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## MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the Hudson Pacific Properties First Quarter 2022 Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I will now like to turn the conference over to Laura Campbell, Executive Vice President, Investor Relations and Marketing. Please go ahead.

Laura Campbell
*Executive Vice President-Investor Relations & Marketing, Hudson Pacific Properties, Inc.*

Thanks for joining us. With me on the call today are Victor Coleman, CEO and Chairman; Mark Lammas, President; Harout Diramerian, CFO; and Art Suazo, EVP of Leasing. Yesterday, we filed our earnings release and supplemental on an 8-K with the SEC, and those are now available on our website. An audio webcast of this call will be available for replay on our website. Some of the information we'll share on the call today is forward looking in nature. Please reference our earnings release and supplemental for statements regarding forward-looking information, as well as the reconciliation of non-GAAP financial measures used on this call and in these materials.

Today, Victor will touch on our strategy and capital allocation priorities. Mark will discuss our first quarter business highlights and upcoming opportunities and Harout will review our first quarter financial results and outlook. Thereafter, we'll be happy to take your questions. Victor?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

Thank you, Laura, and thank you, everyone, for joining us today. We had a productive first quarter focused on our 2022 priorities that include capitalizing on leasing opportunities, progressing our development pipeline, pursuing capital recycling opportunities, maintaining a strong balance sheet, and furthering our ESG leadership. On today's call, we'll provide updates on each of them.

At Hudson Pacific, our long-term strategy is to create shareholder value by selectively growing our real estate portfolio as we meet the needs of the secular growth in increasingly convergent tech and media industries.

We've had great success at the forefront of this multifaceted shift, delivering tech campuses along studio lots and finding ways to innovate physical design and to streamline leasing and operations for these synergistic types of space. As tech and media business models have expanded, so has our opportunity set. We will continue to build our portfolio around pure-play office and urban West Coast tech hubs, which attract significant talent and capital like the Bay Area and Seattle.

In major global media markets like Los Angeles and the UK, we're focused on synergistic studio and office campuses and pure-play studio facilities. Our fully vertically integrated platform gives us the ability to allocate capital in several ways to generate long-term shareholder value by delivering and operating world-class amenities and sustainable workplaces for tech and media tenants. Our primary focus remains executing on embedded opportunities and identifying attractive value-add projects targeting stabilized yields of 6% to 8% or more.

Over the last 10 quarters alone, through projects like EPIC, Harlow, One Westside, we've demonstrated our ability to identify and invest capital in unique office and studio-related opportunities that generate returns in line with or well in excess of those yields. Going forward, we expect to take advantage of even more embedded development-related growth opportunities, as well as identify and pursue capital attractive acquisitions in a disciplined manner. We have a significant existing value-creation pipeline, most of which is studio or studio-related office development, and more than half of which we expect to have the ability to commence construction by mid next year.

There are two types of compelling opportunities we look to pursue. One is our core plus opportunities targeting stabilizing yields of 5% to 6% or more to purchase assets that are accretive and strategically aligned with our long-term growth objectives in the right markets with the key tenants. Our acquisition of an Amazon-anchored Denny Triangle located at 5th & Bell last year is an example of that.

We'll also look to grow our studio production services, offering to further differentiate our facilities and deepen our relationships with key tenants. From a return perspective, these profitable businesses expand our media-derived revenue and operating margins, and increase our studio portfolio stabilized yields.

Continuing to return capital to shareholders remains an option as well as part of our balanced approach to shareholder value creation. And over the last four years, we've repurchased $380 million of our common stock, which will reach $580 million or approximately 15% of our market cap at the conclusion of our accelerated share repurchase in the third quarter of this year.

To-date, during this period, we've also paid approximately $543 million of dividends. Our ESG platform, Better Blueprint, is a major differentiator for our company and over the last several years has become essential in the increased alignment with the media and tech tenants that we serve. ESG is now fully integrated into our strategy and capital allocation priorities at both the corporate and property level.

In terms of the E in ESG, we're ahead of the game. Our operations are already fully carbon-neutral, and we have the highest percentage of LEED-certified buildings amongst our direct peers. We manage climate risk in accordance with TCFD and the Paris Agreement, and we're readily able to comply with the SEC's recently proposed climate-related disclosures. Our approach to the S, prioritize real impact on issues we view as integral to our stakeholders. We're very focused on DEI and much like our approach to sustainability, we're not satisfied with simply just checking the box.

In addition to diversifying our leadership and board, our heads of DEI and ESG are building on a variety of existing internal and external-facing initiatives. And we recently launched an innovative impact investment platform, EquiBlue, to leverage our expertise to promote DEI holistically in our industry and communities. We look forward to sharing more on these initiatives in the coming quarters. And as we look ahead, we'll continue to work to execute on the multiple levers we have to maximize value for our shareholders.

Our niche expertise and deep relationships with the secular, synergistic, converging media and tenant businesses will create many long-term cash flow enhancing opportunities. We also continue to weigh these growth opportunities against return of capital to shareholders again with the ultimate long-term goal of maximizing shareholder value.

Now with that, I'm going to turn the call over to Mark.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.*

Thanks, Victor. We're making good progress on our 2022 priorities. We signed over 0.5 million square feet of leases in the quarter with a 12% GAAP and 5.8% cash increase in rents from prior levels. We signed Bank of Montreal's 100,000 square foot-plus approximately 11 year renewal and expansion lease in Vancouver at Bentall Center, a testament to the success of our substantial repositioning of that asset over the last three years.

We also expanded global production firm Company 3 with an approximately 11 years 60,000-square-foot lease at Harlow, such that they now lease the entire 130,000-square-foot LEED Gold and Fitwel certified building. Harlow's state-of-the-art design and location at the Sunset Los Palmas studio lot were a major draw for Company 3 as they look to unite Hollywood employees in a highly collaborative environment and enhance proximity to content production clients.

Our in-service office portfolio ended the quarter at 91.1% occupied and 92.3% leased. Our current leasing pipeline, including deals and leases, LOIs or proposals comprises 2.2 million square feet of activity, still up about 35% from our long-term average. Our 2022 explorations are approximately 10% below market. Excluding Qualcomm, we are in leases, LOIs or proposals on 55% of the balance.

We have another 15% or so in discussions largely comprised of smaller tenants along the Peninsula and in Silicon Valley with late-year explorations, we will engage more fully in the coming quarters. We continue to deliver on our value-creation pipeline. Tenant improvements are underway at both One Westside and Harlow. GAAP rents commenced in November of 2021 for One Westside and in April 2021 and January of 2022 for the original and expansion leases respectively at Harlow.

Upon stabilization, these projects will generate a combined $45 million of additional NOI annually. Our under construction and near-term plan studio and office development projects totaled over 2.3 million square feet. Construction at Burbank adjacent Sunset Glenoaks are 7-stage 241,000-square-foot purpose-built studio remains on budget and on schedule to deliver in third quarter 2023.

The project will generate another $15 million of NOI annually upon stabilization, and we're building it to a 7.5% to 8% stabilized yield in comparison to recent studio trades at sub 4% cap rates. They're making good progress on entitlements for our 2021 stage, 1.1 million square foot, Sunset Waltham Cross Studio development. This project is located just north of London, where demand for stages continues to notably exceed supply.

Sunset Glenoaks and Sunset Waltham Cross together will double the size of our studio portfolio on a square-footage basis and to a total of 63 stages. We expect a near-term closing on the podium for our 546,000 square foot Washington 1000 office development in Seattle, and our plan is to commence construction in second quarter 2022 with delivery in early 2024.

The Denny Triangle-Lake Union submarkets, where Washington 1000 is located, are thriving and vacancy remains sub 10%. Washington 1000's sustainable healthy design is state-of-the-art and highly differentiated, and we believe it will have considerable appeal for the global tech companies looking to grow in that market. Upon stabilization, Washington 1000 will generate approximately $27 million of NOI annually.

We are also working on entitlements for our 450,000 square foot priority exchange, hybrid mass timber office building in Vancouver with very positive feedback thus far. As the tallest such building in North America, this groundbreaking project once again showcases Hudson Pacific's innovation and leadership in terms of world-

class, sustainable design and development. Vancouver market fundamentals already extraordinarily tight pre-pandemic remain strong with sub 6% vacancy.

We're marketing for sale all four non-strategic assets we identified as held-for-sale last quarter. These include 6922 Hollywood, Del Amo, Northview Center, and Skyway Landing. And we view them as not strategic based on location, tenancy, and asset quality.

Based on buyer feedback and momentum to-date, we anticipate dispositions of these assets before the end of the third quarter of this year. We'll initially use the anticipated $325 million to $350 million of proceeds to pay down our credit facility and ultimately to fund our development pipeline as required. Expected pricing represents an annualized GAAP cap rate of approximately 2.25% on the collective sales.

And now, I'll turn the call over to Harout.

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.*

Thanks, Mark. Compared to first quarter 2021, our first quarter 2022 revenue increased 14.7% to $244.5 million. Our first quarter FFO, excluding specified items, increased 2.3% to $75.2 million and 3% to $0.50 per diluted share. Specified items in the first quarter consist of a trade name impairment of $8.5 million or $0.06 per diluted share and transaction-related expenses $0.3 million or $0.00 per diluted share. Note, the trade name impairment is unrelated to our operations. It instead reflects the write-off in accordance with GAAP accounting rules and the NAREIT redefinition of FFO of the value associated with the Zio Studio Service's name, which we retired upon folding that production service business under Sunset Studio (sic) [Sunset Studios] (00:13:25) brand.

Our AFFO grew 11.8% to $58.6 million. And our same-store property cash NOI was up 1.4% to $120.3 million. This quarter, our press release and outlook present a combined same-store property cash NOI for office and studio. This change reflects the growing synergies and similarities we and other institutional players see between our office and studio assets, including increasing similar, if not identical tenancy and credit and length of lease terms. It is more in sync with our long-term strategy and vision for the company and brings our same-store reporting in line with peers who also own and operate non-office assets, be it residential, retail, or hotel.

At the end of the first quarter, we had over $800 million of total liquidity comprised of $137.6 million of unrestricted cash and cash equivalents, and $665 million of undrawn capacity on our unsecured revolving line of credit. We also have access to $147.4 million of undrawn capacity under our One Westside construction loan, and $90.2 million of undrawn capacity under our Sunset Glenoaks construction loan. Our weighted average loan term with extension is 4.9 years.

Now I'll turn it to guidance. As always, our guidance excludes the impact of any new opportunistic acquisitions, dispositions, financings, and capital markets activity. We're narrowing the full-year 2022 FFO guidance to a range of $2.02 to $2.08 per diluted share, excluding specified items, and maintaining our midpoint at $2.05 per diluted share. Specified items consist of the noncash trade name impairment of $8.5 million and transaction-related expenses of $0.3 million, both of which were identified as excluded items in our first quarter FFO.

We expect same store-property cash NOI growth in the range of 2% to 3%, which includes the full impact of Qualcomm's expiration without renewal or backfill of their entire space at Skyport Plaza. Adjusted for Qualcomm, expected same-store property cash NOI growth would be3.5% to 4.5%. Our guidance assumes the successful disposition of our four held-for-sale properties before the end of the third quarter this year for gross proceeds in the range of $325 million to $350 million.

Now, we'll be happy to take your questions. Operator?

## QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Jamie Feldman with Bank of America. Your line is open.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Great. Thanks for taking my call. I guess just to start, just thinking about some of the sequential portfolio metrics in the quarter, so like the change in leasing or the change in same-store NOI presentation, can you talk about – has your outlook changed at all or why are you blending those now and kind of how much office has changed and how much studio has changed to get to that 2% to 3%?

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

Hi, Jamie. It's Harout. Thanks for the question. So we made the change now because it's the first quarter and we decided to simplify our financials. It happens that there is a sequential down quarter-over-quarter, but it's not material, I think 50 basis points in total and attributable to both office and media. Remember, that's just a cash same-store NOI. So that's the impact quarter-over-quarter.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Can you talk about what drove that? And maybe tying into that, like your percent lease did decline, I know a lot of it was Dell EMC. Maybe just give a little bit more color about anything that's changing the core outlook, whether we can see it through guidance or not, or maybe nothing has changed at all?

[indiscernible] (00:17:46)

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

Sure. I'll address the why. I think I addressed it in our prepared remarks. But ultimately we want to simplify our financials. We want to be in line with our peers. We think the businesses are synergistic. The exact same tenants, longer term leases, all those pieces I mentioned before, that's the why. In terms of how it's impacting our guidance and projections, even though cash seems to run away down a little bit, it's not impacting the total FFO and NOI dramatically primarily because it's just a – well, let me backtrack.

First, the reason for the decrease from – so we had some leases that we were in – we had some tenants that we were in leases with that ended up not closing and we deferred the lease-up of that. But ultimately that's the driver of it. It's just some delayed leasing even though – and Art can touch upon this on the leasing program.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Okay. That's helpful. So maybe just can you talk more about the leasing market? It sounds like maybe Art?

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Yeah. Hi, Jamie. Sure, I will.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Hi.

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Listen, I'm still, very much encouraged that our markets have continued to show positive momentum, that is, starting with demand. That drives everything in gross leasing. Our active deals in negotiation grew in the same period of time that we're talking about, grew 280,000 square feet quarter-over-quarter. So the demand is there. I think all markets showed a little bit of a slowdown in leasing velocities as deal signed in the early part of the year – early part of the quarter.

And then, as we started working through Omicron, we really saw a big pop, ourselves included, in active leases signed. I think the majority of our leases signed in the month of March. So no, I don't – no slowdown in terms of demand and active deals in the market. We've actually seen three quarters of very positive demand. And if you look back year-over-year, it's not even close.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

And would you say that pickup in the pipeline is it small tenant, is it large tenant markets? What types of sectors?

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Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Yeah. I mean, I think across all markets, it's cheaply deals over 10,000 square feet. Although we are seeing an uptick in interest in tenants under 10,000 feet in particular Silicon Valley. But I would attribute to – if you think about the demand growth, the two markets we've seen the most demand growth are Silicon Valley and the Peninsula. I mean, we picked up 40 basis points on 5.7 million square feet just in the quarter.

And we've got another of that, kind of, 280,000 square feet, 200,000 was attributable to the Valley in the Peninsula. So we feel really good there. And then the other was West LA or LA, where we're already kind of close to 99% leased. We've got 35,000 square feet to lease in this building. But the demand across LA including Hollywood has picked up.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Okay. And then just to clarify the change in percent lease sequentially, how much of that was Dell versus other buildings or other tenants?

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

Yeah, well, Dell was 95 basis points. And we – the sequential decline – this is Mark speaking. It was 50 basis points so you know but for the known vacated Dell, we actually had positive net absorption of roughly call it 40-ish basis points.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Oh, so it actually would have been up, without a doubt.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

It would have been...

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Up 50 basis points.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

Yeah. Yeah. It would have been up around 50 basis points or so.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Okay. All right. That's good. All right. And then I guess just to shift gears to Washington 1000, I know you – can you just talk more about that investment? What gives you comfort on starting that project? What does the leasing pipeline look like in that market?

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Well, I mean, in terms of comfort – it sounds like, Victor, you're going to jump in on that.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

No, go ahead. Sorry.

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Yeah. In terms of comfort, I mean, I think we've mentioned this in the past. I mean, a combination of, I think, forces give us confidence around it. One, we are in at an extremely attractive level in terms of all-in costs at

roughly $650 a foot. I mean, anything – that quality in that market is trading well north of about $1,000 a foot. I mean, there's $1,100, even $1,200 per square foot comps, and we're going to be all-in, with land included, at $650 a foot.

There's also really strong indications of good tenant demand. There's at least tenants, three tenants north of 100,000 feet that we are already in discussions on. There's a growing pool of other large requirements, 75,000-

foot requirements that are also in the market as we speak. The South Lake Union submarket has sub-10%vacancy and even below that for premiere quality. So I think all the forces are aligned to make that project just what could be a screaming success.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

And, Jamie, it's Mark, if I can add to that, to put a finer point on the demand. I mean, we've seen four quarters of elevated demand in Seattle. We've seen deals over 100,000 square feet, probably 3, a year ago. Now, there is closer to eight. And on top of that, the demand is probably about 85% or maybe 90% of pre-pandemic level. That's the demand in the market, right?

So in the submarkets that we operate in, there was positive absorption quarter-over-quarter. The drag on an absorption was simply all in the CBD. And so South Lake Union, Denny Triangle, and even Pioneer Square were all positives. So that's the sentiment on where demand has come.

Jamie Feldman
*Analyst, BofA Securities, Inc.* Q

Okay. All right. Thanks for the color.

**Operator**: Thank you, Mr. Feldman. The next question is from the line of John Kim with BMO Capital Markets. Your line is open.

John P. Kim
*Analyst, BMO Capital Markets Corp.* Q

Thanks. Good morning. Can you, Harout, explain again why you combine office and studio guidance? Does that mean that studio is less predictable than office potentially? And maybe bigger picture with Netflix's issues and I guess, the company being more cost conscious, it seems like we've reached peak content spend. Does that change your development plans at all for studio?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

John, it's Victor. I'm going to answer the question for Harout. It's simple as what he said. The combined is what every other company has done in our peer set and non-peer set and we're doing the same thing. There is no hidden secret to it. If you look at companies that have offices in life science, they report the same; office in multifamily, they report the same; office in residential, they report the same; mixed use in office, they report the same. So there's no hidden secret here. So let's just move on from that point, okay.
In terms of your question on Netflix, clearly, if you want to go back and look at the transcript of Ted Sarandos, his claims, which – Ted Sarandos is the Co-CEO of Netflix that his spend on content is going to be equal or more than they've done in the past. And so the streaming companies' perception on this is a downturn is absolutely not relevant to, first of all, the demand that we have in our studio space, one, and two, the amount of capital that's being put into the marketplace.

I think the quality is what they're focused on, on the content versus quantity and they're prepared to spend equal or more money on that. But I would suggest, as opposed to looking at Hudson and what we're saying, I just

suggest going to the transcript based upon what Netflix says directly about their company as probably you'll hear from Amazon and Apple and everybody else.

John P. Kim
*Analyst, BMO Capital Markets Corp.* Q

And Victor, you mentioned about half of your developments will be started in the next – I guess, by next year. Can you give any figures as far as dollar amounts of CapEx for the development and how you find...

[indiscernible] (00:26:33)

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

No, no. I didn't mention half of our development because what I mentioned in my prepared remarks is that two of our developments, which is what Mark just walked through, which is Washington 1000, which we will commence because of entitlement processes. And what I mentioned was – is that we should have broader exchange, which is our Vancouver development for approximately $0.5 million. And our Sunset Waltham Cross, which is our million-square-foot billion-dollar development. We'll have entitlements hopefully by summer, but if not, by the end of third quarter.

The commencement of those two projects have yet to be determined, but that is not all the developments. I mean, we have another 0.5 million feet at Sunset Gower. We have 0.5 million feet in the Peninsula. We have 0.5 feet at Sunset Las Palmas, and we have other development opportunities that we have not disclosed yet but are coming out of the ground. In terms of the capital amount for those projects, I mean, it's all outlined in our supplemental. So you can take a look there.

John P. Kim
*Analyst, BMO Capital Markets Corp.* Q

And how will it be funded? Is that through additional asset sales or?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

As we've mentioned in our prepared remarks, the funding of the development will be through asset sales that was outlined in Mark's prepared remarks after – and the amount of capital – the availability of capital we have on our balance sheet currently today. All the developments that we are talking about are going to be funded with capital that is already accessible and available. And so...

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

Yeah, I would just add to that, we have a construction loan for Glenoaks, all of that. So all the construction costs for Glenoaks are already accounted for in the construction loan.

John P. Kim
*Analyst, BMO Capital Markets Corp.* Q

Great. Thank you.

**Operator**: Thank you, Mr. Kim. The next question is from the line of Manny Korchman with Citi. Your line is open.

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Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Hey, everyone. So, Art, maybe one for you on the Company 3 expansion, were those lease terms the same for the expansion space as the original lease at Harlow?

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Yes. The lease terms were the same as well as the terms.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Okay. And then, Harout, going back to the same-store – and no, Victor, don't yell at me, I'm not asking the guidance...

[indiscernible] (00:28:52)

A

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*
Okay. This would be the first call, I'm like three of them, you're not asking for it. So thank you.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Zio and Star Waggons, when do those come in to the same-store pool?

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

So because they're not office or studio properties, we don't consider them same-store. So they'll always be sitting outside of the same-store just because they're not actual real estate.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Okay. So no stores, so they won't come in. And then just the same-store in the quarter for studios was weaker than I had anticipated. Anything specific driving that? And then how does that recover through the year?

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

Yeah, Manny. I wouldn't really think of it as weakness per say in the first quarter of this year. I mean you can see expenses are essentially identical. The revenue is a bit lower but that's really more a reflection of a very, very strong first quarter of last year, a very high level of production activity. And as you know, it doesn't take much to move the needle on the studios. I mean, your denominator is pretty small there. So relative small differences in say, top line revenue can make a fairly big difference on a percentage basis when you look at it in the same store.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Hey Victor...

[indiscernible] (00:30:14)

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Yeah. Hey, Victor. Just a question on sort of capital allocation. You have the $200 million accelerated buyback which I would assume should be done shortly. And you'll let out there probably somewhere around the $25, $26 range when all is said and done in north of the seven cap which is pretty hard to replicate. It sounds like you really have some exciting development opportunities and some stuff that you want to accelerate. So perhaps additional capital there. How do you sort of balance the development, some of these value-add plus core acquisitions with potentially re-upping your share buyback even under an accelerated basis?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

Well, I think – listen, I've mentioned this before. It's not a simple science. It's one versus the other. If there are opportunities, as I mentioned in my prepared remarks on stabilized assets that we're looking to buy, whether it's value-add or core plus, the numbers are going to be in the 6% to 8% range on the value-add and the 5% to 6% range on the core plus. In the development deals, as you pointed out, taking a look at the supplemental and Mark's remarks, I mean, the ones we're talking about right now, specifically Washington 1000 and the next will be, Waltham Cross and Burrard Exchange, I mean these are 7% and 8%. And so, that falls in line with the yield structure of buying back stock.

We just did $200 million and you're right, we are 90% of the way done virtually with that. I mean, the remainder is coming due in the next couple of months. And so, we're always looking at the alternatives around that. And as Mark mentioned, we've got approximately 350, maybe a little bit more of dispositions that are going to close in the next 90 days or less.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Right. So you will be flushed with cash to be able to go do something. Can I come back just on as we think about the studio and office split and I don't want it to get hostile because I think maybe people have read it perhaps the wrong way. When you report, you're going to continue, as you did in the first quarter, split out all the numbers, report same-store. You're just from a guidance perspective we'll say, look, we're going to forecast our total same-store NOI pool, which has a multitude of different business lines that have a lot of similarities and credit to them. And we're going to give you a total number.

But when we report, we're going to break it all out for you and we're going to call out in the future, I suspect and please confirm this, that we're going to call out if there's going to be some volatility given the studio business is a little bit more volatile than your office business, which in itself could have some issues either delay on timing, on leasing or other variables. Can you talk through some of that?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

So listen, I think consistency is key, right. And being consistent, which we have done in the past and then transparent, which we have in our supplemental, we'll have all the information that you will need to determine – we're not here to say, on good quarters versus bad quarters, this is how we're reporting. This will be consistent going forward. If you really look at the materiality, which Mark mentioned, you're talking – the same-store on the studios was 12% versus 15%, okay? So it's still a big number. And – but if you look at the dollar amount, as Mark said, it was inconsequential, specifically in the fact that we only own half of it versus two years ago we owned

100% of it.

So the information will all be there, and we'll be able to decipher on for anybody who wants to do the work. But to be consistent with what we think is easier for reporting, as I mentioned, and to be consistent with what our peers are doing, going forward, you will see one number, but all the backup information will be available.

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Great. Thank you so much.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

And by the way, at the same token, as I mentioned, it has nothing to do with timing of specific reporting. It's just that we did it for this quarter and it's going to be going forward. It would have been the same thing if studio was 25% and the office was 3%. We still would have done it. So...

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.* Q

Right.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

...there's no difference. It's just the fact is we're doing it for this quarter going forward.

Q

Emmanuel Korchman
*Analyst, Citigroup Global Markets, Inc.*

As a learning lesson, and I know you've been in the public markets a long time, and you've been extraordinarily successful. I think the change in hindsight, hindsight' 2020 probably deserved a little bit more explanation in the press release. And if it wasn't in the press release, given the notes that came out overnight and the way the stock was reacting, probably something that could have been more eloquently addressed in the public comments, including the numbers and impact, than just putting it away because, unfortunately, I think it negatively affected your stock. And so hopefully that's a good lesson learned for the future.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

Thank you.

**Operator**: Thank you. Mr. Korchman. The next question is from the line of Alexander Goldfarb with Piper Sandler. Your line is open.

Alexander Goldfarb
*Analyst, Piper Sandler & Co.* Q

Hey. Good morning out there. I'll try to ask some lighter questions. So going on the studios and the office, Mark, appreciate your comments on the occupancy decline, and that we should worry. But my question is, as you guys look to the office leasing demand, what's the breakout between demand for traditional office versus non-stage users who would want office on the studios? And I guess, what I'm getting at is, are the economics to you guys better because people, for whatever reason, even though they're not [indiscernible] (00:36:23), they want to pay out more and maybe the TIs are the same? Or is it truly different leasing trends such that we could see strong general leasing for office that may not necessarily correlate with the demand that we would see at the same time for non-stage users of studio office?

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.*

A

Well, there's a lot going on in that question, Alex. So forgive me if I didn't – I'm not hitting exactly in response, but let me try to illustrate. There's a few hundred thousand feet of what you would – what we classify as office, but it's on-site alongside of the stages themselves. And its main use is for those associated with the stage use, that is to say the production part of the stage used to have a space to office in, writers, post production people, people that need space to operate from associated with the use of a stage, okay.

Historically, that square footage has never been 100% occupied by stage users. We've traditionally had some amount of square footage available for other potential tenants that want to be located next to active studio lot, casting agents, psychiatrists. I mean, there's been all sorts of interesting different types of tenants like that. Okay.

They'd never made up the majority of the tenancy in the office component associated with the soundstages. Okay. What we saw during the pandemic was because those tenants tended to be under shorter term leases, they, like everyone else in the world, were starting to work from home. There was also for a stretch there until production resumed again, less activity happening. On the lots, we saw some loss of deterioration in tenancy of those tenants. Okay.

That's what you're seeing reflected in the sequential decline in the overall studio occupancy. By the way, that number is a trailing 12-month number. So if you had weaker prior quarters, it shows up in the current quarter, but the current quarter number is not just that quarter, it's a number trailing behind the prior 12-month period. We think we've turned the corner.

We are seeing a pickup in demand of the non-stage using office tenants. By the way, just to clarify, another thing you raised, there's no TIs or commissions associated with that tenant fee. The people approach us directly. We have our own sort of internally driven marketing campaign where we reach out through our contacts to potential non-stage using office tenants that might want to locate there. And we are seeing a pickup in that activity. So the expectation is as quarters roll forward here and that activity begins to roll through our trailing 12-month number, we hope to see an improvement in that occupancy. Did that address your ...

Alexander Goldfarb
*Analyst, Piper Sandler & Co.*

Q

Okay. That's helpful. Yeah, yeah. That's good. Second question is, Harout, you guys have about a little over $800 million floating rate debt after you pay off with the proceeds later this year being caught $500 million on the floating rate. Is that – you know, I realize it's always a good mix that you walk between floating and fixed. Is $500 million or that percentage of total debt, is that where you'd be comfortable at or you would think about further reducing that? Just curious.

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

So let me – Mark probably want to jump in, but let me address that. All of our floating rate debt with the exception of our line of credit is within joint ventures. So the ability for us to pay them down is not as simple as just our decision. So that's part of the challenge. The preponderance of it is in our Hollywood Media portfolio.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

Yeah. I might just say if you look at the floating rate debt running – our company share running through the supplemental, that 24.6%, Harout is correct that the majority of it is associated with JVs. But to put a finer point on it, 35% of the floating rate debt relates to two JV assets that we obviously are going to have to work with our JV partner on whatever the longer term goals would be with respect to that floating rate debt. But, in total, that amount of debt is only 8.6% of our total indebtedness. So it's a small component. And, yes, there's another part in our JV that it's roughly 25% of our floating rate debt in our JVs. But that is construction debt, and all of the interest on it is capitalized, so it doesn't affect our earnings.

And the goal there would be to replace that debt upon completion of those construction projects, which is what you would typically do. All of the remaining floating-rate debt is the line. It's 40% of the floating-rate debt, and 100% of that outstanding line balance is going to be addressed through the assets related to sales, the pending sales.

So Alex, the overall goal of the company has always been to manage its floating-rate exposure, and you see it time and time again where the majority of our floating-rate exposure is often on the line, and then we pay the line back to zero, which is exactly what we expect to do here in the very near term. There's sometimes some construction-related debt. All the interest is capitalized, and then there's a little JV debt.

Alexander Goldfarb
*Analyst, Piper Sandler & Co.* Q

Okay. Thank you. Appreciate it. Thank you.

**Operator**: Thank you, Mr. Goldfarb. The next question is from Nick Yulico with Scotiabank. Your line is open.

Nicholas Yulico
*Analyst, Scotia Capital (USA), Inc.* Q

Thanks. Just want to ask about the San Jose Airport submarket. Maybe you could talk a little bit more about the types of demand you're seeing for the Qualcomm asset. Also as well, you have Cloud 10, which I'm sure that fits into some discussion as well as you're talking to some users down there about looking at space in the market?

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

Sure, Nick. This is Art. Thanks for the question. The market, as I mentioned before, the demand, across the valley, the demand has been up for several quarters now. Gross leasing, kind of, closing in on pre-pandemic

levels. In our particular portfolio, we're looking at about 120,000 square feet of deals right now, new deals with this elevated demand that we've had, new deals that are in negotiation, some form of negotiation at this point. So we feel really, really good about that.

And most of that – just put a finer out, most of that is capitalizing on our VSP program that we put in place because tenants want to get in quicker. They don't want a protracted build-out period and so forth. And so, that's

where our chief demand is in Silicon Valley.

Moving over to Qualcomm, Qualcomm space, as you know, they're out at the end of July. We're still aggressively marketing the projects to all the users over 100,000 square feet that are throughout the valley and beyond the work that we're doing, the freshening up of the property will probably likely take us into end of Q1, which will again, just to refresh your memory, include landscape, heart scape and refreshing of the common areas in the building and [ph] amenetizing (00:44:50) it quite substantially. So we feel pretty good about those prospects. And by the time we're done with the work, we hope to be kind of deepen the negotiations.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

In terms of Cloud 10, I mean, we've got some reverse increase. As you know, the demand for large tenants in the valley and specifically in San Jose all the way through Palo Alto is really large tenants. And so, Cloud 10 has – being that it's a new development, that seems to be the attractive level here at most of these tenants. And we're seeing our fair share of increase on that right now.

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

And one of the competitive advantages we do have with the Qualcomm space itself is for users who see significant growth in the near future. We've got Cloud 10. We've also got another 2.1 million square feet to leverage across the airport for that particular type of user.

Nicholas Yulico
*Analyst, Scotia Capital (USA), Inc.* Q

Okay. Thanks. And then the other question is on the guidance for interest expense went up about $9 million. I guess, you do have the higher line balance right now. This curve shifted. I guess, I just want to be clear if there was anything else that was driving that besides those issues. And then also I want to be clear that that guidance for interest expense does assume that, as you mentioned, the asset sales are paying down the line later this year.

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

This is Harout. Yes. So you hit on the head. We are using the asset sales to pay down the line. And as a reminder, that's the gross interest expense and any portion related to our JV partners is also reflected. The offset is reflected in their earnings side of it. So the [indiscernible] (00:46:37) it's a consolidated number.

Nicholas Yulico
*Analyst, Scotia Capital (USA), Inc.* Q

And it does reflect, you know, the updated curve, LIBOR curve. Okay. Got it. All right. That's helpful. Thanks.

Appreciate it.

**Operator**: Thank you, Mr. Yulico. The next question comes from the line of Ronald Kamdem with Morgan

Stanley. Your line is open.

Ronald Kamdem
*Analyst, Morgan Stanley & Co. LLC* Q

Thanks for taking the question. Just a couple quick ones for me. Just on the big picture, following on the question now is just asked – just trying to bridge the guidance given at the beginning of the year, the [ph] 205 (00:47:25) before and then the updated guidance of [ph] 205 (00:47:27), just trying to figure out what went up and what went down, just a quick look. Looks like obviously interest expense was the big one on the upside, can you just maybe walk us through really quickly what were the offset to get back to sort of the same level? I hope that question made sense.

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.* A

Sure. Yeah. That's a great question. So the biggest offset is our share repurchase. So when we announced guidance back in February, we didn't have that in our guidance. And therefore, we're effectively reaping the benefits of that by offsetting the interest expense. That's the biggest piece. There's other small pieces but that's the biggest one.

Ronald Kamdem
*Analyst, Morgan Stanley & Co. LLC* Q

Okay. Got it. I figured. All right. So just bigger picture question, just taking a step back. Maybe if you can update us on what you're hearing from sort of the return to office on the utilization. Is that something that – what levels can we expect sort of by the end of the year or what are you hearing from tenants? Thanks.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

Yeah. Listen. I mean, I think you're hearing what we're hearing and you're seeing what we're seeing. The large tenants in our portfolio are virtually all back. And now we're seeing a fairly aggressive move on the small tenants to come back. Some are around three or four days a week. Utilization has picked up dramatically in the last 30 days or really since March 1, I guess. And we anticipate that to sort of roll through barring any other strain that may have people go back. Yeah, we're seeing it. I don't think we're seeing the same kind of transient parking numbers yet come to fruition but we're definitely seeing the actual parking and office occupancy much higher.

Mark T. Lammas
*President, Hudson Pacific Properties, Inc.* A

And if I could add to that, the confidence that Victor talked about kind of beginning March 1 throughout the market has really created this demand that I've been talking about. I said the beginning of the year, we started off a little slow because of Omicron but really start to pick up later. It really tracks with this uptick in demand everywhere, tracked with exactly what Victor said kind of that March 1 day.

Ronald Kamdem
*Analyst, Morgan Stanley & Co. LLC* Q

Right. And if I could sneak one more in, can you just remind us, how do you guys think about recurring CapEx for the business and how should we expect that to trend over the next, I don't know, two, three, four, five years?

Arthur X. Suazo
*Executive Vice President-Leasing, Hudson Pacific Properties, Inc.* A

In terms of how we think about it, I mean, the main components of recurring CapEx are TIs and commissions. And so they tend to track the level of leasing activity. I do think you see in our numbers that as we have kind of projected some time ago, leveling off in recurring CapEx including in the most recent quarter.

I encourage you to kind of go back and look at where – how this quarter compares to kind of previous quarters. But in the end, what it's really done is shown this steady improvement in AFFO which on a trailing 12-month basis is up 25% year-over-year. And I would add that that is on top of a more than 40% increase from the prior year. So we've seen this leveling off on recurring CapEx and it's showing up materially in AFFO. I don't what else to add about how else we see it.

A

Harout Krikor Diramerian
*Chief Financial Officer, Hudson Pacific Properties, Inc.*

Another way we look at it is, because the TIs are very lumpy, looking at one individual quarter can sometimes be misleading. We have maybe a very large tenant that gets reimbursed all their TIs in one quarter. That doesn't mean it's going to be repeated. So we do tend to look out at it on a forward three-year or two-year basis just to see where it goes. And when you look at that, we see that our recurring capital is more normalized now than it had been in the past. There'll be some bumps here and there, primarily because if there's a large tenant who takes a large TI, that's – it's going to happen in one quarter and therefore come down to the following.

Q

Ronald Kamdem
*Analyst, Morgan Stanley & Co. LLC*

Great. Thanks so much.

**Operator**: Thank you, Mr. Kamdem. The next question is from Rich Anderson with SMBC. Your line is open.

Q

Richard Anderson
*Analyst, SMBC Nikko Securities America, Inc.*

Thanks. Good morning still out there. If I can make a quick comment on a question on Netflix, they're experiencing competitive challenges. They are a company within an industry. This is not an industry conversations of the company, no one wants to see Netflix stock down 68%. But isn't the silver lining or perhaps the silver lining for you as you expand, your diversification in that world? And that ultimately would be a good thing in my mind. It might be like – I think of Amazon scaling back in industrial that's actually a good thing for the industrial REITs because it allows them to expand and diversify their exposure in e-commerce. The same rule would apply here, I would think, that you would expand your diversification in streaming and in content providers. Is that a fair way to think about it?

A

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

Well, Rich, listen, nobody said Hudson's only content tenant that occupies our stages and office space is Netflix. I

Q

Richard Anderson
*Analyst, SMBC Nikko Securities America, Inc.*

My point, exactly.

A

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

...we have Amazon. Yeah. And we have Amazon, Apple, Disney, and Warner Brothers and HBO. I mean, yes, you're absolutely right. And they're not the only content tenant. Even though they're saying that they're not going to slow their content, the others are saying they're increasing their content. So you're absolutely right. I mean, competition is good, and I don't think anybody's implying that, as Netflix goes, Hudson goes. So thank you for that.

Richard Anderson
*Analyst, SMBC Nikko Securities America, Inc.* Q

Yes. And that's exactly the point I was trying to make. Second question is everyone on this call recognizes that Hudson trades at a pretty steep discount. The market is saying 45%. I don't know what your internal NAV number is, but we can all agree that it's a discount. Victor, you sold Arden back in, I guess, was it 2005, and I'm not going to litigate a sale of a company or anything like that.

But you now have two distinct businesses that have synergies, of course, between them, the studios and the office. But is there now an opportunity to find a way to unlock that value price discovery for some segment of your business and really sort of demonstrate to the market in action, in a transformational way, that could really bite into that NAV discount that's, I'm sure, been a thorn in your side for a while now? I'm curious if you're strategizing around that at all.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

So let me make a couple of comments on that. First of all, clearly, without saying but I will say it, the discount to NAV, whatever number you put on it is large. And it is not something that we're happy about. And we've never said that we're happy about it. And we're not going to be happy about it.

Second of all, I think we have demonstrated the value of assets both on the studio side and on the office side that they are not valued today what they would be if they were sold on a one-off basis.

I think thirdly, which is even more importantly than us, is the value of the assets that the third-party markets have come out. And you're seeing comps on single tenant office or multi-tenant office or studios that are trading in combined numbers at three, four, five caps. And you're seeing independent evaluations from the likes of other people who are on this call like Green Street and looking at valuations of the portfolio at a four to five cap or 4.5 to 5.5, whatever the number is.

So I don't think what you're saying is in order to validate. I think the validation is there, Rich. I think, it's the desire of what we do next. And the answer is, as a fiduciary, we will always and are currently always looking at alternatives that do not just maintain a status quo position. But in order to validate what we see or what the market wants to see in terms of the asset quality and pricing and value of those assets, I think it's done within the company, but it's done a lot more outside the company now, and the comps are there.

Richard Anderson
*Analyst, SMBC Nikko Securities America, Inc.* Q

Yeah. Okay. Fair enough. Thanks.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.* A

Thanks, Rich.

**Operator**: Thank you, Mr. Anderson. The next question is from Daniel Ismail with Green Street. Your line is open.

Daniel Ismail
*Analyst, Green Street*

Q

Great. Thank you. Recognize we're getting close to the top of the hour but just wanted to ask a big picture question regarding rising rates. Maybe Victor and Mark, I'm curious if you're noticing any tangible impacts as you guys are out there either marketing those core assets for sale or looking to acquire new assets if there's been any tangible moving pricing because of the rising rates?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

A

So Daniel, I think it's a great question. So on the disposition side, albeit we have two buildings that are multi-tenant. One building, which the market knows is an asset that is relatively worthless to us as a company, and it's been vacant for a long time and doesn't fit. And then the third is an asset that is going to be a complete repositioning. I can say we are almost in contract. We're under a letter of intent for all of them in contract with a couple of them. And there has been no pushback on financing.

Now, that being said, I'm going off of sort of memory here, I believe, two out of four or maybe three out of four have no financing contingencies at all. So they're all cash buyers. I'm sorry. None of them have financial contingencies but they're all cash buyers. Three are cash buyers and some are self-financing. That being said, it's not impacted us.

On the flip side, there have been assets that we have looked at that are value-add assets with stabilized yields as our prepared remarks stated that I think have been taken off the market because they can't execute at this time. But I think that is very far and few between from what we're seeing in the marketplace in transactions that are going to be announced or they have already been announced.

And so, I'd say, the easy answer is the impact yet today is still very minimal in terms of transactions both on the acquisition and disposition side with the movement of interest rates

Daniel Ismail
*Analyst, Green Street*

Q

Got it. That's helpful. And no – no other impact elsewhere in the business, like tenant construction loans or anything like that in terms of what you've seen on, some of the other ripples effect that rising rates could have?

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

A

No. At this time, no. I mean, everything we are looking at has been very, very much intact, even though the rates have moved. And I believe the reasoning is that the market already perceived that these rates were moving, and so it was already baked into people doing business.

Daniel Ismail
*Analyst, Green Street*

Q

Got it. Thanks for the color.

**Operator**: Thank you, Mr. Ismail. This concludes our question-and-answer session. I would like to turn the conference back over to Victor Coleman, Chairman and CEO, for any closing remarks.

Victor J. Coleman
*Chairman & Chief Executive Officer, Hudson Pacific Properties, Inc.*

Thank you so much for participating. We'll talk to everybody next quarter. Thanks, operator, for the work.

**Operator**: The conference has concluded. You may now disconnect.

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