



Hudson Pacific Properties, Inc.
Q1 2026 Earnings Conference Call
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Corporate Participants:

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

Other Participants:

Dylan Burzinski *Analyst, Green Street*
Alexander Goldfarb *Analyst, Piper Sandler*
Seth Bergey *Analyst, Citigroup*
Ronald Kamdem *Analyst, Morgan Stanley*
Richard Anderson *Analyst, Cantor Fitzgerald*
Andrew Berger *Analyst, BofA*
Caitlin Burrows *Analyst, Goldman Sachs*
John P. Kim *Analyst, BMO*

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, Chairman and CEO; Mark Lammas, President; Harout Diramerian, CFO; and Art Suazo, EVP 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 first quarter results and current market trends, Mark will provide detail on our office and studio operations, and Harout will review our financial results and updated 2026 outlook. Thereafter, we'll be happy to take your questions. Victor?

Victor Coleman, Chairman & CEO

Thanks, Laura. Good morning and welcome, everyone, to our first quarter call. 2026 is off to a strong start, building on decisive actions we took last year. We delivered improvement in both occupancy and cash flow, sequentially growing FFO in total and on a per share basis. We signed over 500,000 square feet of office leases, our third consecutive quarter of occupancy gains, supported by leasing pipelines that remain robust.

On the studio side, prime locations are performing and operational streamlining at Quixote continues to drive annualized savings. We also achieved substantial year-over-year reductions in G&A, maintained total liquidity in excess of \$930 million with our credit facility fully undrawn, and advanced an active pipeline of FFO accretive dispositions.



From a macro perspective, a record \$267 billion of venture capital was deployed in the first quarter, fueled by large-scale AI financings and broad investment across adjacent sectors. That capital is translating into leasing activity. Well-funded tech and AI-focused companies are accelerating demand across our West Coast markets, while more traditional office users are re-engaging on either new leases or expansions.

The Bay Area, obviously, is leading. San Francisco had a record 2.3 million square feet of positive absorption, capping the strongest six-quarter run of occupancy growth to date. Leasing activity reached 4.1 million square feet, and AI-related tenants accounted for nearly 60% of total volume, and asking rents rose close to 4% year-over-year. Silicon Valley extended its momentum with the sixth consecutive quarter of occupancy growth. The peninsula is also showing further signs of positive inflection, particularly in Redwood City and Foster City where our assets are concentrated.

The Puget Sound posted its second consecutive quarter of positive absorption. Downtown Seattle is beginning to capture its share of AI and tech demand, and our portfolio quality positions us to benefit as activity further extends from the east side to the urban core. In Los Angeles, fundamentals remain challenged. But with our own limited near-term availability concentrated in one well-leased top-tier asset, we can be patient as conditions strengthen.

Turning to studios, US production activity remains subdued, but the flight to quality is real. Our Hollywood stages are 97% leased and Sunset Pier 94 reached 100% leased within the first quarter of operations. The leasing results made it clear, these are the right assets in the right locations. We're actively refining our studio portfolio to focus on the highest-performing assets and lines of businesses.

And on Quixote, we're making the necessary and, quite frankly, difficult decisions. As announced, Quixote will wind down leased sound stage facilities and Atlanta area operations. We remain committed to ensuring Quixote is earnings-neutral by year end.

On capital recycling, we're in various stages on asset sales, targeting approximately \$200 million this year. And these are all FFO accretive non-core dispositions. We have a buyer and agreed price at 10950 Washington, as well as another asset under contract.

As we look ahead, both occupancy and our leasing pipeline should remain strong. We're making the hard calls and continue to ensure our overhead is controlled, our disposition pipeline remains on track, and we have ample liquidity and a clear executable path to FFO growth through the balance of the year.

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

Mark Lammas, President

Thanks, Victor. Our leasing momentum continued to translate into tangible occupancy gains in the first quarter. We signed 554,000 square feet of leases, 49% of which were new leases, driving our in-service office portfolio occupancy to 77.8%, up 150 basis points sequentially, and our lease rate to 78.4%, up 140 basis points sequentially. Occupancy improved across our core regions, except for Vancouver, where the leased percentage increased 110 basis points to 94.3%.

On lease economics, GAAP rents increased 1.8% while cash rents declined 2.4%, representing sequential improvement in these metrics by 140 and 660 basis points, respectively. Net effective rents rose 4% sequentially, though were down 2% year-over-year, with the latter comparison influenced by the large prior-year lease with the City and County at 1455 Market. We have excellent visibility into continued occupancy growth. Our leasing pipeline increased again to 2.4 million square feet, up 13% year-over-year, and we had 2.2 million square feet of tours in the quarter, up over 30% year-over-year.



Our third lease with the City and County of San Francisco, which effectively absorbs the remaining vacancy at 1455 Market, remains on track to be finalized in the second quarter. We have close to 60% coverage, deals and leases, LOIs or proposals on approximately 600,000 square feet expiring for the remainder of the year, including full coverage on PayPal at Fourth & Traction, and 80% coverage on Dell at 875 Howard.

At Washington 1000, tenant interest has increased meaningfully. We now have coverage for approximately 60% of the project. To meet demand for pre-built space, we'll deliver 70,000 square feet of move-in-ready suites in the second quarter. We're in late-stage negotiations with an amenity provider for the first and second floors to further enhance the property's marketability. Beyond that, we're in negotiations with seven office-using tenants, primarily growth-oriented tech and tech-enabled companies, with requirements ranging from under 10,000 to over 100,000 square feet.

Turning to studios, our in-service stages were 72.8% leased over the trailing three months. Excluding Pier 94, which was placed in-service this quarter and where stages went from 0% to 100% leased during the quarter, our in-service stages would have been 78.2% leased, up 370 basis points sequentially, driven by the lease-up of Sunset Las Palmas. As Victor noted, our Hollywood stages, Sunset Bronson, Gower, and Las Palmas were 97% leased over the trailing three months, up 280 basis points.

Studio revenue was off \$2.4 million sequentially, attributable to lower demand for Quixote's lighting and grip, prop supplies and fleet. Despite expenses being \$2.1 million lower, this led to a sequential \$300,000 decrease in studio NOI to \$1.5 million. That said, Sunset Studio NOI, excluding Quixote, increased \$1 million sequentially and was up \$1.8 million year-over-year to \$7.4 million, driven by the lease-up at Sunset Las Palmas and increased production activity at Sunset Bronson. On Quixote, the wind down of leased sound stage facilities and Atlanta area operations would equate to approximately \$5.8 million of annual cash NOI improvement.

Finally, we continue to actively explore adaptive reuse opportunities across our portfolio. In second quarter, we'll submit for re-entitlement of 901 Market's 164,000 square foot office component as residential, with expected resolution by year end. We're also evaluating the potential to redevelop excess surface parking at select assets across Palo Alto, Redwood Shores, and Foster City as mixed-use. These initiatives, along with others under evaluation, allow us to better align our portfolio with market demand while leveraging our deep entitlement and redevelopment expertise.

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

Harout Diramerian, CFO

Thanks, Mark. I'll walk through our first quarter results and updated 2026 outlook. Total revenues were \$181.9 million, compared to \$198.5 million in the prior year, primarily due to the sale of Element LA and office tenant move-outs, most specifically, Uber's departure from 1455 Market midway through the first quarter of 2025, with studio production activity remaining stable. G&A declined 32% to \$12.6 million compared to \$18.5 million in the prior year, further reflecting the progress we've made to streamline our cost structure.

Core FFO increased to \$16.5 million or \$0.25 per diluted share, up from \$12.9 million or \$0.61 per diluted share in the prior year. Adjustments to FFO totaled \$1.5 million or \$0.02 per diluted share, compared to \$9.8 million or \$0.47 per diluted share in the prior year. Same-store cash NOI was \$85.2 million compared to \$92 million in the prior year, driven by lower office revenues from tenant move-outs, again, largely Uber's departure at 1455 Market, partially offset by higher studio revenue from increased production activity at our Hollywood assets.

On our balance sheet, total liquidity of \$933 million includes \$138 million of cash and full availability of \$795 million on our credit facility. Interest expense was 13% lower year-over-year, representing \$5.5 million of savings, and all of our debt was fixed or capped. We continue to work with our partner on a resolution for the Hollywood Media Portfolio



loan maturity. Conversations with a lender, as well as those with Netflix, regarding their long-term space needs are productive and ongoing.

Turning to our updated 2026 outlook. We're increasing our full year core FFO range to \$1.10 to \$1.18 per diluted share, up from the prior range of \$0.96 to \$1.06. This revised range reflects two key drivers. First, approximately \$0.04 of outperformance in the first quarter compared to our initial expectations, Super Bowl parking revenue, lower repairs and maintenance expense, and favorable CAM reconciliations account for the outperformance.

Second, a \$0.09 benefit from the reclassification of Quixote's leased sound stages and Atlanta area operations as discontinued operations beginning in the second quarter of 2026. Note, the \$0.09 benefit is based upon projections for the discontinued operations included in our previously provided full year outlook. As always, our outlook excludes potential dispositions, acquisitions, or capital market activity.

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

Victor Coleman, Chairman & CEO

Thanks, Harout. Let me bring it together. The first quarter demonstrates that our markets are recovering, but importantly, the deliberate decisions we're making ensure Hudson Pacific can capture this recovery better than most. Our outlook is up, occupancy is growing, prime studios are performing, and Quixote's drag is being addressed. And we're doing all this while keeping our liquidity and balance sheet intact. Each of these actions reinforces the same outcome, a clear and credible path to FFO growth through the balance of 2026. That's what we're committed to do.

Thank you for your continued interest in HPP. And operator, now, I'd like you to open the line for any questions.

QUESTION AND ANSWER SECTION

Operator

We will now begin the question-and-answer session. Please stand by while we assemble our roster. Your first question is from Dylan Burzinski with Green Street. Please go ahead.

Dylan Robert Burzinski, Green Street

Hi, guys. Maybe if you can sort of just talk about just what you're seeing in the overall capital markets environment. Has pricing changed at all? Are you seeing any change to buyer appetite? And then, maybe if you can just talk a little bit further about the deal that you said you have a pricing set. I think, in the past, you've talked about various ways that can go, but it sounds like you guys are now going to fully dispose of that piece. Is that sort of correct?

Victor Coleman, Chairman & CEO

Yeah. Dylan, hey, it's Victor. Thanks. Let's – first of all, we'll take the second question first. On 10950, we're fully disposing of it. We indicated on our last call we had a series of offers on JVs and on outright sales, on the outright sale number that we've agreed upon and are about to go under contract, but the diligence timeframe has been clicking. It's a deal that we just felt compelled that it was a good enough price, better than good enough, and it exceeded our expectations to where a JV structure would have been more applicable. And so, yes, we are selling that asset and that's going to – currently today, that's going very well.

In terms of the overall marketplace, I can give you sort of a high level in the three markets that we're in. Start in Seattle, 505 First is an example, had a series of people that were interested at a fairly high price per foot on a leased asset that is probably 50% of it needs repositioning in the marketplace. Pleasantly surprised at the activity



around that. There has been a couple of deals in Bellevue that are priced relatively aligned to what we would say is the new market cap rate pricing, in the 5.5% to 6.5% rate for stabilized WALT assets.

And then, people are looking right now at a couple of assets in Seattle at more buying vacancy. I think that trend started in the Bay Area where we've seen quite a number of assets trade at vacant – that are vacant assets that are more inclined for value-add and upside than we used to see WALT assets. But the material numbers in both those markets are still nowhere near where peak activity is.

There's a few more coming to market second half of this year that we already indicated will come out at some pretty good pricing levels. We mentioned that we have an asset on the market right now. We've got 120 NDAs signed and a lot of activity, that's a value-add asset in the Bay Area. So, I think that's indicative of where the market is.

I would say, closer to home, in Los Angeles, where our corporate offices are, as you know, we're really seeing very little activity on the West side, very little activity in all of the markets, even in the South Bay, of sales at this time. So, we haven't seen that. There's a couple of deals that are being tossed around at some good price per foot numbers, but not good yield numbers right now in the Southern California marketplace.

Dylan Robert Burzinski, Green Street

That's helpful, Victor. Really appreciate that color. And then, just maybe one on sort of the overall demand environment. It sounds like things continue to pick up and you're seeing increased activity in Seattle coming out of Bellevue. Can you just talk about sort of any of the reasons why you think or what is sort of causing this continuation of accelerated leasing activity across your guys' footprint?

Victor Coleman, Chairman & CEO

Yeah. As I mentioned in my prepared remarks, and then Mark followed up on it, sort of in 50-plus-percent of it's tech and tech-related and AI-related leasing activity. I think the most interesting aspects are, you know what's happening in the Bay Area, but if you really permeate down into the Silicon Valley from Foster City, Redwood City, Redwood Shores, all the way through to Palo Alto, Mountain View, and then even North San Jose, what we're seeing is an influx of larger tenants. I think, last quarter our team said there were six transactions over 100,000 square feet, and two were 450,000 square feet. So, we're seeing that activity start to permeate, to take space off the marketplace.

The kind of space that's getting off the market is two levels. One is space that is built out and ready to occupy, and two is space that has energy efficiencies for additional power. And fortunately, from our standpoint, we have an asset like that in the market today that's getting some pretty interesting activity around that because we have a lot of power on our asset in North San Jose. So, we think the marketplace is shifting to that. I think you're seeing in San Francisco the same trends of tech and AI-related. But FIRE-related, from our standpoint, has been very consistent.

In Seattle, we are finally seeing that turn of Puget Sound's positive absorption. It was led by Bellevue, clearly, and we're seeing the activity in that marketplace consistently pick up quarter after quarter. And then, lastly, in Los Angeles, I think it's definitely bottomed out. We have a little exposure here, but the exposure that we do have is very active. We got a couple hundred thousand square feet of proposals in the marketplace today, and the rates are as good as we've seen them since 2019. Art, you want to comment further?

Art Suazo, EVP-Leasing

No, I think you said it.

Dylan Robert Burzinski, Green Street

Great. That's incredibly helpful. Appreciate it.



Victor Coleman, Chairman & CEO

Thanks, Dylan.

Operator

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

Alexander Goldfarb, Piper Sandler

Hey, good morning out there and great to see vibrancy back in office, so well done. So, two questions. First, Harout, can you just go through the mechanics on the Quixote wind down, the \$0.09 disc ops, like just what the mechanics are of how that impacts the guidance? Clearly understand the outperformance, the strong leasing that makes sense for raising guidance, but it's the \$0.09 part, just want a little bit more clarity on.

Harout Diramerian, CFO

Sure, Alex. Good morning. So, all that is, is in our previous guidance, we had assumed \$0.09 related to the items that we're specifying and winding down. So, all we're doing is removing that from our continuing operations or core FFO, and that's what we're going to remove effectively. It's really that simple. So, on a go-forward basis, that's no longer going to drag earnings.

Alexander Goldfarb, Piper Sandler

Okay. Got it, got it. So, it's a drag that's no longer there. Perfect. Okay.

Harout Diramerian, CFO

Correct.

Alexander Goldfarb, Piper Sandler

And then, Victor, bigger picture, Netflix. They were in the news few weeks ago, possibly buying the Hackman CBS Studio. Can you just give a little bit more color on what you think that would mean? Obviously, you guys built a very nice project office, et cetera. I don't know the age of the CBS Studios. It sounds like it's been there a long time given the shows that have been produced, so I don't know what the physical plant is like and if that's even something that they conceivably could consolidate to, but would certainly appreciate your perspective.

Victor Coleman, Chairman & CEO

So, from a color standpoint, I'm going to sort of get it out of the way so we don't get asked throughout the call, Alex, and I appreciate the comments. With the conversation around Netflix, obviously, in deference to the tenant and our conversations with them, I can't talk about what's going on, but suffice to say that our relationship is intact and it's positive.

On the Radford situation and what their intent is, I know we've had conversations with them. Again, it's a 21-sound stage facility that is really directed to production and creative production as a campus. There's very little office on that campus right now, and the office that is intact is leased to CBS for a long period of time. And so, whether or not they buy it is really up to them, and it's going to be a campus facility for sound stages. That's their call. But it's not going to interfere with our relationship with them and our conversations with them going forward.

Alexander Goldfarb, Piper Sandler

Awesome. Listen, thank you.



Victor Coleman, Chairman & CEO

Thanks, Alex.

Operator

Your next question is from Seth Bergey with Citi. Please go ahead.

Seth Bergey, Citigroup

Hey, thanks for taking my question. I guess, just the first one on the Washington 1000 comment. You mentioned some activity kind of in that space, which is a positive, but kind of can you give some color on what stages those kind of negotiations are in?

Victor Coleman, Chairman & CEO

Yeah, I'll sort of talk top level and let Art jump in in terms of sort of the activity. The activity has increased dramatically. We mentioned on our last call, we – we're in the final phase this month of opening up our spec suites there, which the activity around those has been very strong. Couple of floors in negotiations on that.

As we mentioned, ready space is ready space, and people are interested in moving in a ready space. The building's in phenomenal shape. The amenities that we're putting through the building are very well accepted in the marketplace. And we're starting to see not just smaller tenants, and what I mean by smaller is 15,000 to 40,000 square footage. But now, we've got four or five over 100,000 square foot tenants that are in the marketplace that we are their first, second or third choice. Art, you can comment on where we stand with that.

Art Suazo, EVP-Leasing

Yeah. Victor touched on a couple of things that are important to note. Just the greater demand you talked about earlier, greater demand in Seattle has picked up tremendously. We're benefiting from the tightness of the market in Bellevue. We're benefiting from and we have benefited from the diminishing trophy sublease space that had been on the market. And we're starting to see these tenants out in the market that were kind of greater Puget Sound now focusing on the downtown core.

By comparison, our tours have increased, and we talked about tours increasing. Well, they haven't increased anywhere more than in Seattle. The tour activity was up quarter-over-quarter, it was up 20%. And in the pipeline, there's now 25% of our entire pipeline is in Seattle. So, that tells you about kind of the depth of the demand out there and our team's ability to pull those deals forward.

Washington 1000 is also benefiting from this. We've got seven deals, as we've mentioned in the prepared remarks, four of these deals – these are deals in negotiation. Four of these deals are on the ready – move-in-ready suites that Victor just alluded to. They'll deliver this month. And as that is approaching, tenants are getting more – really more excited about the delivery of the space. These are high-growth tenants that perhaps weren't in the market before or had a small presence, mainly tech, and we're capturing that activity in a big way.

Your question, the top of the call, was, what is the stage of these deals? I will say that they're all in negotiations. Two of the deals which are for ready – the ready-built suites are in later-stage negotiations. We're not in leases. But we are hopeful that, with the momentum we've had thus far, that in the coming quarters we'll execute on the ready-built suites.

Seth Bergey, Citigroup

Great. And then, just a bit more broadly on kind of the pipeline, just how much of that pipeline is kind of the kind of AI, tech demand that you've cited. And for those types of tenants, what's kind of the average deal size? And then, just any changes in terms of how quickly that's kind of converting or late stage versus early stage?

Art Suazo, EVP-Leasing

Yeah. So, it's really – market-to-market, it's all over the board. But we are, I would say, for our pipeline and the deals that we are negotiating on right now and even the deals that we're touring, are – some of the smaller deals are early-stage funding. There are and we have captured some larger deals, that is to say, 50,000 square feet or greater, I would say. But the bread and butter is really closer to about 10,000, 15,000 square feet. A lot of these tenants, especially the smaller ones look – are looking for ready-built space. They're looking for space that is high-end, second-gen build-outs. Obviously, the spend is top of mind for many of these tenants, highly amenitized space, which really is our wheelhouse. And so, we've done a great job across the portfolio of capitalizing on these AI tenants. It has increased in our portfolio from 10% of our deals in negotiation or, I'd say, pipeline to about 25% of all the tech deals that we're seeing. And that's just across the board. Obviously, across the Valley and in San Francisco, the number is greater than that.

Victor Coleman, Chairman & CEO

Yes, Seth, just a little follow-up to that. As I mentioned earlier, if you look at the entire Bay area, we are benefiting from these larger deals that have finally come to fruition. And as I said, there's six deals in the – that were completed last quarter at big numbers, so that's taken a lot of space off the marketplace, which helps our portfolio and all our peer portfolios around. And we're seeing that impact immediately.

Seth Bergey, Citigroup

Great. Thank you.

Victor Coleman, Chairman & CEO

Thanks, Seth.

Operator

Your next question is from Ronald Kamdem with Morgan Stanley. Please go ahead.

Ronald Kamdem, Morgan Stanley

Great. Just two quick ones. Starting with the same-store NOI guidance. Just in terms of the cadence, maybe can you talk about sort of the rest of the year, when we should expect that inflection to get to the middle of the range, and is that primarily driven by commencements? Thanks.

Harout Diramerian, CFO

Hey, Ron. Good talking to you. So, yeah, so I think we previously said the first quarter was going to be our weakest quarter, primarily driven by 1455 Market, Uber specifically moving out last year and that reflected. And then, we expect the rest of the year to improve. Primarily, we expect the third quarter to be – sorry, we expect the second



quarter to improve, maybe a bit weaker in the third quarter, and then to again – to improve again in the fourth quarter. So, that's kind of the cadence for the rest of the year. But obviously, much stronger than the first quarter.

Ronald Kamdem, Morgan Stanley

Got it. That makes sense. And then, just a quick one on the AFFO, obviously, negative because of the elevated recurring CapEx. Just any line of sight as you're getting through a lot of these leasing, when that CapEx run rate can start to sort of moderate and how we should think about that? Thanks.

Mark Lammas, President

Hi, Ron. Yeah, we were looking at it, at the latest sort of estimates just recently. For the rest of the year, it looks to us like it's going to average pretty close to where first quarter TILC and recurring CapEx shook out. If you kind of do the math on core FFO for the balance of the year, it points to higher FFO per quarter than we posted in the first quarter. So, assuming the TILC is recurring or close to what first quarter results are, but FFO is modestly higher, our expectation is that AFFO for the balance of the year should be at least as good, if not modestly better than first quarter results.

Ronald Kamdem, Morgan Stanley

Got it. Makes sense. Thank you.

Victor Coleman, Chairman & CEO

Thanks, Ron.

Operator

Your next question is from Rich Anderson with Cantor Fitzgerald. Please go ahead.

Richard Anderson, Cantor Fitzgerald

Thanks. Good morning. Any impact from your disposition activity on the occupancy and lease yield gains that you've seen during the quarter?

Mark Lammas, President

Not dispositions. We did, as we announced sort of, I want to say at least a quarter ago, we are repositioning and re-entitling 901 Market. So, we took footage off for repositioning, just the office component. And then, 6040 likewise is going to be fully repositioned. It was used for decades as a post-production hub. Not – neither of these assets are particularly big.

They were in our fourth quarter results. If you remove them, and they're no – and they're not in our first quarter results. But if you remove them, just to kind of give you an apples-to-apples comparison, from our first quarter, you're still sequentially higher. So, the 150 bps on the leased percentage drops to 140 bps if you pulled 6040 and 901 out of the fourth quarter results and the 100 bps sequential increase drops to 80 bps without either of those two assets.

Richard Anderson, Cantor Fitzgerald

Okay. So, 10 or 20 basis points impact?



Mark Lammas, President

Yeah.

Richard Anderson, Cantor Fitzgerald

When you talk about the wind down of Quixote, I think it was mentioned, \$5.8 million of upside from just exiting the leases. If I – just correct me if I have that wrong. But I'm curious, along – as you get to that point, are we looking at potential some one-time lease termination fees or costs to you or anything like that that's going to make it in sort of a non-linear process to get there?

Mark Lammas, President

Yeah. I mean, it's just the nature of discontinuing operations, right? We're going to wind down revenue. We're going to wind down expense. We're going to manage that as cost effectively as we can. We – as you look at getting out of leases early, that often entails some kind of payment. So, I would say, over the course of the year, we'll be incurring some expense associated with discontinuing those ongoing leases and other wind down expenses, yeah...

Richard Anderson, Cantor Fitzgerald

Okay

Mark Lammas, President

...towards that number, yeah.

Richard Anderson, Cantor Fitzgerald

And so, at the end of the day, are you – is it – should we just think of you guys sort of keeping the fleet but not the leases? Is that the way to think about it outside of Atlanta?

Mark Lammas, President

Yeah. So far, based on what we've announced on discontinued ops, the fleet is still part of our continuing operations.

Richard Anderson, Cantor Fitzgerald

Okay. And then, last question for me. Mark, you mentioned 60% coverage on the remaining 600,000 square feet. I assume you'd rather see 100% or more on that. But I mean, what – with the sort of the leasing pipeline that we've talked about in the past 2 million square feet or so, I mean, how quickly can that 60% ramp up to something in the triple-digit territory by this time next quarter?

Art Suazo, EVP-Leasing

Yeah, I'll answer that, Rich. This is Art. Yeah. So, first of all, the pipeline has grown to 2.4 million square feet. So, significantly higher than....

Richard Anderson, Cantor Fitzgerald

Okay.

Art Suazo, EVP-Leasing



2 million square feet, just to clarify that. Just remember, so we have, of the remaining 606,000 square feet, roughly 70% are second half of the year. Although we are engaged earlier with the smaller tenants, roughly averaging about 6,000 square feet, once we start negotiating with those tenants, we feel good that we can increase that number.

But again, some of these smaller tenants wait till kind of last minute. And the good news is that we are engaged with them right now in discussion, whereas years past and certainly through the pandemic, it was really – there was really no early discussions with these tenants. So, we are encouraged about that. We just feel more confident.

Victor Coleman, Chairman & CEO

Yeah. Rich, I would also just comment, I mean, emphasize that we're just announcing first quarter numbers. We have three more quarters. The expirations aren't all in the first quarter, they're spread out for the year. And we've consistently increased occupancy quarter-over-quarter and signed at least 0.5 million-plus square feet a quarter. So, that number matched to what we've done in the past and what we foresee in the future compared to the 600,000 square feet is not that material.

Richard Anderson, Cantor Fitzgerald

Yeah. Okay. Fair enough. Thank you.

Victor Coleman, Chairman & CEO

Thank you. See you, Rich

Operator

Your next question is from Andrew Berger with Bank of America. Please go ahead..

Andrew Berger, BofA

Great. Good morning and congratulations on the strong quarter. So, it sounds like Seattle is definitely improving. And you've said in the past that Seattle's typically 12 to 18 months behind San Francisco. I'm curious if you could talk about how much of this improvement in Seattle is existing tenants that are now starting to get more active versus new-to-market tenants, and if you're seeing that given your scale in San Francisco Bay Area, if you're seeing smaller AI tenants, I guess, who are already in your portfolio in the Bay Area now grow into Seattle?

Victor Coleman, Chairman & CEO

Drew, that's a good question. And I think we look at it in two levels. One, name-brand tenants are entering Seattle or expanding in Seattle. Combination of both. Apple is an example. People know they're in the marketplace. REI, they're in the marketplace. You're looking at Microsoft in the city and in Bellevue, they're in the marketplace. Amazon has not clearly been growing, they've been contracting. But the big-name guys, xAI, as example, are in the marketplace.

Now you're seeing a shift because of the labor pool of other smaller tech and tech-affiliated companies, and then support companies around that are expanding and looking to expand because Bellevue has populated itself to a point where there's not a lot of space that's quality that's left. So, they're coming to the city in the core aspects of South Lake Union and Denny and Pioneer Square, and that's sort of the area that we're tackling.

I think if you look at our pipeline right now, we've got more tenants in the 15,000 to 40,000 square feet range than we've had in a long time. There's a couple, as I mentioned earlier, large 100,000 footers, and their ability to execute leases on an expedited basis is based upon the fact that there's access to space immediately. That's what we're trying to accommodate with our portfolio, and success-wise, I think we're positioned very well.



I sort of laugh at the comment about – because I say it, I've said it now on three calls, that Seattle is 12 to 18 months behind San Francisco. So, that timeline should hopefully blossom in terms of the 12 months expiring, but we should see it this summer because that's really where it is. It is slower than that. I would lean more to the 18 months than the 12 months, but we're still seeing it and it's at least on a positive trend.

Andrew Berger, BofA

Great. Thank you. And I wanted to get your view on Bellevue, actually. So, a lot of great momentum there. And it sounds like there's good spillover into Seattle proper. Is Bellevue a market that you would like to have a presence in as we think over the medium term? And what would be your strategy to entering just kind of given the dynamics you've talked about so far? Thanks.

Victor Coleman, Chairman & CEO

So, it's seamless for us to enter that marketplace. And the answer is, every time we sort of looked at it, the market popped. And every time we've sort of said, oh, let's not go in, it's gone the other way. I would say, yes, as a – as an owner in the area, I think we're top four owners in Seattle right now. And so, yeah, it would make logical sense for us to eventually enter that marketplace at the right time. Right now, though, there's not a lot of product, and the product that's there is just being held and leased.

Our goal in Seattle is to lease up our portfolio. I think we're going to be right on track on doing that. Once we get through that, we'll address the expansion, if that's the direction we want to go in. But Bellevue has proved to be a very, very strong marketplace, and the benefactors of Bellevue have done very well. We're just hoping now that we get to see the flow to the city.

Andrew Berger, BofA

Thank you.

Victor Coleman, Chairman & CEO

Thanks, Drew.

Operator

Our next question will be from Caitlin Burrows with Goldman Sachs. Please go ahead.

Caitlin Burrows, Goldman Sachs

Hi. Good morning. Maybe to stay on Seattle some more and back to Washington 1000. I think you mentioned seven deals in process, four to be for spec suites where someone could move in. I guess, for the other potentially larger leases, say, 100,000 square feet or more, how long do you think it would take them to build out their space and be ready to move in if they signed a lease near term? Like would that take 1, 6, 12 months?

Mark Lammas, President

That's about right.

Art Suazo, EVP-Leasing

Yeah, yeah, that's exactly right.

Mark Lammas, President

12 months, call it.



Art Suazo, EVP-Leasing

Yeah.

Caitlin Burrows, Goldman Sachs

Okay. And then, earlier in the call, you mentioned that you could be looking at some surface parking redevelopments in the San Francisco Bay area. So, just wondering if you could talk about that a little bit more? Perhaps it's still early stages, but would that be like a retail-type outparcel or ground lease land or what could you be thinking?

Mark Lammas, President

Yeah, I mean, as you know, a lot of cities throughout California are undersupplied on housing. And those municipalities are looking for ways to be – to work with land owners to density where there's land availability. And so, we've – yeah, we have several locations – Palo Alto, Redwood Shores, Foster City – where the configuration of the land and the goals of the municipality to add density sort of line up very well. And so, we are exploring opportunities in most cases just to like add density where we can. There may be limited opportunities for conversion, but really the emphasis is on adding densification.

Caitlin Burrows, Goldman Sachs

Thanks.

Operator

Your next question is from John Kim with BMO Capital Markets. Please go ahead.

John P. Kim, BMO

Thank you. I wanted to ask a similar question on your resi conversion at 901 Market. Is it safe to assume that you are planning to entitle this for residential development and then sell it to a developer? And can you discuss timing as well as other resi conversions that you've see either in your portfolio or in the city center?

Mark Lammas, President

Yeah. So, I mean, I think we mentioned in our prepared remarks the timing for securing the entitlements we're targeting somewhere around year end. That's for the...

Victor Coleman, Chairman & CEO

Yeah. I think, John, listen, we look at 10950 and we're looking at Palo Alto. We're going to address what our decision tree is based on when we get the entitlements. It will be worth a lot more once the entitlements are in play. And that process, as Mark said, is ongoing right now, and we feel good about year-end on that. At that time, we're going to look at the market, we're going to look at the amount of product coming in the marketplace and whether it's a JV, whether it's a sale or we do it ourselves. But we'll make that determination at that time.

John P. Kim, BMO

Okay. And can you clarify your statement on the City of San Francisco taking your remaining space at 1455 Market? I'm just wondering what the confidence level you have on them signing that lease transaction and if that impacts your occupancy guidance for the year?



Victor Coleman, Chairman & CEO

Well, we've talked about that deal quite extensively. I mean, the impact on it, on occupancy has been outlined in terms of the status of that deal. I don't see the pen in the hand of the Mayor yet, but we hope that it's getting to that point relatively soon. And I think we're confident that we're going to execute that, as we said, this quarter.

John P. Kim, BMO

Okay. Thank you.

Victor Coleman, Chairman & CEO

Thanks, John.

Operator

There are no further questions at this time. I will now turn the call back to Victor Coleman, Chief Executive Officer and Chairman, for closing remarks.

Victor Coleman, Chairman & CEO

I thank you very much for participating in today's call. I appreciate the team at Hudson for all their hard work, and we look forward to talking to everybody next quarter.

Operator

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