Laura Campbell
Executive Vice President, Investor Relations & Marketing

Good morning, everyone. Thanks for joining us. With me on the call today are Victor Coleman, CEO & 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 both 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.

Today, Victor will discuss our 2022 accomplishments and 2023 priorities, along with macro-tends across our markets; Mark will review our office leasing and development highlights, and Harout will review our fourth quarter financial results and 2023 outlook.

Victor J. Coleman
Chairman & Chief Executive Officer

Let me start by highlighting Hudson Pacific's 2022 accomplishments, which align with the five key objectives centered around leasing, capital recycling, development, balance sheet management and ESG that I outlined on our call at this time last year.

We leased over 2.1 million square feet in 2022, just shy of our long-term average and up more than 300,000 square feet from 2021. We achieved positive GAAP and cash rent growth of 14% and 4%, respectively. We executed on all four of our planned non-strategic asset sales, closing three last year for a combined $144 million of gross proceeds, with the fourth, Skyway Landing, now closed, for an additional $102 million of gross proceeds, or total dispositions of $246 million. As part of our efforts to grow our portfolio of world-class, amenitized, collaborative and sustainable office and studio space, we purchased Quixote, a leading stage and production-services provider, through an off-market transaction. And we've made good progress on our two under construction studio and office projects totaling over 780,000 square feet, while securing entitlements for two future projects totaling 1.6 million square feet.

We now have $1 billion of total liquidity, with a focus last year on using proceeds from asset sales and our successful $350 million green bond offering to pay down and refinance debt. We also reduced our interest rate exposure through caps and swaps to maintain our total fixed and capped debt at 85 percent-plus. We continued to return capital to shareholders throughout the year, repurchasing approximately $240 million of our common stock, and maintaining

our dividend with a stable full-year AFFO payout ratio of just over 61%. We also continue to achieve sustainability and ESG excellence, ranking #1 among office companies in the Americas by GRESB and winning Nareit's Leader in the Light award during 2022. More recently, we were recognized by Newsweek as one of America's Most Responsible Companies and included in the 2023 Bloomberg Gender-Equality Index, further aligning our platform with stakeholders prioritizing sustainable and equitable workplace.

I am very proud of the Hudson Pacific team, and our ability to execute and work toward creating long-term value for our shareholders in this complex and highly dynamic environment.

Our strategy places Hudson Pacific at the confluence of several macro-economic trends that we believe are transitory. Therein lies the opportunity, as we leverage our unique industry expertise and full-service platform to position our company and world-class portfolio optimally for the next cycle. We continue to see utilization across our portfolio improve, with multiple assets trending towards 50-75% peak occupancy. Utilization remains very tenant and thus asset specific, but we believe growing employer mandates and employee willingness to return—especially in light of recent layoffs, will result in even higher utilization and a re-emphasis on being in the office to improve workforce productivity in the coming year.

Looking at the five largest layoffs among North American tech companies over the last 6 months, only about 15% of those layoffs, based on Warn Notices, impacted our US markets, accounting for about 1% of these companies' total workforce. While hiring among tech and media companies has notably declined in recent months, recall these industries had massive hiring gains through the pandemic—with little to no augmentation of their office footprint. In our target US markets, employment levels in tech- and media-related sectors are still at or well above pre-pandemic levels, reflecting the inherent long-term secular strength. In the case of Seattle and the Bay Area, as much as 15% above. Software and IT job postings are still 20-25% above pre-pandemic levels, according to Indeed. We know as big tech right sizes, talent will spin out and build the next high growth enterprise, the next Google or Amazon. Venture capital firms, which raised $160 billion in 2022, have record amounts of capital to invest, and series A and B rounds are still active. This will give rise to innovative small and medium sized companies that will ultimately expand within our portfolio and beyond—just as they've done in past cycles.

As of the fourth quarter, top studios, including Apple TV, Netflix, Disney, Amazon and others, were still projecting to spend north of $140 billion on content this year, up 11% from last year to a new high. Original content spend, which typically accounts for 20-50% of total spend, and is perhaps a better indicator of production, was expected to increase by a more modest 2%. However, we did see production activity moderate in the fourth quarter, particularly in Los Angeles, which we attribute to several factors, including studios' growing austerity measures, the Amazon-MGM and Discovery-WarnerMedia acquisitions, caution ahead of late spring studio-union contract negotiations and seasonality. We'll continue to monitor these trends, but we remain confident in the long-term fundamentals around content creation and the ability of our platform, through a combination of long-term leases and increasingly diverse geographic footprint and product offering, to optimally align with current and future client demand.

At Hudson Pacific, we're building upon a strong track record of execution, be it our ability to uncover off-market opportunities, deliver premier office and studio space, execute leases and grow rents. In doing so, we've set the bar when it came to creative, collaborative, high-quality, high-touch, sustainable work environments and related-services to inspire the world's most innovative and creative companies and their employees. As these industries evolve and grow once again, we will be at the forefront of this next shift. We will leverage our platform's seasoned, cycled tested team; our full-service, vertically integrated platform; and our unique strategic and industry relationships to continue to expeditiously optimize our portfolio in ways that create significant value for shareholders.

Looking ahead to 2023, our priorities are as follows: to continue to successfully address our 2023 office lease expirations, with the goal of preserving rent growth and occupancy; to execute on our near-term value creation office and studio development opportunities, specifically Sunset Glenoaks and Washington 1000; to further strengthen our balance sheet by de-levering through potential asset sales and reducing interest rate risk through hedges; and finally, to continue our ESG and sustainability leadership, which has become a hallmark of our business and how we create long-term value for stakeholders.

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Mark T. Lammas
President

Our leasing team continues to hustle, and in the fourth quarter, we signed 517,000 square feet of new and renewal leases. This resulted in over 96,000 square feet of positive net absorption, and drove our in-service office leased percentage up 40 basis points to 89.7%. This included a 100,000-square-foot, 10-year lease with a large publicly traded software company at Metro Center in Foster City, which was not only the largest deal in our portfolio for the quarter, but also the largest along the entire San Francisco Peninsula, and a win for the team. Our activity also included the full-building, 47,000-square-foot backfill of Lockheed Martin with a 17-year lease with Stanford at 3176 Porter in Palo Alto, and a 40,000-square-foot, 10-year renewal with SFMTA at 1455 Market in San Francisco. Both deals addressed two of our larger 2023 expirations. Our GAAP rents on fourth quarter deals were up 16%, while our cash rents were down 0.5%, driven primarily by Stanford's renewal at 3176 Porter. Adjusted for the Stanford lease, cash rents were close to 3% higher.

Note that NFL, which vacated 10900-10950 Washington on January 1 of this year, is still included in our fourth quarter leased percentage. Although we continue to negotiate with a single tenant for the entirety of that asset, we're actively exploring redevelopment of the property as residential to take advantage of its prime Culver City location and pending up-zoning. This is a decision we expect to be able to make in the coming months as we review our options.

Even as we continue to sign significant leases, we have 1.9 million square feet of opportunities in our leasing pipeline at multiple stages. We also currently have activity on both of our only two large block expirations in 2023. Specifically, we have 60% coverage on Block's space at 1455 Market in San Francisco, which expires in the third

quarter this year. We're negotiating with an existing 25,000-square-foot subtenant and a new tenant with a 250,000-square-foot requirement. If we can close on these, we'll have largely addressed our only material expiration in downtown San Francisco this year.

We're also in discussions with Amazon to renew their fourth quarter, 140,000-square-foot expiration at Met Park North in Seattle and expect to have more visibility as to their plans by the third quarter. We currently have 42% coverage on our 2023 expirations, with an average tenant size of roughly 9,000 square feet. Approximately 50% of these are located in the Peninsula and Valley submarkets, where we're seeing resilient small to mid-size tenant demand for our assets. According to CBRE, in the fourth quarter along the Peninsula, over 70% of leases signed were under 5,000 square feet, and in the Valley, over 60% of deals were under 10,000 square feet.

We're staying disciplined in our approach to new development as we monitor market conditions. Our under construction development pipeline consists of two attractive and unique projects. Our Burbank-adjacent, seven-stage Sunset Glenoaks studio, which will be the first purpose-built studio in Los Angeles in over 20 years, is on track to deliver this year. We're in discussions with several tenants regarding multi-stage, multi-year commitments, including some single-tenant users for the entire lot, but we're also prepared to leverage a more traditional show-by-show lease model for some stages. Construction also continues at our Washington 1000 office tower, which will deliver next year, and is well positioned as the best-of-the-best product in Seattle's Denny Triangle submarket.

Over the last decade, we've established a proven record of excellence in development, with our platform and projects winning numerous awards, from the likes of GRESB, NAIOP and ULI. Apart from our two under construction projects, we continue to progress entitlements and designs for the balance of our 3.6 million square foot pipeline of potential development opportunities, which contains unique projects like Burrard Exchange, which will be one of North America's tallest mass-timber office towers, and Sunset Waltham Cross, which will be one of the largest studio facilities in the UK. We're taking this time to ready our pipeline to ensure we can commence construction and create value, but only when the timing is right.

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Harout Diramerian
Chief Financial Officer

Our fourth quarter 2022 revenue increased 12.2% to $269.9 million compared to fourth quarter 2021, primarily driven by income generated from our Quixote acquisition in August 2022 and the commencement of Google's lease at One Westside in December 2021, partially offset by Qualcomm's vacancy at Skyport Plaza in July 2022 .

Our fourth quarter same-property cash NOI increased 2.7% to $126.9 million compared to fourth quarter 2021, primarily driven by increased revenue at 1918 8th, 11601 Wilshire, 1455 Market and Sunset Gower Studios, partially offset by Qualcomm's vacancy at Skyport Plaza in July 2022. Adjusting for Qualcomm, our same-property cash NOI would have increased 6.7%.

Fourth quarter FFO, excluding specified items, was $0.49 per diluted share, compared to $0.52 per diluted share a year ago. Fourth quarter specified items consisted of transaction-related expenses of $3.6 million, or $0.03 per diluted share, compared to transaction-related expenses of $1.5 million, or $0.01 per diluted share, and prior-period property tax reimbursements of $0.7 million, or $0.00 per diluted share, a year ago.

Fourth quarter AFFO was $62.1 million, or $0.43 per diluted share, compared to $72.5 million, or $0.47 per diluted share, a year ago. Our payout ratios for the fourth quarter and year-to-date were 58.0% and 61.4%, respectively, underscoring that our dividend remains well covered.

We continue to execute on financings and asset sales to fortify our balance sheet. At the end of the fourth quarter we had $870.8 million of total liquidity comprised of $255.8 million of unrestricted cash and cash equivalents and $615.0 million of undrawn capacity under our unsecured revolving credit facility. We also had another $98.0 million and $59.3 million of undrawn capacity under construction loans secured by One Westside/10850 Pico and Sunset Glenoaks, respectively.

Upon repaying our $110 million Series A notes in January 2023, and using $102 million of sale proceeds from Skyway Landing to paydown our unsecured revolving credit facility this February, we now have $1 billion in total liquidity. In January, we also entered into interest rate swaps on our $172.9 million pro rata share of our 1918 Eighth loan and $351.2 million net pro rata share of our Hollywood Media Portfolio loan. Accounting for these debt repayments and interest rate swaps, the composition of our debt as of December 31, 2022 on a pro forma basis results in fixed rate debt of approximately 82.8% and fixed and capped debt of approximately 86.0%.

We currently have $210.0 million of debt maturing toward the end of 2023, which can be repaid from our line availability. This includes our $50 million Series E notes, maturing in mid-September, and $160 million of Quixote secured debt maturing on December 31.

Now I'll turn to our outlook for 2023. As always, our guidance excludes the impact of any acquisitions, dispositions, financings and capital markets activity.

We're providing an initial full-year 2023 FFO guidance range of $1.77 to $1.87 per diluted share. There are no specified items in connection with this guidance.

We expect same-store property cash NOI growth of 2.50% to 3.50%, which reflects the additions to the same store property pool of One Westside, 5th & Bell and Harlow, and the removal of 10900-10950 Washington in Culver City, which we for guidance purposes we've designated as redevelopment to residential.

Our 2023 full-year guidance reflects for the first time the full-year benefit of our Quixote acquisition, which occurred in the third quarter of 2022. However, guidance does not reflect a potential disruption in studio production activity

beyond the slowdown mentioned earlier in the event on-going studio-union contract negotiations lead to a strike and halt in production, which could occur as of May 1 and/or June 30 of this year.