,436	305	918	345
1950 Sawtelle	103,772	1,988	7,263	--	--	1,241
Bristol Plaza	84,014	1,820	3,380	257	485	1,122
16000 Ventura	174,841	1,700	17,189	185	1,929	1,734
5000 Spring	163,358	--	11,658	--	424	1,882
70 South Lake	100,133	1,360	9,097	--	--	1,088
Westwood Terrace	135,943	2,103	16,850	--	--	1,021
5601 Lindero Canyon	105,830	2,577	6,067	--	--	1,672
The New Wilshire	202,704	1,200	19,902	--	--	2,760
Calabasas Commerce Center	123,121	1,262	9,725	--	--	1,010
Long Beach--DF&G	272,013	--	14,452	--	--	164
Skyview Center	391,675	6,514	33,701	--	--	3,144
400 Corporate Pointe	164,598	3,382	17,527	75	390	1,650
5832 Bolsa	49,355	690	3,526	15	80	169
9665 Wilshire	158,684	6,697	22,230	139	473	1,714
Imperial Bank Tower	540,413	3,722	35,184	64	625	5,368
100 West Broadway	191,727	4,570	15,255	--	--	922
12501 East Imperial Highway	122,175	4,508	5,532	--	--	166
303 Glenoaks	175,449	6,500	18,132	--	--	977
10351 Santa Monica	96,251	3,080	7,906	--	--	564
2730 Wilshire	67,820	3,515	5,944	--	--	616
Grand Avenue Plaza	84,500	620	2,832	--	--	3,741
Burbank Executive Plaza	60,395	1,100	4,384	--	--	1,389
California Federal Building	82,467	1,500	5,981	--	--	516
Center Promenade	174,837	2,310	9,266	--	--	1,109
Los Angeles Corporate Center	389,293	26,781	15,139	--	--	889
5200 West Century	310,910	2,080	9,360	--	--	5,014
Sumitomo Bank Building	110,641	2,560	10,257	--	--	525
10350 Santa Monica	42,292	861	3,456	--	--	144
535 N. Brand Blvd	109,187	1,600	8,779	--	--	6,431
10780 Santa Monica	92,486	2,625	7,997	--	--	583
California Twin Center	155,189	4,680	14,877	--	--	912

<CAPTION>

	TOTAL COSTS					
	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION(1)	ENCUMBRANCES	YEAR BUILT/ RENOVATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Century Park Center	$ 7,189	$ 23,120	$ 30,309	$ 5,355	$ --	1972/94
Beverly Atrium	4,244	12,735	16,979	2,284	5,268(3)	1989
Woodland Hills Financial Center	6,931	18,606	25,537	3,578	14,564(3)	1972/95
Anaheim City Centre	609	14,626	15,235	2,178	8,914(3)	1986/91
425 West Broadway	1,805	5,699	7,504	724	4,733(3)	1984
1950 Sawtelle	1,988	8,504	10,492	1,199	7,285(3)	1988/95
Bristol Plaza	2,077	4,987	7,064	659	4,082(3)	1982
16000 Ventura	1,885	20,852	22,737	2,505	10,828(3)	1980/96
5000 Spring	--	13,964	13,964	2,226	--	1989/95
70 South Lake	1,360	10,185	11,545	964	6,677(3)	1982/94
Westwood Terrace	2,103	17,871	19,974	1,570	--	1988
5601 Lindero Canyon	2,577	7,739	10,316	1,158	6,225(3)	1989
The New Wilshire	1,200	22,662	23,862	2,161	11,566(3)	1986
Calabasas Commerce Center	1,262	10,735	11,997	915	8,103(3)	1990
Long Beach--DF&G	--	14,616	14,616	1,142	--	1987/95
Skyview Center	6,514	36,845	43,359	3,390	27,604(3)	1981/87/95
400 Corporate Pointe	3,457	19,567	23,024	1,478	15,583(3)	1987

5832 Bolsa.........................	705	3,775	4,480	289	2,675(3)	1985
9665 Wilshire......................	6,836	24,417	31,253	1,961	--	1972/92/93
Imperial Bank Tower................	3,786	41,177	44,963	3,539	--	1982/96
100 West Broadway..................	4,570	16,177	20,747	1,210	15,120(3)	1987/96
12501 East Imperial Highway........	4,508	5,698	10,206	368	7,186(3)	1978/94
303 Glenoaks.......................	6,500	19,109	25,609	1,251	13,104(3)	1983/96
10351 Santa Monica.................	3,080	8,470	11,550	471	5,541(3)	1984
2730 Wilshire......................	3,515	6,560	10,075	341	--	1985
Grand Avenue Plaza.................	620	6,573	7,193	335	--	1979/80
Burbank Executive Plaza............	1,100	5,773	6,873	794	3,350(3)	1983
California Federal Building........	1,500	6,497	7,997	4	5,026(3)	1978
Center Promenade...................	2,310	10,375	12,685	549	--	1982
Los Angeles Corporate Center.......	26,781	16,028	42,809	929	21,043(3)	1984/86
5200 West Century..................	2,080	14,374	16,454	214	--	1982
Sumitomo Bank Building.............	2,560	10,782	13,342	563	--	1970/90-91
10350 Santa Monica.................	861	3,600	4,461	193	2,280(3)	1979
535 N. Brand Blvd..................	1,600	15,210	16,810	0	--	1973/92
10780 Santa Monica.................	2,625	8,580	11,205	513	--	1984
California Twin Center.............	4,680	15,789	20,469	864	--	1983

</TABLE>

<TABLE>
<CAPTION>

		INITIAL COSTS		BASIS STEP-UP		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
	SQUARE FOOTAGE	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS	IMPROVEMENTS(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Whittier Financial Center..........	135,415	$ 3,575	$ 10,798	$ --	$ --	$ 1,256
6800 Owensmouth....................	80,014	1,725	5,851	--	--	300
Clarendon Crest....................	43,063	1,300	3,951	--	--	148
Noble Professional Center..........	51,828	1,657	5,096	--	--	163
South Bay Centre...................	202,830	4,775	14,365	--	--	1,159
8383 Wilshire......................	417,463	13,570	45,505	--	--	1,454
Parkway Center.....................	61,333	1,480	5,941	--	--	204
CenterPointe La Palma..............	597,550	16,011	64,400	--	--	1,319
299 Euclid.........................	73,400	1,050	6,110	--	--	2,243
Carlsberg Corporate Center.........	103,506	2,937	9,063	--	--	810
Harbor Corporate Center............	63,925	870	3,538	--	--	195
1000 Town Center...................	107,653	2,800	11,260	--	--	161
Mariner Court......................	105,436	2,350	9,461	--	--	250
Pacific Gateway II.................	223,731	6,287	19,191	--	--	1,260
1821 Dyer..........................	115,061	1,808	5,474	--	--	1,311
Crown Cabot........................	172,900	7,056	21,360	--	--	2,100
120 Spalding.......................	60,656	2,775	8,544	--	--	1,606
South Bay Technology Center........	104,815	1,600	4,782	--	--	499
1370 Valley Vista..................	84,081	2,698	8,141	--	--	215
Renaissance Court..................	61,245	1,580	5,477	--	--	545
Foremost Professional Plaza........	60,534	2,049	6,196	--	--	189
Northpoint.........................	104,235	1,800	20,272	--	--	116
Thousand Oaks Plaza................	13,434	444	1,343	--	--	19
Rancho Plaza.......................	24,057	711	2,213	--	--	28
Pennsfield Plaza...................	21,202	800	2,383	--	--	15
Conejo Business Park...............	69,017	2,489	7,359	--	--	41
Marin Corporate Center.............	51,360	1,956	5,915	--	--	107
Evergreen Plaza....................	75,722	2,489	6,911	--	--	202
145 South Fairfax..................	54,429	1,825	5,551	--	--	289
Bernardo Regency...................	47,916	1,625	4,937	--	--	139
City Centre........................	302,519	8,250	24,951	--	--	684
Wilshire Pacific Plaza.............	100,122	3,750	11,317	--	--	516
Glendale Corporate Center..........	108,209	2,750	12,734	--	--	199
World Savings Center...............	469,115	--	110,382	--	--	3,353
9201 Sunset........................	139,711	7,180	21,666	--	--	2,115
Sunset Pointe Plaza................	58,105	2,075	6,362	--	--	159
Activity Business Center...........	167,045	3,650	11,303	--	--	164
Westlake Gardens...................	49,639	1,831	5,550	--	--	1,065
9100 Wilshire......................	326,227	16,250	48,950	--	--	1,771
Westwood Center....................	313,000	3,100	26,201	--	--	6,542
1919 Santa Monica..................	44,096	2,580	7,772	--	--	176
600 Corporate Pointe...............	273,339	8,575	35,325	--	--	876

<CAPTION>

	TOTAL COSTS					
	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION(1)	ENCUMBRANCES	YEAR BUILT/ RENOVATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Whittier Financial Center..........	$ 3,575	$ 12,054	$ 15,629	$ 684	$ --	1967/82
6800 Owensmouth....................	1,725	6,151	7,876	328	--	1986
Clarendon Crest....................	1,300	4,099	5,399	210	--	1990
Noble Professional Center..........	1,657	5,259	6,916	286	3,580(3)	1985/93
South Bay Centre...................	4,775	15,524	20,299	827	--	1984
8383 Wilshire......................	13,570	46,959	60,529	2,334	--	1971/93
Parkway Center.....................	1,480	6,145	7,625	316	5,029(3)	1992/95
CenterPointe La Palma..............	16,011	65,719	81,730	3,129	35,140(3)	1986/88/90
299 Euclid.........................	1,050	8,353	9,403	103	5,000	1983
Carlsberg Corporate Center.........	2,937	9,873	12,810	420	--	1979
Harbor Corporate Center............	870	3,733	4,603	142	--	1985
1000 Town Center...................	2,800	11,421	14,221	471	--	1989
Mariner Court......................	2,350	9,711	12,061	414	--	1989
Pacific Gateway II.................	6,287	20,451	26,738	637	18,939	1982/90
1821 Dyer..........................	1,808	6,785	8,593	84	--	1980/88
Crown Cabot........................	7,056	23,460	30,516	921	--	1989
120 Spalding.......................	2,775	10,150	12,925	154	--	1984
South Bay Technology Center........	1,600	5,281	6,881	219	--	1984
1370 Valley Vista..................	2,698	8,356	11,054	310	5,532(3)	1988
Renaissance Court..................	1,580	6,022	7,602	145	--	1981/92
Foremost Professional Plaza........	2,049	6,385	8,434	231	--	1992
Northpoint.........................	1,800	20,388	22,188	758	--	1991
Thousand Oaks Plaza................	444	1,362	1,806	934	--	1988
Rancho Plaza.......................	711	2241	2,952	2	--	1987
Pennsfield Plaza...................	800	2398	3,198	1	--	1989
Conejo Business Park...............	2,489	7400	9,889	5	4,604	1991
Marin Corporate Center.............	1,956	6,022	7,978	8	3,257	1986
Evergreen Plaza....................	2,489	7,113	9,602	7	--	1979/96
145 South Fairfax..................	1,825	5,840	7,665	214	4,079	1984
Bernardo Regency...................	1,625	5,076	6,701	181	--	1986
City Centre........................	8,250	25,635	33,885	751	--	1982
Wilshire Pacific Plaza.............	3,750	11,833	15,583	334	2,657	1976/87
Glendale Corporate Center..........	2,750	12,933	15,683	379	--	1985
World Savings Center...............	--	113,735	113,735	3,062	--	1983
9201 Sunset........................	7,180	23,781	30,961	449	--	1963/92-95
Sunset Pointe Plaza................	2,075	6,521	8,596	171	3,855(3)	1988
Activity Business Center...........	3,650	11,467	15,117	299	8,142	1987
Westlake Gardens...................	1,831	6,615	8,446	104	--	1998
9100 Wilshire......................	16,250	50,721	66,971	1,420	32,782	1971/90
Westwood Center....................	3,100	32,743	35,843	0	15,167	1965
1919 Santa Monica..................	2,580	7,948	10,528	189	3,724(3)	1991
600 Corporate Pointe...............	8,575	36,201	44,776	862	17,584(3)	1989

</TABLE>

<TABLE>
<CAPTION>

	SQUARE FOOTAGE	INITIAL COSTS: LAND	INITIAL COSTS: BUILDINGS AND IMPROVEMENTS	BASIS STEP-UP: LAND	BASIS STEP-UP: BUILDINGS AND IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION: IMPROVEMENTS(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
150 East Colorado..................	61,168	$ 1,988	$ 5,841	$ --	$ --	$ 186
5161 Lankershim....................	178,317	5,016	25,568	--	--	2,102
1501 Hughes Way....................	77,060	1,348	4,058	--	--	284
3901 Via Oro.......................	53,195	692	2,081	--	--	879
Huntington Beach Plaza I & II......	52,186	1,109	3,317	--	--	56
Fountain Valley Plaza..............	107,252	2,949	9,377	--	--	340
3300 Irvine Avenue.................	74,224	2,215	6,697	--	--	308
Von Karman Corporate Center........	451,477	11,513	34,783	--	--	1,189
1503 South Coast...................	60,605	1,570	4,731	--	--	77
One Venture........................	43,324	1,137	3,492	--	--	489
625 The City.......................	139,806	4,792	14,470	--	--	480
Orange Financial Center............	305,439	10,379	34,415	--	--	883
Lambert Office Plaza...............	32,807	1,095	3,296	--	--	27
Carlsbad Corporate Center..........	125,000	3,722	15,061	--	--	1,975
Balboa Corporate Center............	69,890	2,759	8,303	--	--	68
Panorama Corporate Center..........	133,245	6,512	19,593	--	--	177
Ruffin Corporate Center............	45,059	1,766	5,315	--	--	43
Skypark Office Plaza...............	202,164	5,733	21,608	--	--	407
Governor Office Plaza..............	104,065	3,382	10,177	--	--	463
5120 Shoreham......................	37,759	1,224	4,073	--	--	41
Sorrento Valley Science............	181,207	6,841	21,067	--	--	336
Torreyana Science Park.............	81,204	5,035	15,148	--	--	129
Uniden Building....................	28,119	1,010	3,027	--	--	85
10251 Vista Sorrento...............	69,386	1,839	7,202	--	--	59
Camarillo Business Center..........	154,216	3,522	10,602	--	--	594
Centrelake Plaza...................	110,763	1,570	9,473	--	--	796
Tower Plaza I......................	72,350	2,080	6,280	--	--	183
Tower Plaza II.....................	19,301	265	802	--	--	42

Tower Plaza III....................	12,483	172	520	--	--	29
Chicago Avenue Business Park.......	47,482	1,223	3,687	--	--	74
Havengate Center...................	80,557	1,913	5,759	--	--	59
HDS Plaza..........................	104,178	2,604	7,838	--	--	127
5702 Bolsa.........................	27,731	589	1,775	--	--	18
5672 Bolsa.........................	11,968	254	767	--	--	22
5632 Bolsa.........................	21,568	458	1,381	--	--	13
Huntington Commerce Center.........	67,551	992	2,997	--	--	38
Savi Tech Center...................	341,446	8,280	24,911	--	--	223
Yorba Linda Business Park..........	167,142	2,629	7,913	--	--	91
Cymer Technology Center............	155,612	5,446	16,387	--	--	153
Poway Industrial...................	112,000	1,876	5,646	--	--	49
10180 Scripps Ranch................	43,560	1,165	3,507	--	--	36
10965-93 Via Frontera..............	77,920	1,792	5,391	--	--	49

<CAPTION>

	TOTAL COSTS					
	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION(1)	ENCUMBRANCES	YEAR BUILT/ RENOVATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
150 East Colorado..................	$ 1,988	$ 6,027	$ 8,015	$ 153	$ --	1979/97
5161 Lankershim....................	5,016	27,670	32,686	695	13,573(3)	1985/97
1501 Hughes Way....................	1,348	4,342	5,690	54	--	1983/97
3901 Via Oro.......................	692	2,960	3,652	40	--	1986/97
Huntington Beach Plaza I & II......	1,109	3,373	4,482	82	1,950(3)	1984/96
Fountain Valley Plaza..............	2,949	9,717	12,666	274	4,833(3)	1982
3300 Irvine Avenue.................	2,215	7,005	9,220	179	3,244(3)	1981/97
Von Karman Corporate Center........	11,513	35,972	47,485	895	17,180(3)	1981/84
1503 South Coast...................	1,570	4,808	6,378	99	2,262(3)	1979/97
One Venture........................	1,137	3,981	5,118	82	--	1990/97
625 The City.......................	4,792	14,950	19,742	375	7,055(3)	1985/97
Orange Financial Center............	10,379	35,298	45,677	876	18,184(3)	1985/95
Lambert Office Plaza...............	1,095	3,323	4,418	79	--	1986/97
Carlsbad Corporate Center..........	3,722	17,036	20,758	647	9,327(3)	1996
Balboa Corporate Center............	2,759	8,371	11,130	199	3,000	1990
Panorama Corporate Center..........	6,512	19,770	26,282	470	10,000	1991
Ruffin Corporate Center............	1,766	5,358	7,124	127	--	1990
Skypark Office Plaza...............	5,733	22,015	27,748	528	7,000	1986
Governor Office Plaza..............	3,382	10,640	14,022	254	5,425(3)	1986
5120 Shoreham......................	1,224	4,114	5,338	148	--	1984
Sorrento Valley Science............	6,841	21,403	28,244	545	7,000	1984
Torreyana Science Park.............	5,035	15,277	20,312	363	9,500(3)	1980/97
Uniden Building....................	1,010	3,112	4,122	64	--	1990
10251 Vista Sorrento...............	1,839	7,261	9,100	173	3,882(3)	1981/95
Camarillo Business Center..........	3,522	11,196	14,718	255	--	1984/97
Centrelake Plaza...................	1,570	10,269	11,839	202	--	1989
Tower Plaza I......................	2,080	6,463	8,543	155	--	1988
Tower Plaza II.....................	265	844	1,109	21	--	1983
Tower Plaza III....................	172	549	721	13	--	1983
Chicago Avenue Business Park.......	1,223	3,761	4,984	92	--	1986
Havengate Center...................	1,913	5,818	7,731	139	--	1985
HDS Plaza..........................	2,604	7,965	10,569	193	--	1987
5702 Bolsa.........................	589	1,793	2,382	43	941(3)	1987/97
5672 Bolsa.........................	254	789	1,043	19	330(3)	1987
5632 Bolsa.........................	458	1,394	1,852	33	845(3)	1987
Huntington Commerce Center.........	992	3,035	4,027	73	1,502(3)	1987
Savi Tech Center...................	8,280	25,134	33,414	597	14,728(3)	1989
Yorba Linda Business Park..........	2,629	8,004	10,633	191	4,377(3)	1988
Cymer Technology Center............	5,446	16,540	21,986	393	10,918(3)	1986
Poway Industrial...................	1,876	5,695	7,571	135	3,233(3)	1991/96
10180 Scripps Ranch................	1,165	3,543	4,708	84	1,997(3)	1978/96
10965-93 Via Frontera..............	1,792	5,440	7,232	129	2,841(3)	1982/97

</TABLE>

<TABLE>
<CAPTION>

		INITIAL COSTS		BASIS STEP-UP		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
	SQUARE FOOTAGE	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS	IMPROVEMENTS(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Westridge..........................	48,850	$ 1,807	$ 5,591	$ --	$ --	$ 201
Ontario Airport Commerce Center....	213,127	2,398	7,194	--	--	173
Highlands I........................	26,856	470	1,418	--	--	47
Highlands II.......................	41,210	793	2,394	--	--	27
Hunter Business Park...............	106,782	1,148	3,439	--	--	216

Tower Plaza Retail.................	133,481	4,531	13,660	--	--	569
Howard Hughes......................	36,959	30,865	7,529	--	--	6,101
11075 Santa Monica.................	35,696	1,225	3,746	--	--	63
Continental Grand..................	235,926	7,125	40,451	--	--	432
Calabasas Tech Center..............	273,526	11,513	34,591	--	--	309
100 Oceangate Tower................	210,907	3,080	20,386	--	--	125
Lyons Plaza........................	61,203	2,078	6,267	--	--	67
Genesee Executive Park.............	155,820	6,750	20,178	--	--	393
Solar Drive Business Park..........	125,132	4,250	12,770	--	--	103
91 Freeway Center..................	94,516	2,900	9,179	--	--	47
601 South Glenoaks.................	72,524	2,450	7,519	--	--	16
Tourney Pointe.....................	219,991	6,002	21,334	--	--	701
Mini Suites........................	--	--	--	--	--	89
	17,985,956	$489,726	$1,701,375	$1,616	$8,607	$121,499

<CAPTION>

	TOTAL COSTS					
	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION(1)	ENCUMBRANCES	YEAR BUILT/ RENOVATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Westridge..........................	$ 1,807	$ 5,792	$ 7,599	$ 152	$ 2,972(3)	1984/96
Ontario Airport Commerce Center....	2,398	7,367	9,765	181	--	1987/97
Highlands I........................	470	1,465	1,935	34	--	1988
Highlands II.......................	793	2,421	3,214	58	--	1990
Hunter Business Park...............	1,148	3,655	4,803	64	--	1990
Tower Plaza Retail.................	4,531	14,229	18,760	341	--	1970/97
Howard Hughes......................	30,865	13,630	44,495	384	100	1993
11075 Santa Monica.................	1,225	3,809	5,034	81	--	1983
Continental Grand..................	7,125	40,883	48,008	893	--	1986
Calabasas Tech Center..............	11,513	34,900	46,413	676	--	1990
100 Oceangate Tower................	3,080	20,511	23,591	554	--	1971/93/94
Lyons Plaza........................	2,078	6,334	8,412	106	--	1990
Genesee Executive Park.............	6,750	20,571	27,321	298	--	1984
Solar Drive Business Park..........	4,250	12,873	17,123	154	--	1982
91 Freeway Center..................	2,900	9,226	12,126	110	--	1986/97
601 South Glenoaks.................	2,450	7,535	9,985	90	--	1990
Tourney Pointe.....................	6,002	22,035	28,037	41	--	1985/98
Mini Suites........................	--	89	89	--	--	--
	$491,342	$1,831,481	$2,322,823	$84,754	$544,027	

</TABLE>

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(1) The depreciable life for buildings and improvements ranges from ten to forty years. Tenant improvements are depreciated over the remaining term of the lease.

(2) Includes total capitalized interest of $10.8 million.

(3) All of these Properties are collateral for Arden Realty's $422.3 million Mortgage Financings. The encumbrance allocated to an individual property is based on the related individual release price.

ARDEN REALTY, INC.
AND
ARDEN PREDECESSORS

SCHEDULE III -- COMMERCIAL PROPERTIES AND ACCUMULATED DEPRECIATION

The changes in real estate for each of the periods in the three years ended December 31, 1998 are as follows:

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31, 1996	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997		
<S>	<C>	<C>	<C>	<C>
Real estate balance at beginning of period...............................	$1,239,032	$ 546,707	$283,579	$164,170

Improvements	76,488	23,642	2,366	6,626
Deletions	(44)	(335)	--	--
Consolidation of non-combined entities(1)	--	--	96,935	--
Acquisition of properties	1,007,347	669,018	153,604	112,783
Consideration paid in exchange for interests of non-affiliates	--	--	10,223	--
Balance at end of period	$2,322,823	$1,239,032	$546,707	$283,579

</TABLE>

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures for each of the periods in the three years ended December 31, 1998 are as follows:

<TABLE>
<CAPTION>

	ARDEN REALTY, INC.			ARDEN PREDECESSORS
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD OCTOBER 9, 1996 TO DECEMBER 31, 1996	FOR THE PERIOD JANUARY 1, 1996 TO OCTOBER 8, 1996
	1998	1997		
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	$35,860	$17,139	$ 8,345	$3,296
Depreciation for period	48,938	19,056	2,948	5,049
Deletions	(44)	(335)	--	--
Consolidation of non-combined entities (1)	--	--	5,846	--
Balance at end of period	$84,754	$35,860	$17,139	$8,345

</TABLE>

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(1) The non-combined entities were consolidated as a result of Arden Realty purchasing the controlling interests as part of the Formation Transactions.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 No. 333-44141, Form S-3 No. 333-40451 and Form S-8 dated October 9, 1997) of Arden Realty, Inc. and in the related Prospectuses of our report dated February 2, 1999 (except for Note 7, as to which the date is March 9, 1999), with respect to the consolidated financial statements and schedule of Arden Realty, Inc. included in this Form 10-K for the year ended December 31, 1998.

/s/ Ernst & Young LLP

Los Angeles, California
March 23, 1999

<TABLE> <S> <C>

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<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1998
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<SECURITIES>	0
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<ALLOWANCES>	0
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<CURRENT-ASSETS>	17,349
<PP&E>	2,322,823
<DEPRECIATION>	(84,754)
<TOTAL-ASSETS>	2,331,919
<CURRENT-LIABILITIES>	47,897
<BONDS>	840,477
<PREFERRED-MANDATORY>	0
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<COMMON>	624
<OTHER-SE>	1,372,766
<TOTAL-LIABILITY-AND-EQUITY>	2,331,919
<SALES>	0
<TOTAL-REVENUES>	284,582
<CGS>	0
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<OTHER-EXPENSES>	188,460
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<INTEREST-EXPENSE>	43,403
<INCOME-PRETAX>	0
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<INCOME-CONTINUING>	0
<DISCONTINUED>	0
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<CHANGES>	0
<NET-INCOME>	90,675
<EPS-PRIMARY>	1.55
<EPS-DILUTED>	1.54

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