Risk Factors Comparison 2024-02-09 to 2023-02-10 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to our Business and Operations Global market, economic and geopolitical conditions may adversely affect our business, results of operations, liquidity and financial condition and those of our tenants. Our business may be adversely affected by global market, economic and geopolitical conditions, including general global economic and political uncertainty and dislocations in the credit markets. If these conditions become more volatile or worsen, our ~~and our tenant' s~~ business, results of operations, liquidity and financial condition and those of our tenants may be adversely affected as a result of the following consequences, among others: • the financial condition of our tenants, many of which are technology; life science and healthcare; finance, insurance and real estate; media and professional business and other service firms, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or for other reasons; • significant job losses in the **technology; life science and healthcare;** ~~financial~~ **finance , insurance and real estate; media** and professional **business and other** ~~services~~ - **service firm** industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted; • our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense; • reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and • one or more lenders under the Operating Partnership' s unsecured revolving credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all. Many of our costs, such as operating and general and administrative expenses, interest expense and real estate ~~acquisition and~~ construction costs **, as well as the value of our assets** , could be adversely impacted by periods of heightened inflation. ~~In recent months~~ **While inflation has moderated in the latter part of 2023** , the consumer price index ~~has increased substantially~~ **was at significantly elevated levels for most of the year** . Federal policies ~~and recent global events~~ , **volatile commodity** ~~such as the rising price~~ **prices** ~~of oil~~ and ~~the~~ **geopolitical** ~~conflict~~ **conflicts** ~~between Russia and Ukraine,~~ may have exacerbated, and may continue to exacerbate, increases in the consumer price index. A sustained or further increase in inflation could have an adverse impact on our operating expenses incurred in connection with, among others, the property- related contracted services such as repairs and maintenance, janitorial, utilities, security and insurance. Our operating expenses, with the exception of ground lease rental expenses, may be recoverable through our lease arrangements. In general, the office and life science properties are leased to tenants on a triple net, modified net, full service gross or modified gross basis. Under a triple net lease, the tenants pay their proportionate share of real estate taxes, operating costs and utility costs. A modified net lease is similar to a triple net lease, except the tenants are obligated to pay their proportionate share of certain operating expenses directly to the service provider. Under a full service gross lease, we are obligated to pay the tenant' s proportionate share of real estate taxes, insurance and operating expenses up to the amount incurred during the " base year, " which is typically the tenant' s first year of occupancy. The tenant pays its proportionate share of increases in expenses above the base year. A modified gross lease is similar to a full service gross lease, except tenants are obligated to pay their proportionate share of certain operating expenses, usually electricity, directly to the service provider. At December 31, ~~2022~~ **2023** , ~~43~~ **48** % of our properties were leased to tenants on a triple net basis, ~~25~~ **23** % of our properties were leased to tenants on a full service gross basis, ~~24~~ **21** % were leased to tenants on a modified gross basis, and 8 % were leased to tenants on a modified net basis, in each case as a percentage of our annualized base rental revenue. During inflationary periods, we expect to recover some increases in operating expenses from our tenants through our existing lease structures. As a result, we do not believe that inflation would result in a material adverse effect on our net operating income and operating cash flows at the property level. However, there can be no assurance that our tenants would be able to absorb these expense increases and be able to continue to pay us their portion of operating expenses, capital expenditures and rent. Also, due to rising costs, our tenants may be unable to continue operating their businesses altogether. Alternatively, our tenants may decide to relocate to areas with lower rent and operating expenses where we may not currently own properties, and our tenants may cease to lease properties from us. Such adverse impacts on our tenants may cause increased vacancies, which may add pressure to lower rents and increase our expenditures for re- leasing. If we are unable to retain our tenants or withstand increases in operating expenses, capital expenditures and leasing costs, we may be unable to meet our financial expectations, which may adversely affect our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders. Our general and administrative expenses consist primarily of compensation costs, technology services and professional service fees. Rising inflation rates may require us to provide compensation increases beyond historical annual increases, which may increase our compensation costs. Similarly, technology services and professional service fees are also subject to the impact of inflation and expected to increase proportionately with increasing market prices for such services. Consequently, inflation may increase our general and administrative expenses over time and may adversely impact our results of operations and cash flows. **Since** ~~In March~~ 2022, the Federal Reserve ~~began, and it~~ has ~~continued and is expected to continue, to raise~~ **raised** interest rates in an effort to curb inflation. Our exposure to increases in interest rates in the short term is limited to our variable- rate borrowings, which consist of borrowings under our unsecured term loan facility and unsecured revolving credit facility. As of December 31, ~~2022~~ **2023** , we had no borrowings under our unsecured revolving credit facility and $ ~~200~~ **520** . 0 million outstanding under our unsecured term loan facility. However, the effect of inflation on interest rates **has increased borrowing**

costs on our variable rate debt and could **further** increase our financing costs over time, either through near- term borrowings on our floating- rate lines of credit or refinancing of our existing borrowings that may incur higher interest expenses related to the issuance of new debt **. Additionally, with respect to our variable rate debt, increases in interest rates increase our interest costs, which reduces our cash flows and our ability to make distributions to stockholders** . For more information, see " Item 1A. Risk Factors — Risks Related to our Indebtedness — An increase in interest rates would increase our interest costs on variable rate debt and new debt and could adversely affect our ability to refinance existing debt, conduct development, redevelopment and acquisition activity and recycle capital. " In addition, historically, during periods of increasing interest rates, real estate valuations have generally decreased as a result of rising capitalization rates, which tend to be positively correlated with interest rates. Consequently, prolonged periods of higher interest rates may negatively impact the valuation of our portfolio and result in the decline of the quoted trading price of our securities and market capitalization, as well as lower sales proceeds from future dispositions. ~~As~~ **Although the extent** of **any prolonged periods** ~~December 31, 2022, approximately 91. 8 %~~ of **higher interest rates remains unknown at this time, negative impacts to** our **cost** ~~leases (as a percentage~~ of **capital may adversely affect** our ~~annualized base rental revenue) contained effective annual rent escalations of~~ **future business plans and growth, including our development and redevelopment activities,** at least ~~3 %~~ **in the near term** . We have long- term lease agreements with our tenants, ~~of which an~~ **and we** ~~average of approximately 10. 0 % (based on leased rentable square footage) expire each year over the next ten years. We~~ believe ~~that these annual lease expirations allow us to reset these leases to market rents upon renewal or re- leasing and~~ that annual rent escalations within our long- term leases are generally sufficient to offset the effect of inflation on non- recoverable costs, such as general and administrative expenses and interest expense. However, the impact of the current elevated rate of inflation may not be adequately offset by some of our annual rent escalations, and it is possible that the resetting of rents from our renewal and re- leasing activities would not fully offset the impact of the current inflation rate. As a result, during inflationary periods in which the inflation rate exceeds the annual rent escalation percentages within our lease contracts, we may not adequately mitigate the impact of inflation, which may adversely affect our business, financial condition, results of operations, and cash flows. Additionally, inflation may have a negative effect on the construction costs necessary to complete our development and redevelopment projects, including, but not limited to, costs of construction materials, labor and services from third- party contractors and suppliers. We rely on a number of third- party suppliers and contractors to supply raw materials, skilled labor and services for our construction projects. Certain increases in the costs of construction materials can often be managed in our development and redevelopment projects through either general budget contingencies built into our overall construction costs estimates for each of our projects or guaranteed maximum price construction contracts, which stipulate a maximum price for certain construction costs and shift inflation risk to our construction general contractors. However, no assurance can be given that our budget contingencies would accurately account for potential construction cost increases given the current severity of inflation and variety of contributing factors or that our general contractors would be able to absorb such increases in costs and complete our construction projects timely, within budget, or at all. We have not encountered significant difficulty collaborating with our third- party suppliers and contractors and obtaining materials and skilled labor, and we have not experienced significant delays or increases in overall project costs due to the factors discussed above. While we do not rely on any single supplier or vendor for the majority of our materials and skilled labor, we may experience difficulties obtaining necessary materials from suppliers or vendors whose supply chains might become impacted by economic or political changes, shortages of shipping containers and / or means of transportation, or difficulties obtaining adequate skilled labor from third- party contractors in a tightening labor market. It is uncertain whether we would be able to source the essential commodities, supplies, materials and skilled labor timely or at all without incurring significant costs or delays, particularly during times of economic uncertainty resulting from events outside of our control, including, but not limited to, ~~effects of the COVID- 19 pandemic,~~ federal policies and the ongoing ~~Russia- Ukraine~~ **or future geopolitical** ~~conflict~~ **conflicts** . Higher construction costs could adversely impact our investments in real estate assets and expected yields on our development and redevelopment projects, which may make otherwise lucrative investment opportunities less profitable to us. Our reliance on a number of third- party suppliers and contractors may also make such investment opportunities unattainable if we are unable to sufficiently fund our projects due to significant cost increases, or are unable to obtain the resources and materials to do so reasonably due to disrupted supply chains. As a result, our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders could be adversely affected over time. All of our properties are located in California, ~~greater~~ Seattle, Washington and Austin, Texas and we may therefore be susceptible to adverse economic conditions and regulations, as well as natural disasters, in those areas. Because all of our properties are concentrated in California, ~~greater~~ Seattle, Washington and Austin, Texas, we may be exposed to greater economic risks than if we owned a more geographically dispersed portfolio. Further, within California, our properties are concentrated in ~~Greater~~ Los Angeles, San Diego County and the San Francisco Bay Area, exposing us to risks associated with those specific areas. We are susceptible to adverse developments in the economic and regulatory environments of California, ~~greater~~ Seattle and Austin, Texas (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors), as well as adverse weather conditions and natural disasters that occur in those areas (such as earthquakes, wind, landslides, droughts, fires, floods and other events). For example, many of our assets are in zones that have been impacted by drought and, as such, face the risk of increased water costs and potential fines and / or penalties for high consumption. In addition, California is also regarded as more litigious and more highly regulated and taxed than many other states, which may reduce demand for office space in California. Any adverse developments in the economy or real estate market in California and the surrounding region, or in ~~greater~~ Seattle or Austin, Texas or any decrease in demand for office space resulting from the California or ~~greater~~ Seattle or Austin, Texas regulatory or business environment could impact our ability to generate revenues sufficient to meet our operating expenses or other obligations, which would

adversely impact our financial condition, results of operations, cash flows, the quoted trading price of our securities and our ability to satisfy our debt service obligations and to pay dividends and distributions to our security holders **. Continuing uncertainty in the office leasing market could adversely affect our business, financial condition, results of operations and cash flows. Office tenants are still active in the leasing markets but are more selective in making rental decisions, and relocating and renewing tenants are pursuing space efficiencies, which may be accompanied by reductions in the amount of space they are leasing due to the impact of hybrid work and / or a desire to manage real estate expenses. As a result, we are experiencing longer lease negotiation periods prior to signing deals. Our office tenants may elect to not renew their leases, or to renew them for less space than they currently occupy or shorter terms, which could increase vacancy, place downward pressure on occupancy, rental rates and income and property valuations. The need to reconfigure leased office space, either in response to evolving tenant needs or for other reasons, may impact space requirements and also may require us to spend increased amounts for tenant improvements. If substantial reconfiguration of the tenant' s space is required, the tenant may find it more advantageous to relocate than to renew its lease and renovate the existing space. For more information, see " — We may be unable to renew leases or re- lease available space, " below. All of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to satisfy our debt service obligations or make distributions to stockholders** . Our performance and the market value of our securities are subject to risks associated with our investments in real estate assets and with trends in the real estate industry. Our economic performance and the value of our real estate assets and, consequently the market value of the Company' s securities, are subject to the risk that our properties may not generate revenues sufficient to meet our operating expenses or other obligations. A deficiency of this nature would adversely impact our financial condition, results of operations, cash flows, the quoted trading price of our securities, and our ability to satisfy our debt service obligations and to pay dividends and distributions to our security holders. Events and conditions applicable to owners and operators of real estate that are beyond our control and could impact our economic performance and the value of our real estate assets may include: • local oversupply or reduction in demand for office, mixed- use or other commercial space, which may result in decreasing rental rates and greater concessions to tenants; • inability to collect rent from tenants; • vacancies or inability to rent space on favorable terms or at all; • inability to finance property development and acquisitions on favorable terms or at all; • increased operating costs, including insurance premiums, utilities and real estate taxes; • costs of complying with changes in governmental regulations; • the relative illiquidity of real estate investments; • declines in real estate asset valuations, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing; • changing submarket demographics; • changes in space utilization by our tenants due to technology, economic conditions and business culture **, including a shift away from in- person work environments to flexible work arrangements and remote work** ; • the development of harmful mold or other airborne toxins or contaminants that could damage our properties or expose us to third- party liabilities; and • property damage resulting from seismic activity or other natural disasters. We depend upon significant tenants, and the loss of a significant tenant could adversely affect our financial condition, results of operations, ability to borrow funds and cash flows. As of December 31, ~~2022~~ **2023** , our 15 largest tenants represented approximately 46. ~~5~~ **1** % of total annualized base rental revenues on a prospective basis. See further discussion on the composition of our tenants by industry and our largest tenants under " Item 2. Properties — Significant Tenants. "