Hudson Pacific | Citi 2026 Global Property CEO Conference | March 2, 2026

Seth:

Victor, we'll now turn it over to you to introduce your company and team, provide any open remarks, tell the audience the top reasons an investor should buy your stock today. And then we can get in the Q&A.

Victor:

Great. Thank you for having us. Welcome, everybody.

Seth:

You just tap the... There we go.

Victor:

Thank you, Seth. Welcome everybody. It's great to be here at Citi's Annual Conference. To my immediate right is our president, Mark Lamas. To my immediate left is our Executive Vice President of Leasing, Art Suazo. And to Left of Art is our Executive Vice President of Marketing Investments, Laura Campbell. And it's a pleasure to be here, as I mentioned. Hudson Pacific is a West Coast founded REIT owning high quality office and studio assets in innovation and content epicenters.

Our 19 million square foot portfolio spans the Bay Area, Los Angeles, Seattle, and Vancouver with a recently opened studio in New York. I'm going to frame this conversation briefly around two themes. First theme is the 2025 reset that the foundation of the company, Hudson Pacific, has put in place. And then second, how 2026 is capturing our flight to quality and driving our earnings growth. We just had our conference call, quarterly conference call last Thursday. So there's obviously current information straight out there. It's only 48 hours old.

But starting in 2025, this was truly a foundation year for the company. We strengthened our balance sheet through $330 million of asset sales and over $2 billion of capital transactions, reduced our net debt by 22% and nearly doubling our liquidity to $934 million. So we materially improved our financial flexibility and extended our runway. We optimized our cost structure in the company by achieving $26 million in G&A and interest savings, and locking up $25 million of annualized reductions in our Keyoti investment.

Our leasing momentum accelerated with 518,000 square feet of leases that were signed in the fourth quarter and our occupancy increased by 40 basis points sequentially. And we achieved our second-highest quarter of positive net absorption. And for the full year, we signed 2.2 million square feet, which is our second-strongest annual leasing quarter since 2019. And in terms of our studio business, it continued to reform our Hollywood business, which is the Sunset Studios. We're over 86% leased. And Sunset Pier 94, as I said, we just started and we're fully leased out of the gate on that asset in New York.

So with '26, the position is of our balance sheet strength, lower cost, and improving our fundamentals. And I'm going to focus on the execution because that's the priority here. We're going to accelerate our occupancy growth, which we mentioned. We have 2.3 million square feet of pipeline, up 15% year over year, and only a million square feet of leases that are expiring in 2026. So we have strong coverage throughout our portfolio.

Our objective is very clear and concise. We mentioned this on our call. We're going to push our occupancy beyond 80 to the 80% on average for the outlook at the year-end. And second, we're going to unlock our embedded NOI in the company. As lease up converts to cashflow, we expect sequential FFO growth as we progress through the year. Third, we had mentioned our Keyoti investment, which has not been our best investment. We're going to target with that company a breakeven by the end of the year through our operational improvements, which we have many alternatives.

And fourth, we're going to have a disciplined capital recycling plan. We targeted somewhere between two and 300 million dollars of FFO creative sales to further de-lever the company. And we're going to deploy capital within the existing portfolio only when returns are clear, attractive, and risk adjusted. So as we see market tailwinds in our markets like San Francisco, which posted a two and a half million square foot absorption, third-highest on record, our Silicon Valley, which is our second-largest marketplace with 2.9 million square feet of positive absorption, and obviously the AI-driven formation in Bay Area and Seattle.

So for our investors, the story is very straightforward. We will deleverage our balance sheet. We've done that very well in '25. We're going to continue at '26. Our embedded occupancy, which is going to be consistent with last year. West Coast office fundamentals, which everybody sees as a tailwind, which is a clear path to our FFO accretion and inflection, which is on the upswing. So we're positioned very well so far. The quarter has been good. Our quarterly call was excellent and we have meaningful upside for 2026. So with that, Seth, I'll turn it back over to you.

Seth:

Great. Maybe just following up on a few of those points.

Victor:

Sure.

Seth:

You reinstated full year FFO guidance for the first time and nearly two years. What specific macro or market signals gave you the conviction to issue the full year outlook now?

Victor:

So first and foremost, I think it's the stability of leasing, as I said. With 2.3 million square feet in the pipeline and the lowest year we've had in six years on expirations, we felt very comfortable in our execution. We've been executing approximately half a million square feet a quarter, so that gets us well within the range of our FFO accretion and for us to feel comfortable about year-end guidance.

Secondarily, I think our lowering costs, as I mentioned, between interest expense and our G&A, which is stabilized now going forward and potentially could be lower. But in terms of the model, we've stabilized that. And then third and most importantly, the flattening of Keyoti. We sort of feel by the end of this year with our multiple opportunities, we're going to turn around and make that at worst case scenario is zero. And from that point on, we'll see where it goes.

Seth:

Great. And then how much of the 2026 FFO uplift is recurring NOI versus non-recurring items like lease termination payments? Go ahead.

Mark:

Yeah, there's no non-recurring items in the guidance.

Seth:

Okay. And then you kind of mentioned HPP is a fundamentally transformed company. What are the three most material structure changes investors should underwrite going forward about the company?

Victor:

So listen, I think there's a lot more than three, but I'll just highlight a few of them, as I said. So first and foremost, you have to look at 87% of our portfolios is office. We get 95% of the attentions in the studio business, of which the 13%... Over 60% of is stabilized leased in our Sunset vehicle. The remainder, which is going into carrying growth mode, which is our Keyoti business, which we say we're going to get to zero.

The market's valued that at less than zero. So we feel at zero we're a pretty good shape. But focus on the upside, which is the leasing, which is the West Coast office market, which is the fundamental increases that we have in our opportunity here. You're seeing our FFO growth, and our FFO growth last year obviously improved. And next two years, it looks like it's on a trajectory well beyond anybody's current underwriting, and we feel comfortable with that.

I think lastly, or secondarily, the return to office has been a lag on the West Coast. We finally have the wind behind us. In all major markets that we're in, we're seeing activity with the exception... I think the worst market would be Los Angeles. Our Last Angeles portfolio is 100% leased for the most part, and so we don't have a lot of concerns there. But in terms of the Bay Area, specifically in the Valley and in San Francisco, we're seeing that upshift. And in Seattle now, we always said Seattle was going to be a 12 to 18 month trail to San Francisco, and now we're seeing that capacity. And Art and his team are seeing more 100,000 square foot tenants in that marketplace, which absorption in Bellevue is virtually 100%. And the vacancy in Seattle is moving now to almost flat with sublease space. So we're seeing that momentum shift.

And so we're going to capitalize on that. We have Class A assets in Class A markets. We don't have a lot of peripheral marketplaces that we have any exposure in. And so we can see that growth prospect to be very high for us.

Seth:

And then you referenced kind of a line of sight sequential FFO growth starting in the second quarter. What specifically happens in 2Q? Is that rents commitments, anything on the studio business with the uplift there or any cost savings?

Mark:

Yeah, it's all rent commencements. There's nothing special going on either in cost reduction or in the studio business. It's really just an uplift in second quarter commencements. And importantly, as we've mentioned in the past, city of San Francisco.

Victor:

And the expiration in the end of first quarter with. That shifts the numbers.

Mark:

Oh, that's on same store.

Victor:

Yeah.

Mark:

Yeah. You're asking about FFO cadence and, yeah, it's rent commencements. But what Victor's referring to, if you're interested in, is in shifting over the same store NOI year-over-year comparison, we do... First quarter of last year included Square, it expired in that quarter. So when you look ahead on same store comparison, starting the second quarter will no longer be sort of weighted down, if you will, by the prior year block lease as of the end of the first quarter.

Seth:

And then you've talked about accelerating leasing activity in all your markets. AI has obviously been very topical among the headlines over the past couple weeks with some job

Seth:

... reductions. How is that framing your outlook as you think about the markets and is that coming up in any of your conversations with tenants as they think about future needs for space?

Victor:

So obviously the catalyst of AI growth is in the Bay Area. That's the number one in the country. I think Seattle and Boston are sort of a close second, third, third, second, depending on what markets you're in.

Our underwriting has been consistent throughout. We're always going to underwrite the credit of these tenants and we're always going to have a consistent game plan around that. Our AI consumption of tenants in the portfolio is fairly limited, but we believe it's a massively strong point for the Bay Area. I think it's very early on in people evaluating cost-cutting and the likes of that.

We look at the formation of the core businesses that people aren't talking about in our markets. It's education, it's government, it's healthcare. These businesses are growing and flourishing. I mean, we're talking about maybe a component of FIRE, which is potentially legal in accounting. And to date, we've seen no impact. We've seen no tenants coming back to us for shrinking space. It's quite the contrary. Because of AI and the growth in the markets, the ancillary businesses are growing in all of our marketplaces. Our average lease terms are up year-over-year for the last three consecutive years. And our size of leases that we're seeing is also up year-over-year.

So I think it's consistent with our portfolio. It's a quality play. Quality assets are going to lease up. Given the complexity of the tenants, we'll see what the credit is, but we're not going to look at a classification of saying AI and we're not going to lease to them. And we're also going to evaluate every tenant as they come.

Seth:

And then kind of on that, continuing with leasing a little bit, your guidance is the 80 to 82%. Being a bit maybe back half weighted or starting in the second quarter, that kind of implies you end the year at higher than 82%. How much of that kind of uplift from where you are now, which is the 76.3% is already

signed versus ... Is any of that kind of speculative or based on renewals or does anything need to happen to get to that target?

Victor:

Well, lots needs to happen to get to that target, clearly. But the tenants that are in play right now, so we classify them whether they're in leases in LOIs or they've toured space. And so when we're talking about a stabilized 82% average for the year-end, that's just assuming the tenants that are negotiating with right now make. And we have a strong indication that the majority of the tenants are going to make. I mean, a lot of it depends on a couple of large leases that we're working on right now and the comfort level of those getting executed is very high.

Seth:

And then kind of on that same topic, your expiration schedule's at a four-year low, so very kind of favorable heading of the year. What expirations or renewals represent the biggest swing factors? And can you walk through any maybe upcoming move outs or things we should be aware of there?

Victor:

Well, I don't want to negotiate our hand in public as to which tenants we're talking to and which we're not and what we're doing, but I can tell you, we've been conservative in our renewal. It's roughly around 50%. We think we're going to renew higher than 50%. It's going to be closer to the mid 60s. But the reality is, as you mentioned, and as we pointed out in our prepared remarks, we only have a million square feet effectively expiring. If we do a half a million a quarter, which is what we've been doing, as I said, for the last two years, every single quarter on average, that means we renew effectively half of our renewals. Then we have three quarters of stabilized space. It equates to the same thing. We think we're going to exceed that substantially, but that's where the averages come in.

Seth:

And then of the pipeline, the 2.3 million square feet, maybe just breaking that down a little bit, what is kind of late stage of LOI and your decision? And how are you thinking about that converting in the executed leases?

Speaker 1:

Sure. So we talk about the pipeline, 2.3 million square feet currently. It's very dynamic, but currently we've got close to 500,000 feet of deals in late stage LOI or leases. Our execution rate on those is roughly about 95% once you get there. That number's dynamic. So we're going to get those done. And the deals that are early stage, the team's done an excellent job of moving them forward, which is why we have all the confidence in the world about getting more into leases and executed.

Seth:

And then maybe shifting gears a little bit to the studio business, you took the impairment on Quixote this quarter. Is that kind of just a clearing of the ducks and then you have the breakeven by year-end, but just kind of what's your outlook there? Can you talk a bit about the tax credits and the pipeline of activity that you're seeing from that? And then maybe just layering on, there's obviously been transactions discussed with some of the large media companies. Just how does that inform demand for space and what is your thoughts there?

Victor:

Sure. I'll take the first part and I'll flip over to Quixote right down to Mark in a second. So if you look at the overall industry, clearly there's a ton of eyeballs on it. The number one M&A transaction this year, whether it closes this year or not, Netflix was in the pole position. They're clearly out now. It's Paramount. It's a much better situation for Hudson. We've got 775,000 square feet of office expiring with Netflix, but not till 2031. Our conversations with them are fluid. I think there is definitely going to be some impact on consolidation with Paramount and Warner Brothers. The impact is going to be a lot less than it would've been with Netflix 'cause they're buying the entire company and all the food groups of that company. I think that sort of the confusion around the conversation and studio business is clearly deals with just quality of information.

So we have two companies. We have a Sunset platform and we have a Quixote platform. And our Sunset platform, we're virtually 100% leased. We're high quality space. We've got high quality tenants. There's very little short-term leasing and that consistent pattern has really proven out for us all the way through, whether consolidation or not.

Second of all, you've got some pretty smart guys who are buying a hundred plus billion dollar company. They're not thinking that the production world is going away, which the rest of the world has been mimicking and talking about that there's not going to be any more production. Well, that's obviously not the case.

LA and New York have seen a rise in production with the downfall of their markets like Albuquerque, New Mexico, New Orleans, Louisiana, Atlanta, Georgia, and a little bit of Chicago and Illinois. Those markets are much more depressed. The tax credits in both Los Angeles and New York have enhanced what we see as the production flow.

The first part of this year is a little slower. We kind of feel that the input is going to go further. But we've looked at managing expectations around show counts at what they are right now, which is the all time low. If it's better than that, then we're going to achieve a lot more.

As I mentioned earlier, the third business we have is Quixote. Yes, we've taken a right down in that business. When we bought Quixote, it's effectively one large office building of ours. It gets a tremendous amount of vision, but it's one large building. That's all it is. And if we take a right down on that, it's like making one bad deal. Obviously, clearly it was not the best deal we've ever done, but if you compare that to everything else we've done, then we're doing okay. We think that we have multiple alternatives with that asset that we can make it zero or at least flat at the end of the year.

And those alternatives are, as I said, multiple. There's not just one course of action. There's many courses of action and we're going to pick the right course of action over the near term and we'll execute on that. In terms of the depreciation, you want to comment on that?

Mark:

Yeah. I mean, well, you kind of said it does to some extent clear the deck, not entirely, but it does better align the operating results for the Quixote business to the impact that having depreciation relative to what was previously a much higher basis, the impact that not being able to add that back under the SEC sanctioned definition of FFO had to that metric. So you write it down, you lower the impact that the depreciation for that asset has on FFO, and I think it more closely aligns to its actual operating results now.

You could argue that perhaps we ought to create a definition of core FFO that ignores the depreciation associated with that business as well. I would say the impairment gets us a little closer to that result in any event, and like I said, kind of better aligns it to its operating performance.

Seth:

And then you've kind of mentioned several alternatives. Can you kind of elaborate on what you're thinking about now in terms of what that asset could look like? And then just how are you

Seth:

...thinking about the cost structure of the Keyote business.

Victor:

Well, I don't want to open my hand since we negotiate our position with certain constituents, but if you look at the business, the business is made up of two aspects. We've got assets that we lease and we have assets that we own. The beauty of the position we're in is, both the assets that we lease and the assets that we own are uncumbered, so we have no debt on that business. So we have a tremendous amount of flexibility around the owned assets and the leased assets and the obligations of each. And so that should lead you to [inaudible 00:18:32] we think we're going to work on based on lease up and based on alternatives. And as I said, we're going to make the right decision on an asset by asset, lease by lease basis. And we've already accomplished that. We closed our offices in Albuquerque. We closed our offices in Louisiana. And so we've already made some effective decisions that have lowered the expenses on that business, and there's more to come.

Seth:

Can you comment at all on how you think about maybe the stabilized earnings contribution from that?

Victor:

Well, as we sit today, as we said, right now it's a negative and our goal is by the end of the year, it will be flat.

Seth:

As you're thinking about the Hollywood media portfolio loan maturing, what kind of terms are under discussion and what kind of contingency plans are there as you engage with lenders?

Victor:

Well, as I mentioned in our call and our prepared remarks on Thursday, I'm not going to negotiate in an open forum our conversations with a lender; that would open our hand. I think it's suffice to say that the loan itself is in conversation with us, our partner at Blackstone, and with the lender at various different forms and functions of stage. But it's like us saying, who would negotiate with a tenant that expires in five years; and six months from now, what tenant's going to talk to you? We have rent with the tenant until 2031 for 100% of the office. We have rent with the tenant through the studio business till almost 2028 across the board. So we've got a lot of flexibility. There's a tremendous amount of cash flow which exceeds any obligation, whether we rightsize the loan or not. So there's cash there. And I think our comfort level is to sit down and be pragmatic and look at alternatives around the cash flow. And you would assume that that'd probably be some form of a cash sweep and an extension.

Seth:

Maybe just turning back a little bit to the office portfolio and leasing, going back to the pipeline, is there a way to measure how much of that is true new net demand versus entry market relocations, and what's the mix between expansions and renewals?

Victor:

Well, let me just start with your first part of the question. We're seeing about 30 to 35% of the pipeline being net growth. We're seeing about a third of that, just about a third of that as new to a market. Again, that's across the board. Obviously those numbers are higher or escalated in San Francisco and in the Valley, but that's what we're seeing across the board. In terms of how much of the pipeline is new versus renew, it's currently at 75% new, 25% renew as we sit today, but again, it's very dynamic.

Seth:

And then you mentioned some of the technology and AI driving demand. Is there a way to quantify how much of the pipeline is AI or AI adjacent, and has that accelerated over the past year?

Victor:

It's definitely picked up over the last year. Of our pipeline, 50% of our pipeline is tech, just general tech. And again, of that, we'll call it roughly a third, is AI. And it's slightly higher in the city, in San Francisco and in the Valley, but we're not seeing much tech growth in Vancouver, but we're very stable. We're seeing 30% tech now in Seattle, which sounds low compared to the Valley and San Francisco, but it's growing. We're 12, 18 months behind, but we're starting to see tech leak into Seattle, plant their flags and grow and things like that.

Seth:

And then our tech tenants and AI tenants, what type of spaces are they looking for? Are they looking for largely spec suite, smaller spaces, larger spaces? Any differences there in terms of lease terms that you're negotiating with those types of tenants?

Victor:

I don't think there's any differences, but yes. The smaller tech tenants are looking to move in right away. So we have a spec suite program that we've been extremely successful. We've got 400,000 square feet of spec suites coming online. It's all being looked at by various different companies, not just tech or AI, but all different companies. But that seems to be the sweet spot because they're smaller tenants. Obviously, the larger tenants are looking for much more improved space, customized space, a lot more open area. You've seen the increase of space to employees have gone up considerably to the low points. And so we're seeing that consistent going forward.

Seth:

And then as you drive occupancy, how do you balance wanting to have better rent lease economics versus just positive space absorption? Is there any way you're changing the way you think about pricing or leasing activity just based off of-

Victor:

Yeah, that's a dynamic answer. It's going to change market to market. Those ideas are not mutually exclusive. We're always pushing rent. We're always trying to get a better deal. Some markets, like Palo Alto, where tenants have urgency, obviously you have a little bit more leverage. Not all the markets are there, even though we're recovering and we feel like we've turned the corner, there is still not a lot of urgency in some of these markets. So we continue to push, but again, we're obviously subject to a particular market, submarket, or even type of space within a building.

Seth:

Maybe switching gears a little bit towards capital allocation. You've completed 330 million of sales. You've executed a lot on capital transactions and increased liquidity. Now, how are you thinking about the appropriate level of leverage for the company?

Victor:

Go ahead.

Mark:

Yeah. We're going to continue to just chip away and get leverage down back to, let's just say, industry levels in terms of debt to EBITDA. So the ingredients are there even without the capital transactions you're mentioning. If you just map out a relatively conservative growth trajectory on occupancy in the office, what you would find is you get somewhere into the mid-sixes by 2029, and that's without any other efforts to de-lever quicker. So for example, if we complete the two to 300 million that we announced on the call for this year, that's going to accelerate that de-levering effort considerably. And that's how we're thinking about it. It wasn't that long ago, say pre-pandemic, we were generating debt to EBITDA ratios at a point in time in the mid-fives. I'm not saying that we're necessarily heading as low as that level, but I do think in the relative near term here, and here I mean maybe a couple of years, you're going to start seeing ratios in the eights, and then not long after that, sevens. And like I said, by 2030, we could be in the mid-sixes.

Seth:

And then on just the 200, 300 million of asset sales, are those assets that you've already identified and started marketing, and how much of that is non-core office versus studio assets, if those are potentially, and how are you thinking about pricing for those assets?

Victor:

So we've announced two deals already. One is being marketed as we speak right now. As I mentioned, the assets we're talking are non-core assets; they're FFO accretive. Some of them are vacant. The markets have shifted, specifically in some of the markets that we're looking to sell these assets. People are looking to buy vacancy, when before people were just looking to buy walls, and so we're positioned well there. As Mark said, the use proceeds are going to go to pay down debt and operating expenses and the likes of that. We're comfortable with that number. We can exceed it,

Victor:

But I think that's going to be the number we're going to be looking at. And I don't think you're going to see any, if at all, impact, other than potentially accretive on FFO when we sell these assets.

Seth:

And how has the buyer pool composition changed and demand changed for those assets?

Victor:

Well, so we have two different types of assets. One is obviously specific to the marketplace 'cause we're selling a 508 unit fully entitled resi with either a JV or a sale. The buyer pool, our NDAs are over. I think it's over 80 NDAs are signed and it's virtually a who's who's bidding on it now. There's 20 high quality bidders, either a JV, either an outright sale, or a combination of both or both. And that's because it's in Culver City. And so it's a lot more flexible, a lot more business friendly. It's not city of Los Angeles. And so we feel very comfortable about that.

I think the other is the buyer pool, as I said, has changed from the last couple of years. People were only buying assets with Walt, some stabilized income stream, and now people are realizing that the upside is potentially better, and their IRR returns are going to be better. And so, we're seeing interest level and vacancy, and people willing to take a little bit more risk return on ,assets and specifically in the Bay Area.

But there's also interest in Seattle, to a certain extent. There's a couple of big deals that have come to market just recently. So we'll see where pricing comes into play. Los Angeles has been pretty quiet. There's only been a few transactions, so I think it's too early to tell where the valuation shift and demand's going to be in that marketplace.

Seth:

And then how are you thinking about the LA market has seemed to lag. San Francisco? Is that just technology has kind of driven San Francisco or have you seen anything specific to LA that's kind of been a headwind to that?

Victor:

That's a loaded question, Seth. You know that, right? I think the political environment in Los Angeles has detracted a lot of people from investing in the current position. And it's what you guys cover. We're in a very strange timeline with an election coming up in November. Our current mayor has now become a moderate mayor, at least on paper, because the opposition is extremely left of her. And so there's been a shift.

At the end of the day, I think what you've seen in San Francisco with Dan Lurie or with Matt Mahan in San Jose is the direction that we would like to see Los Angeles go in. I'm not so sure it's going to happen in this election, but it can't get much worse if the current administration gets elected, but it's all around safety. It's all around pro business. It's all around homelessness. And so those are the areas by which people are going to focus their attention on. And if they get a handle on that, I think the city's got some upswing.

Lastly, Los Angeles does have some tailwinds clearly with the amount of activity and events between FIFA, World Cup, Super Bowl, and the Olympics over the next 24 or 30 months, I guess. There's going to be a lot of capital invested in Los Angeles.

Seth:

Have you started to see signs of that capital translating into any demand for the office or studio business?

Victor:

Well, in terms of the office building business, the answer is yes. We're about to sign two different leases with those agencies that I mentioned, some of those agencies I just mentioned, which are more short term. But the amount of capital going into renovations, the nice thing is there's not a tremendous amount of capital needed for the Olympics, which you would normally have to see in almost every single city.

Los Angeles, every major facility is already built. So infrastructure's already in place. I think you have to deal with the village, which is at UCLA. So, there will be some construction dollars and some input around that. But yeah, there's a lot of momentum because these events are happening with or without the current administration or lack thereof. So people understand that.

Seth:

The wealth tax initiative that's on the ballot, is that coming up in conversations?

Victor:

It's not yet on the ballot.

Seth:

Okay.

Victor:

So yes. The answer is no, it's not come up. The polling still seems like it's not going to pass, but it still has to get on the ballot. There is a TPA, which is Tax Protection Act that is hopefully approaching the ballot, which will constitutionally make it such that in all of California, you need 66% to get any taxation, any implementation approved, and that should override.

And that looks like that will be on the ballot because we've been spending a lot of energy and effort, myself and lots of our brethren landlords in Southern California and Northern California. And we feel that that itself will have an upswing to help rectify some of this instability in the political markets.

Seth:

Great. And then one of the questions we're asking all the companies are what AI solutions are you using, and how do you decide what solutions your company either builds or buys from some of the top AI companies that are out there?

Victor:

So we've implemented a number of tools. I think it's been very successful to date. We've obviously implemented through Copilot and Cloud. Those two are working both on the web side and also on the company side. I think from a commercial office standpoint, leasing tools have been very prevalent from our standpoint. We're spending a lot of time working through some leasing tools with Yardi. And I believe that we're going to see some pretty impressive movements around that.

We've not implemented a ton on the legal side yet. We're still relying on our third party vendors for that. And I believe in the accounting side, with Yardi and what we're doing there, there seems to be a lot of progression around that. It's a moving target. It's absolutely efficient. It's not caused us to let go of people per se on that basis. I don't foresee that to be the case in the parent company.

On the studio side, yeah, everybody knows what Sora's doing, but it hasn't launched to a point where we're seeing a tremendous amount of impact on the studio production world. And these micro dramas that I mentioned on our call seem to be much more AI-driven, which is a positive. It's going to be a whole new asset class, and we think that could be somewhere around a 10 or $11 billion business annualized in the United States.

Seth:

Okay. Maybe moving on to some of our rapid fire before we get to the end here, what will net effective rent growth be for the office sector overall in 2027?

Victor:

Wow. Well, I think we're coming from a downside going to an upside, so we would maybe be a little bit more bullish, but I would say net effect rental growth would be somewhere around 3%.

Seth:

3%. Okay. And then will the office sector have more, fewer, or the same number of public companies?

Victor:

Same number.

Seth:

Same number? All right. And maybe just going back to AI in the last 30 seconds here. You mentioned some of the leasing tools with Yardi. Do you think that AI in terms of how it's going to change the office sector, is it primarily going to just increase the velocity of leasing? Do you think it's going to change just a lot of drafting of the documents, or what's kind of the biggest overall change?

Victor:

I think it's untold as to where we're going to go with this, but I can tell you emphatically that the easy thing is that lease documentation's going to get leaner, it's going to get shorter, it's going to get much more efficient. We were at, at one point, 80 pages, and I think we're going to be down to-

Speaker 2:

This session has ended. The next session will be 10 minutes.

Victor:

Objectively, we're going to get down to 15 to 20 pages, and maybe even better than that. I think the attachments and the amendments are going to be a lot better.

In terms of documentation, that's the main one. I also think just the access. So, knowing what your peers are charging and what amenities are there and how you can do leasing, I think that's an invaluable tool going forward.

Seth:

Great. Thank you so much.

Victor:

Thanks for the time, everybody.