



Hudson Pacific Properties, Inc.
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Corporate Participants:

Laura Campbell *Executive Vice President – Investor Relations & Marketing*
Victor Coleman *Chairman & Chief Executive Officer*
Harout Diramerian *Chief Financial Officer*
Mark Lammas *President*
Arthur Suazo *Executive Vice President – Leasing*

Other Participants:

Blaine Heck *Analyst, Wells Fargo*
Alexander Goldfarb *Analyst, Piper Sandler*
Richard Anderson *Analyst, Cantor Fitzgerald*
Ronald Kamdem *Analyst, Morgan Stanley*
Jana Galan *Analyst, BofA*
Thomas Catherwood *Analyst, BTIG*
Seth Bergey *Analyst, Citigroup*
Dylan Burzinski *Analyst, Green Street*
Vikram Malhotra *Analyst, Mizuho*

MANAGEMENT DISCUSSION SECTION

Laura Campbell, EVP, Investor Relations & Marketing

Good morning, everyone. Thanks for joining us. With me on the call today are Victor Coleman, CEO and Chairman, Mark Lammas, President, Harout Diramerian, CFO, Art Suazo, EVP of Leasing, and Ken Young, SVP of Leasing.

This morning, we filed our earnings release and supplemental on an 8-K with the SEC, and both are now available on our website along with an audio webcast of this call for replay. 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 2025 accomplishments and priorities for 2026, along with industry and market trends. Mark will provide detail on our office and studio operations and development, and Harout will review our financial results and 2026 outlook. Thereafter, we'll be happy to take your questions. Victor?

Victor Coleman, Chairman & CEO

Thanks, Laura. Good morning, everyone, and welcome to our fourth quarter call. 2025 was a breakthrough year for Hudson Pacific. We didn't just position the company for a return to earnings growth, we fundamentally transformed our capital structure and significantly enhanced our operating efficiency.

We executed nearly \$330 million of strategic asset sales and attractive valuations and completed more than \$2 billion of proactive capital transactions that extended our maturity runway and nearly doubled our liquidity. Our balance sheet now affords us the flexibility to fully execute on our business objectives, paramount of which is the lease-up and stabilization of our best-in-class office portfolio.



In 2025, we drove a combined \$26 million in G&A and interest expense savings. Beyond that, we continue restructuring Quixote and to-date, we have locked in \$25 million of annualized expense savings. And we delivered our strongest leasing performance since 2019, signing more than 2.2 million square feet of office leases across our West Coast portfolio.

Strengthening market fundamentals continue to validate our thesis. San Francisco generated over 2.5 million square feet of net absorption for the year, the third highest annual total on record. Silicon Valley recorded 2.9 million square feet of positive absorption, marking five consecutive quarters of occupancy gains.

The Puget Sound posted its first positive absorption quarter in three years. And in Los Angeles, our office portfolio is essentially fully leased long-term, positioning us well as the broader markets recover.

In our studio businesses, we're operating in a recalibrated environment. But let's be clear, media industry consolidation favors the best located, best operated assets, and that's exactly what we own. Los Angeles and New York remain the epicenters of domestic production and our Hollywood and Manhattan studios continue to lease because productions need premium creative environments, not commodity space.

Now let me address the AI narrative head on. Yes, AI is reshaping workflows. But in the Bay Area and Seattle, AI is driving explosive company formation, record venture capital deployment and aggressive hiring across multiple sectors. The narrative of AI reduces office demand ignores the reality. Well-funded, fast-growing companies need space, and they're choosing our buildings.

In studios, AI is a production tool, not a replacement for physical infrastructure. The dominant theme in both sectors isn't contraction, it's flight to quality, and we're the beneficiary. Mark is going to provide details, but our office leasing pipeline has grown to 2.3 million square feet. Fourth quarter tours accelerated more than 50% year-over-year. And we are entering 2026 with the lowest office expiration schedule we've had in four years. We're not hoping for a recovery. We're already capturing it.

Following our significant de-risking in 2025, our priorities are clear and executable. Drive occupancy growth to unlock embedded NOI expansion, eliminate Quixote's earnings drag by year-end and maintain capital discipline through value-driven assets, sales and strategic de-leveraging. On our capital recycling, we sold Element LA in the fourth quarter at a strong valuation. In 2026, we're targeting \$200 million to \$300 million of additional sales while prioritizing transactions that are FFO-accretive through further de-leveraging.

For example, we're currently marketing 10900 and 10950 Washington in Culver City, which we successfully re-entitled for 508 residential units, and we have a very strong buyer and joint venture interest throughout.

Here's the bottom line. We're sharpening our focus on what we do better than anyone else, owning and operating highly selective office and studio assets in only the best locations. We're deploying capital within our existing portfolio, only where returns are clear, attractive and risk-adjusted. By executing on these priorities, we have a direct path to FFO per share inflection as we move through 2026.

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

Mark Lammas, President

Thanks, Victor. Our leasing momentum once again translated into tangible occupancy gains in the fourth quarter. We signed 518,000 square feet of leases, driving our office portfolio occupancy to 76.3%, up 40 basis points sequentially, while our lease percentage increased 50 basis points to 77%. Excluding the sale of fully-occupied Element LA, occupancy and lease percentages would have increased 90 basis points and 100 basis points, respectively.



This marks our second consecutive quarter of positive net absorption, with improvement across all our major markets, except Los Angeles, where we have one multi-tenant asset with stable occupancy. More importantly, we have excellent visibility into continued occupancy growth. We have only 1 million square feet expiring in 2026, and we already have 60% coverage, deals in leases, LOIs or proposals on first quarter expirations with 55% coverage on the remainder.

On our few large expirations, we have full coverage on Picture Shop's 115,000 square feet at 6040 Sunset and PayPal's 132,000 square feet at Fourth & Traction. We also have 60% coverage on Dell EMC's 84,000 square feet at 875 Howard, and we recently renewed Weil, Gotshal & Manges covering 80% of their 76,000 square foot lease.

Underlying this execution is accelerating tenant demand. Our leasing pipeline now stands at 2.3 million square feet, up 15% year-over-year. And we had 2.1 million square feet of tours in the fourth quarter, up more than 50% year-over-year. What's particularly notable, average requirement size increased to 25,000 square feet. In short, tenants aren't just leasing they are expanding.

On lease economics, fourth quarter GAAP rents increased 0.4%, while cash rents decreased 9%, a sequential improvement from third quarter. Full year spreads improved year-over-year, and our 2026 expirations are 3% below market with in-place rents essentially at market, positioning us for spread improvement as we continue lease up.

For studios, our operating results reflect steady progress in a disciplined production environment. Our in-service trailing 12-month stage occupancy increased 330 basis points quarter-over-quarter to 69.1%, driven by full lease-up of stages at Sunset Las Palmas.

Specific to our in-service Hollywood stages, trailing 12-month occupancy was notably higher at 86.2%, while Quixote stages reached 53.3%, up 500 basis points quarter-over-quarter. Studio revenue increased \$3.6 million sequentially and studio NOI increased \$2.1 million. As Victor outlined, we are evaluating additional targeted cost reductions to mitigate Quixote's earnings drag by year-end.

On our two development projects at Washington 1000, we're in early discussions on several large requirements ranging from 125,000 square feet to 200,000 square feet. In the second quarter, we'll deliver 70,000 square feet of prebuilt spec floors. And we have strong activity from midsized growth-oriented tenants for that space. Sunset Pier 94 Studios delivered on time and under budget, achieving 90% occupancy within its first quarter of operations. Our pipeline of productions looking to film at the studio underscores the demand for high-quality purpose-built studio space in Manhattan.

Now, I'll turn the call over to Harout.

Harout Diramerian, CFO

Thanks, Mark. I'll walk through our fourth quarter results and 2026 outlook. Total revenues were \$256 million compared to \$209.7 million in the prior year, driven by Element LA lease termination fee. G&A was 33% lower at \$13 million compared to \$19.5 million in the prior year, representing a substantial improvement in our cost structure. FFO, excluding specified items, was \$13.6 million or \$0.21 per diluted share compared to \$15.5 million or \$0.74 per diluted share in the prior year.

Specified items totaled \$213.6 million or \$3.27 per diluted share, primarily consisting of non-cash Quixote impairment and the Element LA lease termination fee net of transaction costs. Same-store cash NOI was \$84.8 million compared to \$94.3 million in the prior year, primarily reflecting lower average office occupancy.

On our balance sheet, we fundamentally strengthened our capital structure in 2025. We reduced our share of net debt by 22% and debt-to-undepreciated book value improved 680 basis points to 31.9%. Cash more than doubled to \$138 million and undrawn revolver capacity increased to \$795 million, giving us total liquidity of \$934 million. We



also saved over \$5 million on interest expense, mitigating any remaining floating rate exposure and drove broad improvement across our covenant metrics. This gives us significant financial flexibility to execute our strategy, as Victor mentioned.

For the Hollywood Media portfolio loan, together with our partner, we are working on a resolution ahead of the August 2026 maturity date. We remain fully engaged with Netflix and believe this portfolio is the optimal long-term solution for their LA office needs, given the quality, location and expansion potential of these assets.

Turning to our 2026 outlook. Due to the progress Victor and Mark described, we are reinstating full-year FFO guidance at \$0.96 to \$1.06 per diluted share. We anticipate slightly lower FFO in the first quarter relative to the fourth quarter 2025, followed by steady sequential growth throughout the year as our leasing pipeline converts to cash flow.

We are introducing annual average in-service office occupancy guidance of 80% to 82%. Clearly, our year-end occupancy will exceed this range. This assumes completion of a third lease with the City and County of San Francisco at 1455 Market by midyear, with additional material occupancy gains weighted to the fourth quarter. This also reflects the removal of 901 Market and 6040 Sunset from our in-service due to change of use. We're re-entitling the office portion of 901 Market for residential and repositioning 6040 Sunset from a post-production to a Class A office to meet existing tenant demand.

We expect full-year same-store property cash NOI growth of negative 1.75% to negative 0.75%, a significant improvement versus 2025 as our office occupancy ramps up and strong studio NOI growth offset near-term pressure.

On Quixote, we're assuming only modest NOI improvement in 2026 driven by completed or planned cost savings. However, the fourth quarter non-cash impairment drives \$23 million in annual depreciation savings at midpoint, meaningfully benefiting FFO in 2026.

Due to our balance sheet optimization and cost discipline, we're projecting interest expense of \$151 million to \$161 million and G&A of \$49 million to \$55 million, representing \$15 million and \$6 million in savings at the midpoint, respectively, versus 2025. As always, our outlook excludes potential dispositions, acquisitions or capital markets activity.

With that, I'll turn the call back to Victor.

Victor Coleman, Chairman & CEO

Thanks, Harout. Let me be direct about where we stand. First, we fundamentally transformed Hudson Pacific in 2025 through \$330 million of asset sales and \$2 billion of capital transactions. We extended our maturity runway, nearly doubled our liquidity and reduced cost by tens of millions of dollars annually. We're not just surviving in a challenging environment, but aligning the company to fully realize embedded growth.

Second, demand is accelerating, and we're capturing it. Office tours are up 50%. Our pipeline has grown to 2.3 million square feet and prime studios continue to lease despite production headwinds. With only 1 million square feet expiring in 2026, we have strong coverage in hand. We have a clear line of sight to occupancy growth and NOI expansion.

Third, our execution roadmap is clear and achievable. Convert our leasing pipeline, eliminate Quixote's earnings drag and maintain capital discipline. This gives us line of sight to sequential FFO growth starting in the second quarter of this year and the strengthened earnings power in 2027 and beyond. The structural advantages of our markets remain intact. What's changed is our cost structure, balance sheet strength and the ability to capture the flight to quality. To provide greater transparency and detail on our multiyear strategy, we'll be hosting an Investor Day in the second-half of 2026, and we look forward to sharing more details soon on that.



With that, I'm going to turn the call over to you, operator, for any questions.

QUESTION AND ANSWER SECTION

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Blaine Heck with Wells Fargo Securities. Your line is now open.

Blaine Heck, Wells Fargo

Great. Thanks, and good morning. Victor, I wanted to ask if there was really anything to read into the write-down of Quixote with respect to your ultimate plans for that business? Would you be open to exploring a sale during the year? And do you think there are interested buyers in the market? And then similarly, on the studio portfolio side, would you guys be kind of open to broader sales in that segment?

Victor Coleman, Chairman & CEO

So, Hi, Blaine. How are you? Listen, let me – so specific to Quixote, and Glenoaks, as we mentioned in our prepared remarks, Quixote, we're looking to manage that business down so it will be a flat business by the end of the year. Alternatively, there's nothing to read into on Glenoaks in terms of our current situation there. I mean that asset has not performed to our liking. And I think by the end of the year, we'll evaluate what our alternatives are going to be with that asset.

In terms of the marketplace and selling-off in the marketplace, it's still early in evaluating all of the studio business. There is some green shoots as we've commented on. There's also some slowdown. I think we're proving out that the asset quality is performing in our location, given our Sunset portfolio is virtually 100% leased, and the track record has been very strong. So we continue to evaluate the alternatives. And we don't have a set game plan at this stage to say this is the direction we're going to go in.

Harout Diramerian, CFO

And then for the Quixote business, the write-down, because it's an operating business, there's different accounting rules that govern that and you're required to evaluate that business on a regular basis, and that's what drove the write-down in the fourth quarter.

Blaine Heck, Wells Fargo

Okay. Great. That's all very helpful. Just a couple of questions on the upcoming CMBS maturity on the Hollywood Media portfolio. Can you just talk about kind of the tenor of those conversations with the lenders? Do you see an extension as a potential outcome? And would you expect to need an equity infusion of any sort for the refinancing or potential extension there?

Victor Coleman, Chairman & CEO

So Blaine, we're unable to just discuss specifics over our loan extension negotiations because currently today, there's ongoing dialogue, and we're focused on the best outcome for us and our shareholders, including the respect of capital allocation. So we're not going to get into an open dialogue on a conference call as to the status, but we're in constant communication, and we're happy with the progress so far.

Blaine Heck, Wells Fargo



Okay. Fair enough. Last question. The City has an option to purchase 1455 for no less than \$200 a square foot by the end of 2027. Wanted to ask if there's any opportunity to monetize that asset prior to that, if and when the additional leasing is executed, would the City have a right of first refusal? Can you just talk through the terms of that agreement?

Victor Coleman, Chairman & CEO

So first of all, the structure of that deal with the City is a floor of \$200. So it's a fair market value purchase. And it's a one-time window of opportunity. We are looking at obviously expanding them, which you know of right now I'm very confident on the ability for us to execute that in the near term. At which point, the City has not indicated any interest at all to buy it and they would have to float a bond, but they do have that in their current agreement. And our assessment of the value of that is well in excess of \$200-a-foot.

That being said, we have been approached by multiple JV partners who are interested in participating in some form of a JV on that asset once it's stabilized. And we will review that at the right time. And it will not impair the conversations around the City. And if they decide to purchase it, it will be obviously at the valuation that we've created with the JV partner, which is a win-win for all of us.

Blaine Heck, Wells Fargo

Okay. Great. Thank you. Nice quarter.

Victor Coleman, Chairman & CEO

Thanks so much.

Operator

Thank you. Your next question comes from the line of Alex Goldfarb with Piper Sandler. Your line is now open.

Victor Coleman, Chairman & CEO

Alex, are you there?

Alexander Goldfarb, Piper Sandler

Hey. Yeah. I just hitting the unmute. Can you hear me?

Victor Coleman, Chairman & CEO

Yeah, we can now.

Alexander Goldfarb, Piper Sandler

Excellent. So thank you. And obviously, I appreciate the return of annual guidance. That's a good thing. So two questions. The first up is as you guys look at the leasing costs of what you've signed already and the pipeline that you've outlined versus asset sales, do you feel comfortable that you'll have enough cash generated internally from asset sales and cash on hand to do all the leasing? Or do you think that they'll – you'll have to contemplate some other sort of capital event?

Mark Lammas, President

Hi, Alex. This is Mark. Yeah, we saw that in your note. I think your estimate of \$250 million to \$300 million is a decent estimate. I would just say when you do a complete sources and uses and you look at all cash flow relative to capital requirements, including a fully loaded amount for all TI, both renewal and new leasing and preferred



dividends and the like, what you see is you peak out on the line balance at about \$160 million and then thereafter, that line balance just goes down on its own. And that's without assuming any asset sales of any kind.

So we never even get sort of – we have more than ample liquidity to just get the portfolio into the low 90s. And even – and could obviously improve that liquidity quite a bit if we did any kind of capital raise like an asset sale or anything like that.

Alexander Goldfarb, Piper Sandler

Okay. And then the second question is on the studio business, I think last time you spoke about the tax credits and there was sort of a shot clock in when people had to start production versus when they were granted the tax credits. With that in mind, should we expect a strong ramp in sort of the back-half of this year on the studio production? Or are things taking a little bit slower even though there is the shot clock?

Mark Lammas, President

It's possible, Alex, that we'll see improvement. You should know, though, that the guidance we've given you does not assume an improvement. It holds show counts in line with average show counts that we saw in 2025, which were in the high 70s.

Alexander Goldfarb, Piper Sandler

So is the shot clock, is that not applicable then? I thought people had to go into production once they're granted.

Victor Coleman, Chairman & CEO

Listen, it is applicable, and we've seen little fallout from the tax credits that have been granted to the ones that have not started production at this stage. But they are allowing it to be a little bit longer in terms of pre-prep, stage prep and the likes of that. So we think, as Mark said, we've underwritten this as a minimal amount of growth, with the upside and a potential green shoot that this will kick in second-half of this year, and we're confident that that's going to happen but we've been very conservative in our underwriting.

One other thing though, there is one green shoot, which is the proliferation of these micro dramas which are really led here in Los Angeles. And just by way of background, I mean this was a marketplace in 2021, that had a total of \$500 million of revenue for micro dramas. In 2025, that number increased to \$7 billion and is projected to be \$11 billion in 2026. We're going to capitalize on that in the production business in Los Angeles. So that is not included in our numbers, but we look to that to be a potential good upside.

Alexander Goldfarb, Piper Sandler

Thank you.

Victor Coleman, Chairman & CEO

Thanks, Alex.

Operator

Thank you. Your next question comes from the line of Richard Anderson with Cantor Fitzgerald. Your line is now open. Please go ahead.

Richard Anderson, Cantor Fitzgerald



Okay. Good morning out there. So on the Quixote wind down, as you described it, how does that happen? I mean are you allowing leases to expire unrenewed, or like what could you – could you provide any color on what that might look like? And what might be left behind as we fast forward to this time next year in the Quixote platform?

Victor Coleman, Chairman & CEO

So Rich, listen, obviously, you know I can't discuss our game plan on an open call like this, right? Because we have fiduciary obligations and we have obligations with specific landlords that we are tenants of. Suffice to say, this business has no debt on it. So it's a unique opportunity for the company to retain certain assets that are debt free and get out of certain obligations that we can get out of in a clean manner.

And so we're evaluating which are the obligations that we want to get out of. And at the end of the day, we'll still have an OpCo business that, as I said, is debt free, that we'll have revenue producing. And if it's on track to where we look at the current usage rate right now, we make some money on that business. If it's greater than that, we make a lot more money in that business.

And so I just can't sit here and tell you this is what we're going to drop and this is what we're going to work with because that would be obviously a disadvantage to the Quixote enterprise and to Hudson in general.

Richard Anderson, Cantor Fitzgerald

Fair enough. With regards to the office space and the million square feet or thereabouts of expiring in 2026, what is your expectation on the retention rate in that process? And with regard to the 2.3 million square feet of leasing pipeline, like how much of that is stuff outside of this expiration schedule? How much of it is vacant space, existing vacant space? Is there any way to sort of paint that picture for us? I'm wondering if the demand is sort of going towards a flight-to-quality type of movement that we're hearing a lot in the office space these days?

Victor Coleman, Chairman & CEO

So you took the words out of my mouth. I mean what we're seeing is flight to quality, which is the asset quality that we own as a company has been attractive and we've seen that momentum shift upward. I think overall, and we mentioned this, we started seeing it highly at the end of last year. Overall, we've seen our portfolio have a tremendous amount of interest in tours over the renewal process and the new tenant process.

Specific to your question, I'm going to have Art jump in here and sort of address some of the facts. But suffice to say, we're very confident given we have a million square feet of expirations, in 2026. And the activity on those expirations has been very strong. Some are going to be front-ended, some are going to be back-ended, but we're comfortable that we're going to get higher in terms of our retention rate. And overall, to the square footage, we're well on track for that for this year, given the activity in some of the large tenants that we're negotiating with right now. Art, jump on in.

Art Suazo, EVP-Leasing

Yeah. Rich, to put a finer point on it, we're really – we feel great because we're pacing well ahead of last year or the previous years because tenants are engaging. This is the key. Tenants are engaging much earlier and with more conviction and more confidence in what their requirement is. So that's really the reason we're pacing well ahead of schedule. And we have – as we mentioned, we have much lower expirations this year. And the average tenant size – the average tenant renewal size is 7,800 square feet. And we're managing that process very well.

Richard Anderson, Cantor Fitzgerald

What amount, if any, is being early renewals into out years, 2027 and 2028 from that pipeline?

Mark Lammas, President



Beyond 2026, how much that's early renewal? It won't be – the average tenant size in 2027 is likewise pretty small, and they don't tend to engage nearly...

Richard Anderson, Cantor Fitzgerald

Okay.

Mark Lammas, President

... that early. So, the 2.3 million square feet will have a very small component of that would be early 2027 renewals.

Richard Anderson, Cantor Fitzgerald

Okay. Thanks very much. Good quarter.

Mark Lammas, President

Thanks, Rich. Thank you.

Operator

Thank you. Your next question comes from the line of Ronald Kamdem with Morgan Stanley. Your line is now open.

Ronald Kamdem, Morgan Stanley

Great. Hopefully, you can hear me. Just two quick ones. Thanks on the guidance. Just starting with sort of the occupancy guidance, just trying to get the apples-to-apples on sort of the delta of this 80% to 82%. Is that comparable to the 76.3% reported? And just can you talk about just the trajectory of that build? I think you said it was second-half weighted and so forth.

Harout Diramerian, CFO

No, that's right. You're exactly on. It does start from the 76% that we reported – 76.3%, sorry. And it grows from there. And so that is a comparable. And it's back weighted, like I said in my prepared remarks, it has an influence on the City deal that we've been talking about as well.

Ronald Kamdem, Morgan Stanley

Great.

Harout Diramerian, CFO

The fourth quarter being the strongest as momentum builds throughout the year.

Ronald Kamdem, Morgan Stanley

Great. So my follow-up to that was just on the same-store NOI, and I know that's a – maybe that's not the same-store occupancy trajectory. Just if occupancy is up, is it just the spreads that are keeping it negative? Just maybe some of the pieces into the same-store NOI number?

Harout Diramerian, CFO

Sorry, Mark, is – sorry. That's a great question. There's a few pieces to that. One, we're still carrying in the first quarter of 2025 a drag from the Square lease. So that's still carrying a negative trend. In fact, once you go past Q1 2025 versus Q1 2026, we're going to see a positive same-store NOI, cash NOI throughout the rest of the year.



The second part of it is also free rent in some of our leases in 2026. So that's also dragging it. So yes, we're going to have great occupancy and it's being dragged a little bit by the free rent, but you're going to see a constant improvement in our same-store cash NOI starting in Q2.

Ronald Kamdem, Morgan Stanley

Great. If I could just sneak a quick one and just an update on Washington 1000 and the leasing there would be great? Thank you.

Victor Coleman, Chairman & CEO

Yeah. I mean, listen, the activity on Washington 1000 has picked up. We're starting the process of our spec suite business. And so we've got a fair amount of activity around a few floors of activity there, specific to size, I mean, Art, do you want to talk about some of the range of size tenants that we're looking at Washington 1000.

Art Suazo, EVP-Leasing

Yeah, the increase in activity, Victor, is on the larger side, the over 100,000 square foot large block size. We've got four tenants that we're in discussions with, one in proposals. And on the kind of ready-built move-in ready space for high-growth tenants, we've got proposals out for four of those tenants. They range from 8,000 square feet to 50,000 square feet. And so over the last – literally over the last quarter as Bellevue has tightened and the greater Puget Sound has shown positive absorption, the high-demand tenants coming from the Bay Area has really added to the increase in demand. As a matter of fact, our tour activity spiked in the fourth quarter to set up over 700,000 feet, which is 35% of our total tour activity. So that usually is a precursor of what's to come.

Victor Coleman, Chairman & CEO

Just as a sidebar, Ron, at the end of the day, because you brought it up, Washington 1000's input for our overall leasing is very small for 2026 in terms of the overall number.

Ronald Kamdem, Morgan Stanley

Helpful. That's it for me. Thank you.

Operator

Thank you. Your next question comes from the line of Jana Galan with Bank of America. Your line is now open.

Jana Galan, BofA Securities

Thank you. Good morning out there. Following up on the occupancy comments and the 81% guidance. In the past, you've talked about a mid-80% lease target at year-end 2026. I was just curious if that's still intact or is that conservative now?

Mark Lammas, President

The range implies ending the year higher to get to that average. I would leave it at that.

Jana Galan, BofA Securities

Okay. And then congrats on the success of Sunset Pier 94. I'm just curious if there's something that New York City is doing to kind of incentivize or encourage the media industry that maybe LA should implement it?

Victor Coleman, Chairman & CEO



That's a great question. I can tell you – what we said all along when we were building this project, it was a first purpose-built studio. We've got a tremendous amount of eyes on it. The two tenants that we put in are very high-quality tenants. It's going to show very well on the production side.

I do think the activity in New York has picked up greater than we thought. We're monitoring, obviously, all of our competitive set in that marketplace right now. And the activity just seems slightly stronger.

In terms of the tax credits, I think they're equal for Los Angeles and New York. I believe overall, what you're going to find is the two barbells of the country, which is Los Angeles and New York, are really doing much better than anywhere else when it comes to production. I'll sort of hold my comments to leadership because I think, we're – both cities are in the same boat when it comes to that.

Jana Galan, BofA Securities

Thanks. And then maybe just real quick on the FFO guidance. I just want to clarify, that excludes debt refinancing. But curious if you could just give some type of thinking around the spread between where the CMBS or whatever path you choose to refinance, kind of what the difference in spread there could be, a range?

Harout Diramerian, CFO

We're not prepared to comment on that. It's part of the negotiation, and we'd like to keep that outside of our – we've never provided any speculative financing in any of our FFO guidance.

Jana Galan, BofA Securities

Fair. Thank you.

Victor Coleman, Chairman & CEO

Thanks, Jana.

Operator

Thank you. Your next question comes from the line of Tom Catherwood with BTIG. Your line is now open. Please go ahead.

Thomas Catherwood, BTIG

All right. Thanks, guys. Victor, following up on the comment that you made that you're not hoping for recovery, you're seeing it. If that continues and let's say, everything goes according to plan in 2026, what does HPP look like this time next year? What's that longer-term vision?

Victor Coleman, Chairman & CEO

Well, I think – listen, Tom, at the end of the day, what we're looking at is you're going to have a stabilized occupancy. I think we've been conservative, even though the numbers are large coming from the base of a mid-76 number in terms of occupancy to an average of what we think is year-ended somewhere in the low to mid-80s, you're going to see the stabilized portfolio perform the way we've sort of envisioned it in the last few years to where we get into that point.

In a year from now, the focus is still going to be on the core business, which is somewhere around 87% of the portfolio is our core office business, and it's going to be even greater when it comes to the revenue stream. So the banter and conversation around the studio business, if it's just flat-to-down, will go away relative to where the performance of the office building business is.



We are a pure-play office company with a studio component. And I think in the last few years, with the massive headwinds we've had with return to office with COVID and with the strike around studios, people have jaded their thought process and focused a lot of attention on the studio business, when really, from a revenue standpoint, it's less than 15% of the company. And that will be even less a year from now. As a company, you'll see we're going to be a best-in-class office REIT, which is what we've always strived to be.

Thomas Catherwood, BTIG

I appreciate those thoughts and thinking bigger picture, Victor. I guess what has us a little concerned is, if you execute as expected, but for whatever reason, whether it's AI fears or whether it's broader economic slowdown, whatever it maybe the market doesn't recognize the progress and you don't get a cost of capital that you think is appropriate? What do you do then? Like if you achieve everything you're set out to and you don't get recognized for, what happens next?

Victor Coleman, Chairman & CEO

Well, I think what happens next is exactly what we've been evaluating all the way through, which is depending on the capital structure in the markets, we will look – the board always looks for alternatives for the highest value of the company. And in the last few years, those alternatives have not been on the table. Those alternatives are on the table now and the reverse inquiries have been coming our way in a much more feverish pitch. And so we'll evaluate it at the time.

I'm confident that we're going to execute on all forms of our platform. And as you've seen in the past, literally in the past 90 days, we haven't made an announcement on anything and yet our stock has been affected dramatically. And so it's not based upon the fact that what we're doing, so give us the chance to get it done, and then we will visit the process at that time.

Thomas Catherwood, BTIG

Appreciate those answers. That's it for me. Thanks, everyone.

Victor Coleman, Chairman & CEO

Thanks, Tom, for the follow-up.

Operator

Thank you. Your next question comes from the line of Seth Bergey with Citigroup. Your line is now open.

Seth Bergey, Citigroup

Hey. Thanks for taking my question. I guess just going back to Quixote, should investors kind of think about the impairment as a final true-up? Or is there a risk of additional impairment if utilization and show counts are below expectations?

And then just curious on kind of the shift from hoping to get to kind of breakeven by 1Q 2026 to kind of now at year-end. What changed? And I believe you've talked about kind of 95 show counts as the KPI to get towards breakeven. Is that still the right way to think about it?

Victor Coleman, Chairman & CEO

Well, so Seth, let me just clarify, we never came out and said 1Q 2026 to be breakeven. We said we're tracking down for year-end 2026. We've always said that, that we would be at breakeven. I think – and nothing has changed on that process. And it does not include us looking at, like show counts going up, as Mark said, we're going to be consistent and conservative on the show count basis.

I do think that there will be a thought process, and I'm not saying that we're going to have any further write-downs and I'm not saying we're not going to have further write-downs, but we've taken like effectively goodwill to zero. And there's a ton of name recognition and marketing value in these enterprises that we own and we've taken those to zero from a conservative standpoint.

We'll see where we sit in 6 to 12 months from now. I think that's been always the thought process is we're going to ride this through 2026, and at that time, I think we'll be in a much clearer position to discuss actual valuation and actual growth or flatlining or where the status is of that business. But we're confident by year-end, we'll be at best – sorry, at worst flat.

Seth Bergey, Citigroup

Okay. Great. And then maybe just as we think about kind of the leasing momentum, how should we kind of think about CapEx for this year and next year as that kind of picks up?

Mark Lammas, President

Well, think about how – you should expect a run rate spend, say, quarterly somewhere in the range of where we came out in the fourth quarter, which was roughly \$31 million that's a – from an average run rate point of view, that's probably a decent estimate for where 2026 TILC and recurring should shake out.

Seth Bergey, Citigroup

Great.

Harout Diramerian, CFO

It's highly dependent on the leasing activity.

Mark Lammas, President

Yeah. It gets lumpy, as you know, right? Because but you know that. But on average, that's a decent run rate.

Seth Bergey, Citigroup

Okay. Thank you for that.

Victor Coleman, Chairman & CEO

Thanks, Seth.

Operator

Your next question comes from the line of Dylan Burzinski with Green Street. Your line is now open. Please go ahead.

Dylan Burzinski, Green Street

Hi, guys. Thanks for taking the question. Most of my pertinent ones have been asked, but just, I guess, diving into Seattle as a market, obviously, where we're seeing the strong trends in demand growth in San Francisco. I know Seattle has sort of been a market of really two different cities, that being Bellevue and the Seattle CBD.

So just sort of curious if you're finally starting to see further green shoots as it relates to your guys' portfolio being located primarily in Seattle CBD? And maybe if you can layer on any sort of concern associated with what seems to be a changing political environment that sort of leaned more progressive this last election cycle?



Victor Coleman, Chairman & CEO

Yeah. Dylan, thanks. So let me take your first part of your question. We've always sort of been in the thought process that it's a 12 to 18-month lag to San Francisco. And I think – we still feel that's exactly the direction. There are two large tech companies, one of the largest in the world, is going to sign a 300,000 square foot lease almost any day now in the city. Another large tech company is going to sign over 125,000 square foot lease in the city. It effectively takes the remaining space in that marketplace that's been subleased space and low commodity price space off the market.

Bellevue is Bellevue as you well know. It's performed very well and it virtually has no vacancy of any size for large tenants in that marketplace. The last bigger block is under negotiation right now, which is also 400,000 square feet. So it's trending the right way. The labor force is exactly what we thought it would be. It's strong, it's tech-related. It's AI-centric and I think the growth prospects there have shown us that we are on the precipice of seeing Seattle turn this year sometime.

You bring up the political situation. If you take a look at San Francisco and Mayor Lurie or San Jose and Mayor Mahan, I mean the progressive growth around being sort of centric has really helped pro-business in those markets. I think it's early for us to look at the city and the current Mayor standing there. But so far, the word that our teams on the ground are telling us is that there is some pro-business growth.

Now, this millionaire's tax, this bill – it's a very complicated bill. I think the bottom line is, and I can get into a little bit. But the bottom line is we just don't think – we're optimistic that this is not going to pass. The writers of the bill included a word, which is the terms of the receipt in front of the word income. And effectively, this is an excise tax, not an income tax. And as a result, it's like – I don't know, you could say it's like tax on sleeping guests based on how many shoes they have in the closet, should be a tax on the shoes, not on the guest.

So effectively, this is going to go away in what we're seeing as a negative could turn to be flat and maybe positive. So overall, we're optimistic. And as our prepared remarks and as Art mentioned earlier, we're seeing a lot of tenant activity right now in what we have not seen, which is larger space.

Dylan Burzinski, Green Street

That was incredibly helpful, Victor. Thanks so much. That's it for me.

Victor Coleman, Chairman & CEO

You got it, Dylan. Take care.

Operator

Your next question comes from the line of John Kim with BMO. Your line is now open.

Victor Coleman, Chairman & CEO

John, are you there?

Operator

Maybe having trouble getting to John. So we'll just move on to Caitlin Burrows with Goldman Sachs. Caitlin, your line is now open. Please go ahead.

Caitlin Burrows, Goldman Sachs

Hi, everyone. I guess this is the first time in a while that you've had full-year guidance. So could you go through what you think has changed that gives you confidence in issuing full-year 2026 guidance versus recent years?



Harout Diramerian, CFO

Sure thing. Hey, Caitlin. So I think we feel a lot more comfortable in our ability to look beyond maybe a quarter out for Quixote, we feel comfortable about our ability to project. And that's really the main driver, that's been holding us back for a while from providing full-year guidance. I think the other components of our guidance have been actually already been provided, right? We're providing a grid that provided all the other components, including all the other parts of guidance. So that's it.

Caitlin Burrows, Goldman Sachs

Okay. And then on the office side, I realized there, I think the main focus is probably on occupancy and leasing. But on the rents and pricing side, can you give your updated thoughts on how in-place rents compare to market and maybe how that varies by market?

Mark Lammas, President

Yeah. I think we mentioned in our prepared remarks, but we're 3% below on expiring 2026. We're a little bit above on 2027, so blended slightly above on a combination of 2026 and 2027. That's why we feel like we're – there's a chance we're going to see a quarter or maybe more sometime this year where we actually post positive cash spreads. It will just depend on the makeup of whatever flows through that quarter in terms of the lease composition, but I think we're heading in that direction.

Caitlin Burrows, Goldman Sachs

Okay. Got it. And then maybe just a quick one on Pier 94. You guys mentioned that it's 90% leased now. Could you give any other detail on, A, how long are those leases? And, B, like what we should expect in terms of contribution for 2026?

Victor Coleman, Chairman & CEO

Well, let's talk, first of all, about our size, right? We're only a 25% holder of that asset. And yes, we have management fee income and the likes of that. So that's going to be constant throughout our ownership. We have two tenants right now occupying 100% of the space. One is a longer-term lease. The other is a shorter-term lease. We've got back up for the short-term lease right now. I think the downtime, we're looking potentially will be maybe a month or two from the move out to the move in of the new tenants. And the activity around the new tenants is also a longer-term lease.

So we're comfortable that like our Sunset portfolio is doing in Hollywood, we're going to outpunch our competitors in terms of the progress. I don't believe there's – I've looked at the stats in New York, there's not a studio out there, but one, that's even remotely close to the occupancy levels and has the activity that we do. So we're confident we're going to consistently see that going forward. And if you get a chance Caitlin, you should go see it. It's pretty impressive.

Caitlin Burrows, Goldman Sachs

I've definitely driven by, but I haven't been inside, but sounds good. Thanks.

Victor Coleman, Chairman & CEO

You got it.

Operator

Thank you. Your next question comes from the line of Vikram Malhotra with Mizuho. Your line is now open.

Vikram Malhotra, Mizuho

Hi. Good morning, guys. I guess you've given a lot of information on the trajectory, very low expirations, as you say, you hope to build occupancy. Obviously, software is in the crosshairs of at least fear, if not reality. At this point, we don't know what's going to happen. But I'm wondering if you've been able to just look through your tenant list, can you give us specific – more specifics what's your exposure, not to IT, but more specific software? And if there's any kind of, I guess, bucketing you've done and what may be deemed as a watchlist for you guys?

Mark Lammas, President

Yeah, absolutely. And by the way, we obviously read your note with a lot of interest. I thought it was a really good comprehensive note. In any event, on our side, identifying which companies may face hiring freezes or ultimately downsize is challenging. I would say, particularly since we haven't seen any broad-based indications of AI-driven disruption across the sector yet. But that said, we have reviewed our tenant base carefully, and we estimate that somewhere between, say, 1.5% and 2.5% of our total ABR is associated with software tenants that might at some point experience AI-related pressures.

Vikram Malhotra, Mizuho

Okay. That's helpful. Just going back to the Quixote business. I understand it might be tough to predict breakeven or improvement in shows, but more just from a valuation perspective, like how we should think about valuing your cash flows and ultimately when the NOI is – when it's positive. At this point, like is there anything you can share in terms of comps? Or how we should just think about separating that away from the core office business just in terms of valuation? Because it seems like – like you said, we focus a lot on it. It's the smallest part of the business. But given the uniqueness of the Quixote business, it's just hard to value? Any thoughts on like how should we think about that?

Victor Coleman, Chairman & CEO

Well, the fact that you're actually mentioning the word Quixote and value in the same sentence is more than anybody in The Street has mentioned. I mean the market and The Street gives us zero value for it. And quite frankly, they've been giving us negative value.

So we look at it, as we said, if we get to a flat level, that will determine it. But we've not put anything in 2026 in terms of a value to the bottom line for Quixote to the company overall. I think that's where we've evaluated our full-year guidance based on Quixote not contributing value. And that's been the variable in the last couple of years that we've been impacted by.

As I said, we've got a 6 to 12-month timeline internally to determine where that company goes and what the value of that company is. But because there is no debt, there will be some value. We just haven't attributed to this time. So you can look at it that way.

Vikram Malhotra, Mizuho

Okay. And then, sorry, if you can just clarify, as you have more, I guess, leases or deals being struck on new stage requirements. Like is there anything changing in the structure of these agreements or leases versus, say, like two years ago?

Victor Coleman, Chairman & CEO

No. That's a good question, though. I think people have sort of thought about that. No. Overall, the demand still is primarily for four-wall sets and then the ancillary revenue, which is lighting and grip, trailers, all the services, whether it's catering, whether – whatever the equipment rentals are. That's all being consistent, and it's packaged



in a vertical integration for the leasing of the studios. That business has not changed. The demand for that business has not changed once the productions start.

As I mentioned earlier, the micro drama business is going to change that a little bit because set design and the likes of that will not be the same. They already be – there are going to be sets that will be designed and in place and the revolving production on that will be a much quicker turnaround, but the revenue stream should be the same.

Vikram Malhotra, Mizuho

Thank you.

Operator

Thank you. And we will try one more time with John Kim from BMO. John, your line is open, if you can try to unmute.

Victor Coleman, Chairman & CEO

Well, operator, it looks like John is busy today. So thank you.

Operator

Okay. Thank you. We will – that concludes the question-and-answer session. I will now turn the call back to Victor Coleman, Chief Executive Officer and Chairman for closing remarks.

Victor Coleman, Chairman & CEO

Thank you for participating in our call today and appreciate all the input from everybody. We'll keep you posted and updated as the quarter continues and the year continues. Have a great day.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.