



Second Quarter 2006 Supplemental Financial Report

Some of the enclosed information presented in this supplemental and on the Company's July 25, 2006 conference call is forward-looking in nature, including information concerning project development timing and investment amounts. Although the information is based on Kilroy Realty Corporation's current expectations, actual results could vary from expectations stated here. Numerous factors will affect Kilroy Realty Corporation's actual results, some of which are beyond its control. These include the timing and strength of regional economic growth, the strength of commercial and industrial real estate markets, competitive market conditions, future interest rate levels and capital market conditions. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. Kilroy Realty Corporation assumes no obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise, except to the extent it is required to do so in connection with its ongoing requirements under Federal securities laws to disclose material information. For a discussion of important risks related to Kilroy Realty Corporation's business, and an investment in its securities, including risks that could cause actual results and events to differ materially from results and events referred to in the forward-looking information, see the discussion under the caption "Risk Factors" in Kilroy Realty Corporation's annual report on Form 10-K for the year ended December 31, 2005. In light of these risks, uncertainties and assumptions, the forward-looking events contained in this supplemental information and on the Company's July 25, 2006 conference call might not occur.

Kilroy Realty Corporation

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Company Background

Kilroy Realty Corporation (NYSE: **KRC**) owns, develops, and operates office and industrial real estate, primarily in Southern California. The Company operates as a self-administered real estate investment trust. As of June 30, 2006, the Company's stabilized portfolio consisted of 85 office buildings and 46 industrial buildings, which encompassed an aggregate of 7.8 million and 4.4 million square feet, respectively, and was 97.4% occupied.

Board of Directors

John B. Kilroy, Sr. *Chairman*
Edward F. Brennan, Ph.D.
John R. D'Eathe
William P. Dickey
Matthew J. Hart
John B. Kilroy, Jr.
Dale F. Kinsella

Senior Management

John B. Kilroy, Jr. *President and CEO*
Jeffrey C. Hawken *Executive VP and COO*
Richard E. Moran Jr. *Executive VP and CFO*
Conan Cotrell *Sr. VP Marketing and Leasing*
John T. Fucci *Sr. VP Asset Management*
Tyler H. Rose *Sr. VP and Treasurer*
Heidi R. Roth *Sr. VP and Controller*
Steve Scott *Sr. VP San Diego*
Justin W. Smart *Sr. VP Development*

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Kilroy Realty Corporation is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding Kilroy Realty Corporation's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Kilroy Realty Corporation or its management. Kilroy Realty Corporation does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

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Financial Highlights

(unaudited, \$ in thousands, except per share amounts)

	Three Months Ended				
	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005
INCOME ITEMS (Including Discontinued Operations):					
Revenues	\$73,450	\$63,479	\$61,109	\$60,338	\$60,556
Net Straight Line Rent ⁽¹⁾	899	2,750	1,870	1,599	2,554
Lease Termination Fees ⁽²⁾	9,938	837	44	149	327
Net Operating Income ^{(3), (4)}	57,241	47,410	47,814	45,592	45,283
Capitalized Interest and Loan Fees	2,398	2,061	2,069	2,583	2,194
Net Income (Loss) Available for Common Stockholders	17,975	13,529	(1,648)	14,071	(1,636)
EBITDA ^{(4), (5)}	52,833	42,846	22,962	27,713	28,329
Funds From Operations ^{(4), (6), (7)}	37,630	26,787	8,506	14,150	14,695
Funds Available for Distribution ^{(4), (6), (7), (8)}	29,765	22,010	(629)	9,788	8,833
Net Income (Loss) per common share – diluted	\$0.58	\$0.46	(\$0.06)	\$0.49	(\$0.05)
Funds From Operations per common share – diluted	\$1.11	\$0.82	\$0.26	\$0.43	\$0.45
Dividends per share	\$0.530	\$0.530	\$0.510	\$0.510	\$0.510
RATIOS (Including Discontinued Operations):					
Operating Margins	77.9%	74.7%	78.2%	75.6%	74.8%
Interest Coverage Ratio ⁽⁹⁾	4.7x	3.6x	2.2x	2.9x	2.9x
Fixed Charge Coverage Ratio ⁽¹⁰⁾	3.5x	2.7x	1.6x	2.1x	2.1x
FFO Payout Ratio ⁽¹¹⁾	48.9%	64.7%	195.7%	117.6%	113.2%
FAD Payout Ratio ⁽¹²⁾	61.8%	78.7%	N/A	170.1%	188.3%
ASSETS:					
Real Estate Held for Investment before Depreciation	\$1,991,551	\$1,964,418	\$1,953,971	\$1,910,834	\$1,878,170
Total Assets	1,713,762	1,684,309	1,674,474	1,644,664	1,615,543
CAPITALIZATION:					
Total Debt	\$811,562	\$929,578	\$842,282	\$830,727	\$818,417
Total Preferred Equity ⁽¹³⁾	201,500	201,500	201,500	201,500	201,500
Total Market Equity Value ⁽¹³⁾	2,508,333	2,525,219	2,020,429	1,828,831	1,548,973
Total Market Capitalization ⁽¹³⁾	3,521,395	3,656,297	3,064,211	2,861,059	2,568,890
Total Debt / Total Market Capitalization	23.0%	25.4%	27.4%	29.1%	31.9%
Total Debt and Preferred / Total Market Capitalization	28.7%	31.0%	34.0%	36.1%	39.7%

(1) Represents the straight-line rent recognized during the period offset by cash received during the period that was applied to deferred rents receivable balances for terminated leases.

(2) For the three months ended June 30, 2006, lease terminations fees include approximately \$9.8 million from an early lease termination with Qwest Communications, Inc. See footnote (1) on page 5 for additional information.

(3) Net Operating Income is defined as operating revenues (rental income, tenant reimbursements and other property income) less property and related expenses (property expenses, real estate taxes, provision for bad debts and ground leases) and excludes other non-property income and expenses, depreciation and amortization, and corporate general and administrative expenses.

(4) Please refer to pages 26 and 27 for Management Statements on Net Operating Income, EBITDA before minority interests, Funds From Operations and Funds Available for Distribution.

(5) EBITDA is reported before minority interests and net gain (loss) on dispositions. Please refer to page 29 for a reconciliation of GAAP net income to EBITDA before minority interests.

(6) Please refer to page 6 for a reconciliation of GAAP Net Income to Funds From Operations and Funds Available for Distribution.

(7) Reported amounts are attributable to common stockholders and unitholders.

(8) Please refer to page 30 for Reconciliation of Funds Available for Distribution to GAAP Net Cash Provided by Operating Activities.

(9) Calculated as EBITDA before minority interests divided by total interest expense, including discontinued operations.

(10) Calculated as EBITDA before minority interests divided by total interest expense, including discontinued operations, current year accrued preferred dividends and distributions on Cumulative Redeemable Preferred units.

(11) Calculated as current-quarter dividends accrued to common stockholders and common unitholders divided by Funds From Operations.

(12) Calculated as current-quarter dividends accrued to common stockholders and common unitholders divided by Funds Available for Distribution.

(13) See "Capital Structure" on page 23.

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Common Stock Data (NYSE: KRC)

	Three Months Ended				
	<u>6/30/2006</u>	<u>3/31/2006</u>	<u>12/31/2005</u>	<u>9/30/2005</u>	<u>6/30/2005</u>
High Price	\$76.00	\$77.74	\$63.71	\$56.03	\$48.37
Low Price	\$65.33	\$63.45	\$51.74	\$47.29	\$40.66
Closing Price	\$72.25	\$77.26	\$61.90	\$56.03	\$47.49
Dividends per share - annualized	\$2.12	\$2.12	\$2.04	\$2.04	\$2.04
Closing common shares (in 000's) ⁽¹⁾	32,092	29,792	28,971	28,923	28,900
Closing partnership units (in 000's) ⁽¹⁾	2,626	2,892	3,670	3,717	3,717
	<u>34,718</u>	<u>32,684</u>	<u>32,641</u>	<u>32,640</u>	<u>32,617</u>

(1) As of the end of the period.

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Consolidated Balance Sheets (unaudited, \$ in thousands)

	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005
ASSETS:					
Land and improvements	\$320,778	\$321,235	\$321,988	\$319,784	\$296,412
Buildings and improvements	1,481,215	1,490,006	1,494,958	1,456,253	1,450,940
Undeveloped land and construction in progress	189,558	153,177	137,025	134,797	130,818
Total real estate held for investment	1,991,551	1,964,418	1,953,971	1,910,834	1,878,170
Accumulated depreciation and amortization	(425,708)	(428,624)	(416,597)	(403,871)	(390,491)
Investment in real estate, net	1,565,843	1,535,794	1,537,374	1,506,963	1,487,679
Property held for sale, net ⁽¹⁾	-	-	-	-	3,693
Total real estate assets, net	1,565,843	1,535,794	1,537,374	1,506,963	1,491,372
Cash and cash equivalents	8,583	11,395	3,881	8,705	7,706
Restricted cash	614	649	703	1,565	728
Current receivables, net	3,951	6,396	5,759	3,694	3,624
Deferred rent receivables, net	58,579	57,692	55,048	53,168	51,568
Note receivable ⁽¹⁾	11,155	11,184	11,213	11,241	-
Deferred leasing costs and other related intangibles, net	49,108	48,853	50,074	48,103	48,575
Deferred financing costs, net	6,396	4,828	5,256	5,552	5,724
Prepaid expenses and other assets	9,533	7,518	5,166	5,673	6,246
TOTAL ASSETS	1,713,762	1,684,309	1,674,474	1,644,664	1,615,543
LIABILITIES AND STOCKHOLDERS' EQUITY:					
Liabilities:					
Secured debt	\$465,562	\$468,078	\$473,282	\$487,727	\$490,417
Unsecured senior notes	144,000	144,000	144,000	144,000	144,000
Unsecured line of credit	202,000	317,500	225,000	199,000	184,000
Accounts payable, accrued expenses and other liabilities	60,203	55,596	134,558	96,547	81,689
Accrued distributions	19,610	18,533	17,856	17,856	17,844
Rents received in advance, tenant security deposits and deferred revenue	43,297	40,270	36,410	38,070	36,572
Total liabilities	934,672	1,043,977	1,031,106	983,200	954,522
Minority Interests:					
7.45% Series A Cumulative Redeemable Preferred unitholders	73,638	73,638	73,638	73,638	73,638
Common unitholders of the Operating Partnership	44,199	39,437	50,462	53,152	53,148
Total minority interests	117,837	113,075	124,100	126,790	126,786
Stockholders' Equity:					
7.80% Series E Cumulative Redeemable Preferred stock	38,425	38,425	38,425	38,425	38,425
7.50% Series F Cumulative Redeemable Preferred stock	83,157	83,157	83,157	83,157	83,157
Common stock	321	298	289	289	289
Additional paid-in capital	664,860	531,852	523,609	523,027	522,547
Deferred compensation ⁽²⁾	-	-	(1,998)	(2,430)	(3,069)
Distributions in excess of earnings	(125,510)	(126,475)	(124,214)	(107,794)	(107,114)
Total stockholders' equity	661,253	527,257	519,268	534,674	534,235
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,713,762	\$1,684,309	\$1,674,474	\$1,644,664	\$1,615,543

(1) The Company classified its industrial property located at 2260 E. El Segundo Blvd., El Segundo, CA as held for sale as of June 30, 2005 for financial reporting purposes in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company sold the property on July 22, 2005. As partial consideration for the sale, the Company received an \$11.25 million note from the buyer that bears interest at an annual rate of 7.0% and matures July 31, 2012.

(2) On January 1, 2006, in connection with the adoption of SFAS 123(R), "Share-Based Payment," the Company recorded a \$2.0 million change in accounting principle to net the deferred compensation line item within equity against additional paid in capital. Under SFAS 123(R), an equity instrument is not recorded to stockholders' equity until the related compensation expense is recorded over the requisite service period of the award. Prior to the adoption of SFAS 123(R) and in accordance with the previous accounting guidance, the Company recorded the full fair value of all issued but nonvested equity instruments in additional paid in capital and recorded an offsetting deferred compensation balance on a separate line item within equity for the amount of compensation costs not yet recognized for these nonvested instruments.

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Consolidated Statements of Operations
(unaudited, \$ in thousands, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
REVENUES:						
Rental income	\$57,133	\$53,700	6.4%	\$113,706	\$107,212	6.1%
Tenant reimbursements	6,356	6,095	4.3%	11,939	11,781	1.3%
Other property income ⁽¹⁾	9,961	403	2371.7%	10,898	623	1649.3%
Total revenues	<u>73,450</u>	<u>60,198</u>	22.0%	<u>136,543</u>	<u>119,616</u>	14.2%
EXPENSES:						
Property expenses	10,913	9,996	9.2%	21,089	19,329	9.1%
Real estate taxes	4,766	4,410	8.1%	9,569	8,755	9.3%
Provision for bad debts	56	272	(79.4%)	581	1,408	(58.7%)
Ground leases	474	443	7.0%	993	848	17.1%
General and administrative expenses	4,714	16,790	(71.9%)	9,649	22,814	(57.7%)
Interest expense	11,208	9,563	17.2%	23,179	18,964	22.2%
Depreciation and amortization	18,294	16,669	9.7%	35,924	33,249	8.0%
Total expenses	<u>50,425</u>	<u>58,143</u>	(13.3%)	<u>100,984</u>	<u>105,367</u>	(4.2%)
OTHER INCOME AND EXPENSE:						
Interest and other income	231	54	327.8%	483	111	335.1%
Net settlement receipts (payments) on interest rate swaps	254	62	309.7%	448	(40)	(1220.0%)
(Loss) gain on derivative instruments	(179)	(280)	(36.1%)	(255)	364	(170.1%)
Total other income and expense	<u>306</u>	<u>(164)</u>	(286.6%)	<u>676</u>	<u>435</u>	55.4%
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	<u>23,331</u>	<u>1,891</u>	1133.8%	<u>36,235</u>	<u>14,684</u>	146.8%
MINORITY INTERESTS:						
Distributions on Cumulative Redeemable Preferred units	(1,397)	(1,397)	0.0%	(2,794)	(2,794)	0.0%
Minority interest in (earnings) loss of Operating Partnership attributable to continuing operations	(1,557)	245	(735.5%)	(2,414)	(825)	192.6%
Total minority interests	<u>(2,954)</u>	<u>(1,152)</u>	156.4%	<u>(5,208)</u>	<u>(3,619)</u>	43.9%
INCOME FROM CONTINUING OPERATIONS	<u>20,377</u>	<u>739</u>	2657.4%	<u>31,027</u>	<u>11,065</u>	180.4%
DISCONTINUED OPERATIONS:						
Revenues from discontinued operations	-	358	(100.0%)	386	1,775	(78.3%)
Expenses from discontinued operations	-	(344)	(100.0%)	(214)	(1,298)	(83.5%)
Net gain on disposition of discontinued operations	-	-	0.0%	5,655	5,779	(2.1%)
Minority interest attributable to discontinued operations	-	13	(100.0%)	(548)	(729)	(24.8%)
Total income from discontinued operations	<u>-</u>	<u>27</u>	(100.0%)	<u>5,279</u>	<u>5,527</u>	(4.5%)
NET INCOME	<u>20,377</u>	<u>766</u>	2560.2%	<u>36,306</u>	<u>16,592</u>	118.8%
PREFERRED DIVIDENDS	<u>(2,402)</u>	<u>(2,402)</u>	0.0%	<u>(4,804)</u>	<u>(4,804)</u>	0.0%
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCKHOLDERS	<u>\$17,975</u>	<u>(\$1,636)</u>	(1198.7%)	<u>\$31,502</u>	<u>\$11,788</u>	167.2%
Weighted average shares outstanding - basic	31,049	28,739	8.0%	30,249	28,648	5.6%
Weighted average shares outstanding - diluted	31,172	28,739	8.5%	30,394	28,798	5.5%
NET INCOME (LOSS) PER COMMON SHARE:						
Net income (loss) per common share - basic	<u>\$0.58</u>	<u>(\$0.05)</u>	1260.0%	<u>\$1.04</u>	<u>\$0.41</u>	153.7%
Net income (loss) per common share - diluted	<u>\$0.58</u>	<u>(\$0.05)</u>	1260.0%	<u>\$1.04</u>	<u>\$0.41</u>	153.7%

(1) For the three and six months ended June 30, 2006, other property income includes approximately \$9.8 million from an early lease termination with Qwest Communications, Inc. The \$9.8 million is comprised of an approximate \$9.0 million cash lease termination fee, an approximate \$2.3 million non-cash gain related to the tenant's obligation to replace the property's roof in accordance with the original lease and the lease termination agreement, partially offset by the write-off of a \$1.5 million deferred rent receivable associated with the lease. See footnote (5) on page 6 for additional information on the non-cash gain component of the lease termination fee.

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Funds From Operations and Funds Available for Distribution
(unaudited, \$ in thousands, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
FUNDS FROM OPERATIONS: ⁽¹⁾						
Net income (loss) available for common stockholders	\$17,975	(\$1,636)	(1198.7%)	\$31,502	\$11,788	167.2%
Adjustments:						
Minority interest in earnings of Operating Partnership	1,557	(258)	(703.5%)	2,962	1,554	90.6%
Depreciation and amortization of real estate assets	18,098	16,589	9.1%	35,607	33,383	6.7%
Net gain on dispositions of discontinued operations	-	-	0.0%	(5,655)	(5,779)	(2.1%)
Funds From Operations ⁽²⁾	<u>\$37,630</u>	<u>\$14,695</u>	156.1%	<u>\$64,416</u>	<u>\$40,946</u>	57.3%
Weighted average common shares/units outstanding - basic	33,689	32,458	3.8%	33,102	32,439	2.0%
Weighted average common shares/units outstanding - diluted	33,812	32,594	3.7%	33,247	32,589	2.0%
FFO per common share/unit - basic	<u>\$1.12</u>	<u>\$0.45</u>	146.7%	<u>\$1.95</u>	<u>\$1.26</u>	54.2%
FFO per common share/unit - diluted	<u>\$1.11</u>	<u>\$0.45</u>	146.8%	<u>\$1.94</u>	<u>\$1.26</u>	54.2%
FUNDS AVAILABLE FOR DISTRIBUTION: ⁽¹⁾						
Funds From Operations	\$37,630	\$14,695	156.1%	\$64,416	\$40,946	57.3%
Adjustments:						
Amortization of deferred financing costs	278	366	(24.0%)	604	700	(13.7%)
Contractual cash rents received in advance of revenue recognition ⁽³⁾	-	-	0.0%	327	-	100.0%
Non-cash amortization of restricted stock grants	774	950	(18.5%)	1,588	1,827	(13.1%)
Loss (gain) on derivative instruments ⁽⁴⁾	179	280	(36.1%)	255	(364)	(170.1%)
Non-cash gain on lease termination ⁽⁵⁾	(2,334)	-	100.0%	(2,334)	-	100.0%
Revenue recorded for reimbursement of tenant improvements ⁽⁶⁾	(566)	(535)	5.8%	(1,132)	(1,077)	5.1%
Amortization of below market rents ⁽⁷⁾	(348)	(303)	14.9%	(655)	(606)	8.1%
Tenant improvements, leasing commissions and recurring capital expenditures ⁽⁸⁾	(4,949)	(4,066)	21.7%	(7,644)	(9,241)	(17.3%)
Net effect of straight-line rents ⁽⁹⁾	(899)	(2,554)	(64.8%)	(3,649)	(6,333)	(42.4%)
Funds Available for Distribution ⁽²⁾	<u>\$29,765</u>	<u>\$8,833</u>	237.0%	<u>\$51,776</u>	<u>\$25,852</u>	100.3%

(1) See page 27 for Management Statements on Funds From Operations and Funds Available for Distribution.

(2) Reported amounts are attributable to common shareholders and unitholders.

(3) Represents cash rents received for leases that have contractually commenced but for which significant tenant improvements are not substantially complete.

(4) Represents the non-cash gain / loss on derivatives as a result of marking such instruments to market at the end of each period.

(5) Represents the amount funded by a tenant for a new roof on one of the Company's industrial properties in connection with the tenant's early lease termination. The roof was recorded as a building improvement on the Company's balance sheet with an offsetting gain recorded in other income.

(6) Represents the revenue recognized during the period for tenant improvements reimbursed by the tenant.

(7) Represents the SFAS 141 adjustment related to the acquisition of buildings with above/below market rents.

(8) For 2006, represents costs incurred during the period. For 2005, represents costs incurred during the period and remaining unpaid costs for leases commencing during the period.

(9) Represents the straight-line rent income recognized during the period offset by cash received during the period that was applied to deferred rents receivable balances for terminated leases.

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Same Store Analysis ⁽¹⁾

(unaudited, \$ in thousands)

Same Store Analysis (GAAP Basis) ⁽²⁾						
	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Total Same Store Portfolio						
Number of properties	125	125		125	125	
Square Feet	11,508,403	11,508,403		11,508,403	11,508,403	
Percent of Stabilized Portfolio	93.8%	96.2%		93.8%	96.2%	
Average Occupancy	96.8%	96.1%		96.5%	96.1%	
Operating Revenues:						
Rental income	\$54,662	\$52,740	3.6%	\$108,978	\$105,417	3.4%
Tenant reimbursements	5,974	5,472	9.2%	10,951	10,929	0.2%
Other property income	9,959	404	2365.1%	10,893	622	1651.3%
Total operating revenues	<u>70,595</u>	<u>58,616</u>	20.4%	<u>130,822</u>	<u>116,968</u>	11.8%
Operating Expenses:						
Property expenses	10,028	9,662	3.8%	19,507	18,656	4.6%
Real estate taxes	4,422	4,298	2.9%	8,854	8,548	3.6%
Provision for bad debts	56	247	(77.3%)	572	1,360	(57.9%)
Ground leases	473	441	7.3%	990	846	17.0%
Total operating expenses	<u>14,979</u>	<u>14,648</u>	2.3%	<u>29,923</u>	<u>29,410</u>	1.7%
GAAP Net Operating Income	<u>\$55,616</u>	<u>\$43,968</u>	26.5%	<u>\$100,899</u>	<u>\$87,558</u>	15.2%

Same Store Analysis (Cash Basis) ⁽²⁾						
	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Total operating revenues	67,582	55,916	20.9%	125,019	110,263	13.4%
Total operating expenses	<u>14,979</u>	<u>14,648</u>	2.3%	<u>29,923</u>	<u>29,410</u>	1.7%
Cash Net Operating Income	<u>\$52,603</u>	<u>\$41,268</u>	27.5%	<u>\$95,096</u>	<u>\$80,853</u>	17.6%

Same Store Analysis Excluding Impact of Qwest Early Lease Termination ⁽³⁾						
	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	% Change	2006	2005	% Change
Same Store GAAP Net Operating Income excluding impact of Qwest lease termination ⁽⁴⁾	\$45,853	\$43,968	4.3%	\$91,136	\$87,558	4.1%
Same Store Cash Net Operating Income excluding impact of Qwest lease termination ⁽⁵⁾	\$43,625	\$41,268	5.7%	\$86,118	\$80,853	6.5%

(1) Same store defined as all stabilized properties owned at January 1, 2005 and still owned and in the stabilized portfolio at June 30, 2006.

(2) Please refer to page 28 for a reconciliation of Cash and GAAP Net Operating Income to Net Income Available to Common Stockholders.

(3) Please refer to page 28 for a reconciliation of Cash and GAAP Net Operating Income excluding the impact of the Qwest early lease termination.

(4) Same Store GAAP Net Operating Income for the three and six months ended June 30, 2006 has been adjusted by approximately \$9.8 million from an early lease termination with Qwest Communications, Inc. See footnote (1) on page 5 for additional information.

(5) Same Store Cash Net Operating Income for the three and six months ended June 30, 2006 has been adjusted by approximately \$9.0 million from an early lease termination with Qwest Communications, Inc.

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Stabilized Portfolio Occupancy Overview

	# of Buildings	Portfolio Breakdown		Total Square Feet	Occupancy at: ⁽¹⁾		
		NOI ⁽²⁾	Sq. Ft.		6/30/2006	3/31/2006	12/31/2005
STABILIZED PORTFOLIO:							
OCCUPANCY BY PRODUCT TYPE:							
<i>Office:</i>							
Los Angeles	25	27.6%	24.1%	2,960,189	93.3%	90.7%	90.6%
Orange County	6	2.1%	2.5%	304,961	88.0%	85.1%	86.3%
San Diego	46	48.6%	30.2%	3,703,114	99.5%	94.2%	94.4%
Other	<u>8</u>	<u>5.0%</u>	<u>7.2%</u>	<u>878,960</u>	92.7%	92.9%	92.9%
Subtotal	<u>85</u>	<u>83.3%</u>	<u>64.0%</u>	<u>7,847,224</u>	95.9%	92.4%	92.5%
<i>Industrial:</i>							
Los Angeles	2	1.2%	1.6%	198,415	100.0%	100.0%	100.0%
Orange County	43	14.7%	32.0%	3,921,538	99.8%	99.6%	99.1%
San Diego	<u>1</u>	<u>0.8%</u>	<u>2.4%</u>	<u>303,000</u>	100.0%	100.0%	100.0%
Subtotal	<u>46</u>	<u>16.7%</u>	<u>36.0%</u>	<u>4,422,953</u>	99.9%	99.7%	99.3%
OCCUPANCY BY REGION:							
Los Angeles	27	28.8%	25.7%	3,158,604	93.7%	91.3%	91.2%
Orange County	49	16.8%	34.5%	4,226,499	99.0%	98.6%	98.2%
San Diego	47	49.4%	32.6%	4,006,114	99.5%	94.7%	94.9%
Other	<u>8</u>	<u>5.0%</u>	<u>7.2%</u>	<u>878,960</u>	92.7%	92.9%	94.0%
TOTAL STABILIZED PORTFOLIO	<u>131</u>	<u>100.0%</u>	<u>100.0%</u>	<u>12,270,177</u>	97.4%	95.0%	95.0%

AVERAGE OCCUPANCY - STABILIZED PORTFOLIO			
	Office	Industrial	Total
Quarter-to-Date	93.6%	99.9%	95.9%
Year-to-Date	93.1%	99.6%	95.4%

(1) Occupancy percentages reported are based on the Company's stabilized portfolio for the period presented.

(2) Percentage of year-to-date Net Operating Income excluding Other Property Income.

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Stabilized Portfolio Occupancy Overview

<i>Office:</i>	<u>City/ Submarket</u>	<u># of Buildings</u>	<u>Square Feet</u>	<u>Occupancy</u>
Los Angeles, California				
23925 Park Sorrento	Calabasas	1	11,789	100.0%
23975 Park Sorrento	Calabasas	1	100,592	100.0%
24025 Park Sorrento	Calabasas	1	102,264	100.0%
26541 Agoura Road	Calabasas	1	90,366	100.0%
181/185 S. Douglas Street	El Segundo	1	61,545	97.2%
Kilroy Airport Center, El Segundo	El Segundo	2	598,214	100.0%
909 Sepulveda Blvd.	El Segundo	1	241,607	54.6%
999 Sepulveda Blvd.	El Segundo	1	127,901	94.5%
Kilroy Airport Center, Long Beach	Long Beach	7	949,065	92.0%
12200 W. Olympic Blvd.	Los Angeles	1	150,302	99.7%
12100 W. Olympic Blvd.	Los Angeles	1	150,167	100.0%
12312 W. Olympic Blvd.	Los Angeles	1	78,000	100.0%
1633 26th Street	Santa Monica	1	44,915	100.0%
2100 Colorado Avenue	Santa Monica	3	94,844	100.0%
3130 Wilshire Blvd.	Santa Monica	1	88,338	100.0%
501 Santa Monica Blvd.	Santa Monica	<u>1</u>	<u>70,280</u>	<u>96.6%</u>
Total Los Angeles Office		25	2,960,189	93.3%
Orange County, California				
4175 E. La Palma Avenue	Anaheim	1	43,263	91.0%
8101 Kaiser Blvd.	Anaheim	1	60,177	94.3%
Kilroy Center-Brea	Brea	2	106,791	100.0%
9451 Toledo Way	Irvine	1	27,200	0.0%
111 Pacifica	Irvine Spectrum	<u>1</u>	<u>67,530</u>	<u>96.7%</u>
Total Orange County Office		6	304,961	88.0%

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Second Quarter 2006 Supplemental Financial Report
Stabilized Portfolio Occupancy Overview

	<u>City/ Submarket</u>	<u># of Buildings</u>	<u>Square Feet</u>	<u>Occupancy</u>
<i>Office:</i>				
San Diego, California				
12340 El Camino Real	Del Mar	1	87,405	100.0%
12348 High Bluff Drive	Del Mar	1	38,710	100.0%
12390 El Camino Real	Del Mar	1	72,332	100.0%
3579 Valley Center Drive	Del Mar	1	52,375	100.0%
3611 Valley Center Drive	Del Mar	1	130,178	100.0%
3661 Valley Center Drive	Del Mar	1	129,752	100.0%
3721 Valley Center Drive	Del Mar	1	114,780	100.0%
3811 Valley Center Drive	Del Mar	1	112,067	100.0%
12225 / 12235 El Camino Real	Del Mar	2	115,513	100.0%
12400 High Bluff Drive	Del Mar	1	208,464	100.0%
6215 / 6220 Greenwich Drive	Governor Park	2	212,214	100.0%
15051 Ave of Science	I-15 Corridor	1	70,617	100.0%
15073 Ave of Science	I-15 Corridor	1	46,759	100.0%
15378 Ave of Science	I-15 Corridor	1	68,910	100.0%
15435 / 15445 Innovation Drive	I-15 Corridor	2	103,000	100.0%
15231 Ave of Science	I-15 Corridor	1	65,867	100.0%
15253 Ave of Science	I-15 Corridor	1	37,405	100.0%
13500/13520 Evening Creek Drive North	I-15 Corridor	2	281,830	97.4%
4939 / 4955 Directors Place	Sorrento Mesa	2	136,908	100.0%
5005 / 5010 Wateridge Vista Drive	Sorrento Mesa	2	172,778	100.0%
10421 Pacific Center Court	Sorrento Mesa	1	79,871	100.0%
10243 Genetic Center	Sorrento Mesa	1	102,875	100.0%
10390 Pacific Center Court	Sorrento Mesa	1	68,400	100.0%
6055 Lusk Avenue	Sorrento Mesa	1	93,000	100.0%
6260 Sequence Drive	Sorrento Mesa	1	130,000	100.0%
6290 / 6310 Sequence Drive	Sorrento Mesa	2	152,415	100.0%
6340 / 6350 Sequence Drive	Sorrento Mesa	2	199,000	100.0%
Pacific Corporate Center	Sorrento Mesa	6	332,542	100.0%
5717 Pacific Center	Sorrento Mesa	1	67,995	100.0%
4690 Executive Drive	University Towne Center	1	47,957	72.8%
9455 Towne Center Drive	University Towne Center	1	45,195	100.0%
9785 / 9791 Towne Center Drive	University Towne Center	2	126,000	100.0%
Total San Diego Office		46	3,703,114	99.5%
Other				
Kilroy Airport Center, Sea-Tac	Seattle, WA	3	532,430	89.5%
5151/5155 Camino Ruiz	Carmarillo, CA	4	265,372	100.0%
2829 Townsgate Road	Thousand Oaks, CA	1	81,158	89.7%
Total Other Office		8	878,960	92.7%
Total Office		85	7,847,224	95.9%

Kilroy Realty Corporation
Second Quarter 2006 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview

	<u>City/ Submarket</u>	<u># of Buildings</u>	<u>Square Feet</u>	<u>Occupancy</u>
Industrial:				
Los Angeles, California				
2031 E. Mariposa Avenue	El Segundo	1	192,053	100.0%
2270 E. El Segundo Blvd.	El Segundo	<u>1</u>	<u>6,362</u>	<u>100.0%</u>
Total Los Angeles Industrial		2	198,415	100.0%
Orange County, California				
1000 E. Ball Road	Anaheim	1	100,000	100.0%
1230 S. Lewis Road	Anaheim	1	57,730	100.0%
1250 N. Tustin Avenue	Anaheim	1	84,185	100.0%
3125 E. Coronado Street	Anaheim	1	144,000	100.0%
3130 - 3150 Miraloma	Anaheim	1	144,000	100.0%
3250 E. Carpenter	Anaheim	1	41,225	100.0%
3340 E. La Palma Avenue	Anaheim	1	153,320	100.0%
5115 E. La Palma Avenue	Anaheim	1	286,139	100.0%
5325 E. Hunter Avenue	Anaheim	1	110,487	100.0%
Anaheim Tech Center	Anaheim	5	597,147	100.0%
La Palma Business Center	Anaheim	2	145,481	100.0%
Brea Industrial Complex	Brea	7	276,278	97.8%
Brea Industrial-Lambert Road	Brea	2	178,811	100.0%
1675 MacArthur	Costa Mesa	1	50,842	100.0%
25202 Towne Center Drive	Foothill Ranch	1	303,533	100.0%
12400 Industry Street	Garden Grove	1	64,200	100.0%
12681 / 12691 Pala Drive	Garden Grove	1	84,700	100.0%
7421 Orangewood Avenue	Garden Grove	1	82,602	100.0%
Garden Grove Industrial Complex	Garden Grove	6	275,971	100.0%
17150 Von Karman	Irvine	1	157,458	100.0%
2055 S.E. Main Street	Irvine	1	47,583	100.0%
9401 Toledo Way	Irvine	1	244,800	100.0%
1951 E. Carnegie Avenue	Santa Ana	1	100,000	100.0%
2525 Pullman	Santa Ana	1	103,380	100.0%
14831 Franklin Avenue	Tustin	1	36,256	100.0%
2911 Dow Avenue	Tustin	<u>1</u>	<u>51,410</u>	<u>100.0%</u>
Total Orange County Industrial		43	3,921,538	99.8%
San Diego, California				
10850 Via Frontera	I-15 Corridor	<u>1</u>	<u>303,000</u>	<u>100.0%</u>
Total San Diego Industrial		1	303,000	100.0%
Total Industrial		46	4,422,953	99.9%

Kilroy Realty Corporation

Second Quarter 2006 Supplemental Financial Report

Leasing Activity

Quarter-to-Date

	1st & 2nd Generation				2nd Generation					Weighted Average Lease Term (Mo.)
	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		Maintenance		Changes in Rents ⁽⁴⁾	Changes in Cash Rents ⁽⁵⁾	Retention Rates ⁽⁶⁾	
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft. ⁽²⁾	Capex Per Sq.Ft. ⁽³⁾				
Office	20	9	306,484	136,490	\$ 12.10	\$ 0.05	19.3%	6.1%	53.7%	85
Industrial	<u>2</u>	<u>2</u>	<u>14,579</u>	<u>61,576</u>	6.43	0.03	5.6%	0.4%	91.1%	41
Total	<u>22</u>	<u>11</u>	<u>321,063</u>	<u>198,066</u>	\$ 11.13	\$ 0.04	17.9%	5.6%	61.6%	78

Year-to-Date

	1st & 2nd Generation				2nd Generation					Weighted Average Lease Term (Mo.)
	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		Maintenance		Changes in Rents ⁽⁴⁾	Changes in Cash Rents ⁽⁵⁾	Retention Rates ⁽⁶⁾	
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft. ⁽²⁾	Capex Per Sq.Ft. ⁽³⁾				
Office	32	20	353,508	196,093	\$13.06	\$ 0.15	12.8%	0.9%	53.7%	82
Industrial	<u>5</u>	<u>6</u>	<u>53,864</u>	<u>412,372</u>	4.06	0.05	8.0%	0.3%	94.1%	65
Total	<u>37</u>	<u>26</u>	<u>407,372</u>	<u>608,465</u>	\$ 8.55	\$ 0.11	11.4%	0.8%	75.7%	74

(1) Represents leasing activity for leases commencing during the period shown, net of month-to-month leases. Excludes leasing on new construction.

(2) Excludes tenant improvements constructed by the Company and reimbursed by the tenant upon completion of the improvements.

(3) Calculated over entire stabilized portfolio.

(4) Calculated as the change between GAAP rents for new/renewed leases and the expired GAAP rents for the same space. Excludes leases for which the space was vacant longer than one year.

(5) Calculated as the change between stated rents for new/renewed leases and the expired stated rents for the same space. Excludes leases for which the space was vacant longer than one year.

(6) Calculated as the percentage of space either renewed or expanded into by existing tenants at lease expiration.

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Stabilized Portfolio Capital Expenditures
(\$ in thousands)

Non-Recurring Capital Expenditures:			
	<u>Q1 2006</u>	<u>Q2 2006</u>	<u>YTD 2006</u>
Capital Improvements	\$ -	\$ -	\$ -
Tenant Improvements & Leasing Commissions ⁽¹⁾	<u>345</u>	<u>672</u>	<u>1,017</u>
Total	<u>\$ 345</u>	<u>\$ 672</u>	<u>\$ 1,017</u>

Recurring Capital Expenditures:			
	<u>Q1 2006</u>	<u>Q2 2006</u>	<u>YTD 2006</u>
Capital Improvements			
Office	\$ 782	\$ 410	\$ 1,192
Industrial	<u>72</u>	<u>123</u>	<u>195</u>
	854	533	1,387
Tenant Improvements & Leasing Commissions ⁽¹⁾			
Office	843	3,955	4,798
Industrial	<u>998</u>	<u>461</u>	<u>1,459</u>
	1,841	4,416	6,257
Total			
Office	1,625	4,365	5,990
Industrial	<u>1,070</u>	<u>584</u>	<u>1,654</u>
	<u>\$ 2,695</u>	<u>\$ 4,949</u>	<u>\$ 7,644</u>

(1) Represents costs incurred for leasing activity during the period shown. Excludes tenant improvements constructed by the Company and reimbursed by the tenant upon completion of the improvements.

Kilroy Realty Corporation
Second Quarter 2006 Supplemental Financial Report

Lease Expiration Summary Schedule
(\$ in thousands)

<u>Year of Expiration</u>	<u># of Expiring Leases</u>	<u>Total Square Feet⁽¹⁾</u>	<u>% of Total Leased Sq. Ft.</u>	<u>Annual Base Rent⁽²⁾</u>	<u>Annual Rent per Sq. Ft.⁽²⁾</u>
OFFICE:					
Remaining 2006 ⁽³⁾	29	195,619	2.6%	\$4,649	\$23.77
2007	68	1,128,674	15.1%	22,241	19.71
2008	54	776,795	10.4%	14,176	18.25
2009	74	1,300,285	17.4%	30,174	23.21
2010	61	814,388	10.9%	22,430	27.54
2011	49	538,364	7.2%	10,603	19.69
2012	13	546,164	7.3%	16,117	29.51
2013	11	379,403	5.1%	8,689	22.90
2014	10	365,518	4.9%	9,195	25.16
2015 and beyond	<u>29</u>	<u>1,406,406</u>	<u>19.1%</u>	<u>50,799</u>	36.12
Subtotal	<u>398</u>	<u>7,451,616</u>	<u>100.0%</u>	<u>\$189,073</u>	\$25.37
INDUSTRIAL:					
Remaining 2006 ⁽³⁾	7	515,389	11.7%	\$3,725	\$7.23
2007	15	572,199	13.0%	4,133	7.22
2008	12	921,713	20.9%	6,525	7.08
2009	14	769,307	17.4%	4,895	6.36
2010	7	418,941	9.5%	3,944	9.41
2011	8	335,676	7.6%	2,559	7.62
2012	5	357,369	8.1%	2,168	6.07
2013	-	-	-	-	-
2014	-	-	-	-	-
2015 and beyond	<u>5</u>	<u>526,357</u>	<u>11.8%</u>	<u>5,008</u>	9.51
Subtotal	<u>73</u>	<u>4,416,951</u>	<u>100.0%</u>	<u>\$32,957</u>	\$7.46
TOTAL PORTFOLIO:					
Remaining 2006 ⁽³⁾	36	711,008	6.0%	\$8,374	\$11.78
2007	83	1,700,873	14.3%	26,374	15.51
2008	66	1,698,508	14.3%	20,701	12.19
2009	88	2,069,592	17.4%	35,069	16.94
2010	68	1,233,329	10.4%	26,374	21.38
2011	57	874,040	7.4%	13,162	15.06
2012	18	903,533	7.6%	18,285	20.24
2013	11	379,403	3.2%	8,689	22.90
2014	10	365,518	3.1%	9,195	25.16
2015 and beyond	<u>34</u>	<u>1,932,763</u>	<u>16.3%</u>	<u>55,807</u>	28.87
Total	<u>471</u>	<u>11,868,567</u>	<u>100.0%</u>	<u>\$222,030</u>	\$18.71

(1) Excludes space leased under month-to-month leases and vacant space at June 30, 2006.

(2) Reflects annualized contractual base rent calculated on a straight-line basis.

(3) Represents leases expiring during the remainder of 2006 for which renewals have not been executed.

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Second Quarter 2006 Supplemental Financial Report

Lease Expiration Schedule Detail by Region

(\$ in thousands)

Year of Expiration	Los Angeles County					Orange County				
	# of Expiring Leases	Total Square Feet ⁽¹⁾	% of Total Regional Sq. Ft.	Annual Base Rent ⁽²⁾	Annual Rent per Sq. Ft. ⁽²⁾	# of Expiring Leases	Total Square Feet ⁽¹⁾	% of Total Regional Sq. Ft.	Annual Base Rent ⁽²⁾	Annual Rent per Sq. Ft. ⁽²⁾
OFFICE:										
Remaining 2006 ⁽³⁾	22	119,759	4.4%	\$3,552	\$29.66	2	5,259	2.0%	\$112	\$21.30
2007	32	401,177	14.8%	8,569	21.36	8	19,045	7.2%	412	21.63
2008	26	207,728	7.7%	5,015	24.14	11	79,261	30.0%	1,217	15.35
2009	36	608,374	22.5%	15,274	25.11	13	113,183	42.9%	2,642	23.34
2010	38	370,852	13.7%	10,582	28.53	3	7,782	2.9%	187	24.03
2011	28	214,787	7.9%	5,879	27.37	5	19,510	7.4%	439	22.50
2012	7	332,301	12.3%	9,062	27.27	1	19,982	7.6%	480	24.02
2013	7	131,119	4.9%	3,114	23.75	-	-	-	-	-
2014	6	118,037	4.4%	3,158	26.75	-	-	-	-	-
2015 and beyond	6	198,997	7.4%	6,678	33.56	-	-	-	-	-
Subtotal	208	2,703,131	100.0%	\$70,883	\$26.22	43	264,022	100.0%	\$5,489	\$20.79
INDUSTRIAL:										
Remaining 2006 ⁽³⁾	-	-	-	-	-	6	212,389	5.4%	\$2,285	\$10.76
2007	-	-	-	-	-	15	572,199	14.6%	4,133	7.22
2008	-	-	-	-	-	12	921,713	23.5%	6,525	7.08
2009	1	6,362	3.2%	\$101	\$15.88	13	762,945	19.5%	4,794	6.28
2010	1	192,053	96.8%	2,374	12.36	6	226,888	5.8%	1,570	6.92
2011	-	-	-	-	-	8	335,676	8.6%	2,559	7.62
2012	-	-	-	-	-	5	357,369	9.1%	2,168	6.07
2013	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-
2015 and beyond	-	-	-	-	-	5	526,357	13.5%	5,008	9.51
Subtotal	2	198,415	100.0%	\$2,475	\$12.47	70	3,915,536	100.0%	\$29,042	\$7.42
TOTAL PORTFOLIO:										
Remaining 2006 ⁽³⁾	22	119,759	4.1%	\$3,552	\$29.66	8	217,648	5.2%	\$2,397	\$11.01
2007	32	401,177	13.8%	8,569	21.36	23	591,244	14.1%	4,545	7.69
2008	26	207,728	7.2%	5,015	24.14	23	1,000,974	23.9%	7,742	7.73
2009	37	614,736	21.2%	15,375	25.01	26	876,128	21.0%	7,436	8.49
2010	39	562,905	19.4%	12,956	23.02	9	234,670	5.6%	1,757	7.49
2011	28	214,787	7.4%	5,879	27.37	13	355,186	8.5%	2,998	8.44
2012	7	332,301	11.5%	9,062	27.27	6	377,351	9.0%	2,648	7.02
2013	7	131,119	4.5%	3,114	23.75	-	-	-	-	-
2014	6	118,037	4.1%	3,158	26.75	-	-	-	-	-
2015 and beyond	6	198,997	6.8%	6,678	33.56	5	526,357	12.7%	5,008	9.51
Total	210	2,901,546	100.0%	\$73,358	\$25.28	113	4,179,558	100.0%	\$34,531	\$8.26

(1) Excludes space leased under month-to-month leases and vacant space at June 30, 2006.

(2) Reflects annualized contractual base rent calculated on a straight-line basis.

(3) Represents leases expiring during the remainder of 2006 for which renewals have not been executed.

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Lease Expiration Schedule Detail by Region

(\$ in thousands)

Year of Expiration	San Diego County					Other				
	# of Expiring Leases	Total Square Feet ⁽¹⁾	% of Total Regional Sq. Ft.	Annual Base Rent ⁽²⁾	Annual Rent per Sq. Ft. ⁽²⁾	# of Expiring Leases	Total Square Feet ⁽¹⁾	% of Total Regional Sq. Ft.	Annual Base Rent ⁽²⁾	Annual Rent per Sq. Ft. ⁽²⁾
OFFICE:										
Remaining 2006 ⁽³⁾	2	50,470	1.4%	\$610	\$12.09	3	20,131	2.5%	\$375	\$18.63
2007	17	587,621	16.0%	10,897	18.54	11	120,831	14.9%	2,363	19.56
2008	8	244,849	6.7%	5,228	21.35	9	244,957	30.2%	2,716	11.09
2009	13	512,752	14.0%	10,828	21.12	12	65,976	8.1%	1,430	21.67
2010	11	352,968	9.6%	9,731	27.57	9	82,786	10.2%	1,930	23.31
2011	6	82,230	2.2%	1,490	18.12	10	221,837	27.4%	2,795	12.60
2012	5	193,881	5.3%	6,575	33.91	-	-	-	-	-
2013	3	244,780	6.7%	5,492	22.44	1	3,504	0.4%	83	23.69
2014	4	247,481	6.7%	6,037	24.39	-	-	-	-	-
2015 and beyond	19	1,157,469	31.4%	43,177	37.30	4	49,940	6.3%	944	18.90
Subtotal	88	3,674,501	100.0%	\$100,065	\$27.23	59	809,962	100.0%	\$12,636	\$15.60
INDUSTRIAL:										
Remaining 2006 ⁽³⁾	1	303,000	100.0%	\$1,440	\$4.75	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-
2015 and beyond	-	-	-	-	-	-	-	-	-	-
Subtotal	1	303,000	100.0%	\$1,440	\$4.75	0	0	0.0%	\$0	\$0.00
TOTAL PORTFOLIO:										
Remaining 2006 ⁽³⁾	3	353,470	8.9%	\$2,050	\$5.80	3	20,131	2.5%	\$375	\$18.63
2007	17	587,621	14.8%	10,897	18.54	11	120,831	14.9%	2,363	19.56
2008	8	244,849	6.2%	5,228	21.35	9	244,957	30.2%	2,716	11.09
2009	13	512,752	12.9%	10,828	21.12	12	65,976	8.1%	1,430	21.67
2010	11	352,968	8.9%	9,731	27.57	9	82,786	10.2%	1,930	23.31
2011	6	82,230	2.1%	1,490	18.12	10	221,837	27.4%	2,795	12.60
2012	5	193,881	4.9%	6,575	33.91	-	-	-	-	-
2013	3	244,780	6.2%	5,492	22.44	1	3,504	0.4%	83	23.69
2014	4	247,481	6.2%	6,037	24.39	-	-	-	-	-
2015 and beyond	19	1,157,469	28.9%	43,177	37.30	4	49,940	6.3%	944	18.90
Total	89	3,977,501	100.0%	\$101,505	\$25.52	59	809,962	100.0%	\$12,636	\$15.60

(1) Excludes space leased under month-to-month leases and vacant space at June 30, 2006.

(2) Reflects annualized contractual base rent calculated on a straight-line basis.

(3) Represents leases expiring during the remainder of 2006 for which renewals have not been executed.

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Quarterly Lease Expirations for 2006

(\$ in thousands)

	# of Expiring Leases ⁽¹⁾	Total Square Feet ^{(1), (2)}	% of Total Leased Sq. Ft.	Annual Base Rent ⁽³⁾	Annual Rent per Sq. Ft. ⁽³⁾
OFFICE:					
Q3 2006	14	70,682	0.9%	\$2,224	\$31.46
Q4 2006	<u>15</u>	<u>124,937</u>	<u>1.7%</u>	<u>2,425</u>	19.41
Subtotal 2006	<u>29</u>	<u>195,619</u>	<u>2.6%</u>	<u>\$4,649</u>	\$23.77
INDUSTRIAL:					
Q3 2006	3	29,931	0.7%	\$306	\$10.22
Q4 2006	<u>4</u>	<u>485,458</u>	<u>11.0%</u>	<u>3,419</u>	7.04
Subtotal 2006	<u>7</u>	<u>515,389</u>	<u>11.7%</u>	<u>\$3,725</u>	\$7.23
TOTAL PORTFOLIO:					
Q3 2006	17	100,613	0.9%	\$2,530	\$25.15
Q4 2006	<u>19</u>	<u>610,395</u>	<u>5.1%</u>	<u>5,844</u>	9.57
Total 2006	<u>36</u>	<u>711,008</u>	<u>6.0%</u>	<u>\$8,374</u>	\$11.78

(1) Represents leases expiring during 2006 for which renewals have not been executed.

(2) Excludes space leased under month-to-month leases and vacant space at June 30, 2006.

(3) Reflects annualized contractual base rent calculated on a straight-line basis.

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Top Ten Office and Top Ten Industrial Tenants (*\$ in thousands*)

<u>Tenant Name</u>	<u>Annual Base Rental Revenues ⁽¹⁾</u>	<u>Rentable Square Feet</u>	<u>Percentage of Total Annual Base Rental Revenues</u>	<u>Percentage of Total Rentable Square Feet</u>
Office Properties:				
The Boeing Company	\$8,910	675,979	4.0%	5.5%
AMN Healthcare	8,341	175,672	3.7%	1.4%
Intuit, Inc.	6,185	305,409	2.8%	2.5%
DIRECTV Group, Inc.	6,131	207,166	2.7%	1.7%
Fish & Richardson	6,071	139,538	2.7%	1.1%
Scripps Health	5,199	112,067	2.3%	0.9%
Diversa Corporation	5,158	136,908	2.3%	1.1%
Favrille, Inc.	4,490	79,871	2.0%	0.7%
Hewlett-Packard Company	4,348	117,948	2.0%	1.0%
Epson America, Inc.	<u>4,161</u>	<u>162,852</u>	<u>1.9%</u>	<u>1.3%</u>
Total Office Properties	<u>\$58,994</u>	<u>2,113,410</u>	<u>26.4%</u>	<u>17.2%</u>
Industrial Properties:				
Celestica California, Inc.	\$2,501	303,533	1.1%	2.5%
Mattel, Inc.	2,374	192,053	1.1%	1.6%
NBTY Manufacturing, LLC	1,484	286,139	0.7%	2.3%
Unisys Corporation	1,440	303,000	0.6%	2.5%
Extron Electronics	1,145	157,730	0.5%	1.3%
Targus, Inc.	1,053	200,646	0.5%	1.6%
United Plastics Group, Inc.	1,028	144,000	0.5%	1.2%
Progressive Marketing	838	144,000	0.4%	1.2%
Ricoh Electronics, Inc.	822	100,000	0.4%	0.8%
Arrow Industries	798	<u>153,320</u>	<u>0.4%</u>	<u>1.2%</u>
Total Industrial Properties	<u>\$13,483</u>	<u>1,984,421</u>	<u>6.2%</u>	<u>16.2%</u>

(1) Reflects annualized contractual base rent calculated on a straight-line basis.

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Boeing Lease Summary

(\$ in thousands)

<u>The Boeing Company</u>	<u>Rentable Square Feet</u>	<u>Annual Base Rental Revenues ⁽¹⁾</u>	<u>Lease Expiration Date</u>
<u>Boeing Satellite Systems</u>			
2260 E. Imperial Highway, El Segundo	286,151	\$5,494	July 31, 2007
1231 N. Miller Street, Anaheim	113,242	689	March 31, 2009
1145 N. Ocean Blvd., Anaheim	<u>65,447</u>	<u>495</u>	October 31, 2010
	<u>464,840</u>	<u>6,678</u>	
<u>Boeing Airplane-on-Ground Division</u>			
17930 Pacific Highway, Seattle	<u>211,139</u>	<u>2,232</u>	December 31, 2007
Total	<u>675,979</u>	<u>\$8,910</u>	

(1) Reflects annualized contractual base rent calculated on a straight-line basis.

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2006 Acquisitions and Dispositions

(\$ in thousands)

<u>ACQUISITIONS:</u>					
Property	Location	Type	Month of Acquisition	Square Feet	Purchase Price
1st QUARTER:					
NONE					
2nd QUARTER:					
NONE					

<u>DISPOSITIONS:</u>					
Property	Location	Type	Month of Disposition	Square Feet	Sales Price
1st QUARTER:					
3735 Imperial Highway	Stockton, CA	Industrial	March	<u>164,540</u>	<u>\$16,950</u>
2nd QUARTER:					
NONE					
TOTAL YEAR-TO-DATE DISPOSITIONS				<u>164,540</u>	<u>\$16,950</u>

Kilroy Realty Corporation
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In-Process and Committed Development and Redevelopment Projects
(\$ in millions)

DEVELOPMENT PROJECTS:			Estimated Construction Period		Est. Stabilization Date ⁽¹⁾	Rentable Square Feet	Total Estimated Investment	Total Costs as of 6/30/2006 ⁽⁴⁾	% Leased
Project	Location	Type	Start Date	Compl. Date					
PROJECTS UNDER CONSTRUCTION:									
ICC - 15333 Avenue of Science	I-15 Corridor	Office	4Q 2005	4Q 2006	4Q 2006	77,015	\$20.4	\$12.9	100%
Santa Fe Summit - Phase I ⁽²⁾	56 Corridor	Office	4Q 2005 - 1Q 2006	3Q 2007 - 4Q 2007	3Q 2007 - 4Q 2007	<u>465,600</u>	<u>146.4</u>	<u>69.4</u>	100%
Subtotal						<u>542,615</u>	<u>166.8</u>	<u>82.3</u>	100%
COMMITTED PROJECTS:									
Pacific Corporate Center - Lots 3, 4 & 6	Sorrento Mesa	Office	3Q 2006	3Q 2007	3Q 2007	318,000	78.5	20.4	100%
Kilroy Sabre Springs - Phase III	I-15 Corridor	Office	3Q 2006	4Q 2007	4Q 2008	<u>142,726</u>	<u>66.0</u>	<u>9.4</u>	0%
						<u>460,726</u>	<u>144.5</u>	<u>29.8</u>	69%
TOTAL IN-PROCESS AND COMMITTED PROJECTS:						<u>1,003,341</u>	<u>\$311.3</u>	<u>\$112.1</u>	<u>86%</u>

REDEVELOPMENT PROJECTS:											
Project	Location	Pre and Post Redevelopment Type	Estimated Construction Period		Est. Stabilization Date ⁽¹⁾	Rentable Square Feet	Existing Investment ⁽³⁾	Estimated Redevelopment Costs	Total Estimated Investment	Total Spent as of 6/30/2006 ⁽⁴⁾	% Leased
			Start Date	Compl. Date							
PROJECTS UNDER CONSTRUCTION:											
2240 E. Imperial Highway - Kilroy Airport Center ⁽⁵⁾	El Segundo	Lab to Office	2Q 2006	2Q 2007	3Q 2008	<u>100,978</u>	<u>\$5.0</u>	<u>\$12.6</u>	<u>\$17.6</u>	<u>\$5.0</u>	0%
TOTAL IN-PROCESS AND COMMITTED PROJECTS:						<u>100,978</u>	<u>\$5.0</u>	<u>\$12.6</u>	<u>\$17.6</u>	<u>\$5.0</u>	0%

(1) Based on management's estimation of the earlier of stabilized occupancy (95%) or one year from the date of substantial completion.

(2) Construction on two of the four buildings commenced in the fourth quarter of 2005. Construction on the remaining two buildings commenced in the first quarter of 2006.

(3) Represents the depreciated carrying value at the commencement of redevelopment for the space being redeveloped. See footnote (5) below.

(4) Represents cash paid and costs incurred as of June 30, 2006.

(5) The Company will be redeveloping 100,978 square feet of this building given that The Boeing Company and its predecessor occupied the space for over 20 years. The ground floor which encompasses approximately 18,800 rentable square feet is still reflected in the stabilized portfolio numbers of the Kilroy Airport Center, El Segundo complex.

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Future Development Pipeline (*\$ in millions*)

Project	Location	Type	Total Site Acreage	Estimated Rentable Square Feet	Total Estimated Investment	Total Costs as of 6/30/2006 ⁽¹⁾
SAN DIEGO, CALIFORNIA:						
Innovation Corporate Center (ICC) - Lot 2	I-15 Corridor	Office	3.0	80,000	\$24.9	\$4.2
Pacific Corporate Center - Lot 8	Sorrento Mesa	Office	5.0	95,000	30.0	9.0
Santa Fe Summit - Phase II	56 Corridor	Office	11.3	339,500	141.0	27.1
Sorrento Gateway - Lot 1	Sorrento Mesa	Office	3.4	54,000	19.4	5.1
Sorrento Gateway - Lot 2	Sorrento Mesa	Office	4.4	80,000	36.2	9.2
Sorrento Gateway - Lot 3	Sorrento Mesa	Office	3.4	60,000	22.1	6.5
Sorrento Gateway - Lot 7	Sorrento Mesa	Office	<u>4.1</u>	<u>57,000</u>	<u>23.1</u>	<u>8.1</u>
TOTAL FUTURE DEVELOPMENT PIPELINE			<u>34.6</u>	<u>765,500</u>	<u>\$296.7</u>	<u>\$69.2</u>

Recent Acquisition	Location	Type	Total Site Acreage	Range of Estimated Rentable Square Feet	Range of Estimated Total Investment
SAN DIEGO, CALIFORNIA:					
10850 Via Frontera ⁽²⁾	I-15 Corridor	Office	20.0	600,000 - 1,000,000	\$150.0 - \$375.0

(1) Represents cash paid and costs incurred as of June 30, 2006.

(2) During the third quarter of 2005, the Company acquired a fully-entitled 20-acre land site, which includes a 303,000 square foot building, located in the San Diego County I-15 Corridor submarket. The Company executed a one-year lease with the seller to continue to occupy 100% of the space through September 2006. This site includes entitlements to build approximately 1.8 million square feet of office and light industrial space. The Company currently anticipates it may redevelop the site in phases depending on leasing activity and market conditions.

Kilroy Realty Corporation

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Capital Structure

At June 30, 2006

(\$ in thousands)

	Shares/Units At June 30, 2006	Aggregate Principal Amount or \$ Value Equivalent	% of Total Market Capitalization
DEBT:			
Secured Debt		\$465,562	13.2%
Unsecured Senior Notes		144,000	4.1%
Unsecured Line of Credit		<u>202,000</u>	<u>5.7%</u>
Total Debt		<u>\$811,562</u>	<u>23.0%</u>
EQUITY:			
7.450% Series A Cumulative Redeemable Preferred Units ⁽¹⁾	1,500,000	\$75,000	2.1%
7.800% Series E Cumulative Redeemable Preferred Stock ⁽²⁾	1,610,000	40,250	1.1%
7.500% Series F Cumulative Redeemable Preferred Stock ⁽²⁾	3,450,000	86,250	2.5%
Common Units Outstanding ⁽³⁾	2,625,631	189,702	5.4%
Common Shares Outstanding ⁽³⁾	32,091,779	<u>2,318,631</u>	<u>65.9%</u>
Total Equity		<u>\$2,709,833</u>	<u>77.0%</u>
TOTAL MARKET CAPITALIZATION		<u>\$3,521,395</u>	<u>100.0%</u>

(1) Value based on \$50.00 per share liquidation preference.

(2) Value based on \$25.00 per share liquidation preference.

(3) Value based on closing share price of \$72.25 at June 30, 2006.

Kilroy Realty Corporation

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Debt Analysis

At June 30, 2006

(\$ in thousands)

TOTAL DEBT COMPOSITION			
	% of	<u>Weighted Average</u>	
	<u>Total Debt</u>	<u>Interest Rate</u>	<u>Maturity</u>
<i>Secured vs. Unsecured Debt:</i>			
Secured Debt	57.4%	6.0%	4.2
Unsecured Debt	42.6%	5.9%	4.9
<i>Floating vs. Fixed Rate Debt:</i>			
Fixed Rate Debt ⁽¹⁾	73.1%	5.8%	4.9
Floating Rate Debt	26.9%	<u>6.2%</u>	<u>3.3</u>
Total Debt		<u>5.9%</u>	<u>4.5</u>
Total Debt Including Loan Fees		<u>6.2%</u>	

UNSECURED LINE OF CREDIT		
<u>Total Line</u>	<u>Outstanding Balance</u>	<u>Expiration Date</u>
\$550,000	\$202,000	April 2010

CAPITALIZED INTEREST & LOAN FEES	
<u>Quarter-to-Date</u>	<u>Year-to-Date</u>
\$2.4	\$4.5

(1) Includes the impact of the interest-rate swap agreements listed on page 25.

Kilroy Realty Corporation
Second Quarter 2006 Supplemental Financial Report

Debt Analysis
At June 30, 2006
(\$ in thousands)

DEBT MATURITY SCHEDULE									
Floating/ Fixed Rate	Effective Rate	Maturity Date	2006	2007	2008	2009	2010	After 2010	Total
Unsecured Debt:									
Floating	6.36%	4/26/2010 ⁽¹⁾					\$202,000		\$202,000
Fixed	5.72%	8/4/2010					61,000		61,000
Fixed	6.45%	8/4/2014						\$83,000	83,000
							263,000	83,000	346,000
Secured Debt:									
Floating	6.18%	7/1/2008 ⁽²⁾			35,500				35,500
Floating	6.39%	1/1/2009				31,000			31,000
Fixed	6.51%	8/12/2007	125	17,049					17,174
Fixed	7.21%	8/12/2007	90	4,325					4,415
Fixed	3.80%	8/1/2008	801	1,650	73,401				75,852
Fixed	7.20%	4/1/2009	1,150	2,423	2,604	75,475			81,652
Fixed	6.70%	12/27/2011	565	1,189	1,271	1,359	1,453	69,980	75,817
Fixed	5.57%	8/1/2012	589	1,226	1,297	1,370	1,449	73,048	78,979
Fixed	4.95%	8/1/2012	271	563	592	622	653	30,441	33,142
Fixed	8.43%	4/1/2008	568	1,211	370				2,149
Fixed	8.13%	11/1/2014	303	646	701	760	824	4,204	7,438
Fixed	7.15%	5/1/2017	692	1,459	1,567	1,683	1,807	15,236	22,444
	6.08%		5,154	31,741	117,303	112,269	6,186	192,909	465,562
Effect of SWAPS	(0.14%)								
Total	5.94%		\$5,154	\$31,741	\$117,303	\$112,269	\$269,186	\$275,909	\$811,562

DERIVATIVE INSTRUMENTS			
Notional Amount	Instrument	Rate	Expiration Date
\$25,000	Swap	2.98%	12/2006
25,000	Swap	2.98%	12/2006
\$50,000			

(1) The maturity date does not reflect the one-year extension option.

(2) The maturity date does not reflect the two one-year extension options.

Kilroy Realty Corporation

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Management Statements on Non-GAAP Supplemental Measures

Included in this section are management's statements regarding certain non-GAAP financial measures provided in this supplemental financial report and, with respect to Funds From Operations ("FFO"), in the Company's earnings release on July 24, 2006, and the reasons why management believes that these measures provide useful information to investors about the Company's financial condition and results of operations.

Net Operating Income:

Management believes that Net Operating Income ("NOI") is a useful supplemental measure of the Company's operating performance. The Company defines NOI as operating revenues (rental income, tenant reimbursements and other property income) less property and related expenses (property expenses, real estate taxes, provision for bad debts and ground leases). Other real estate investment trusts ("REITs") may use different methodologies for calculating NOI, and accordingly, the Company's NOI may not be comparable to other REITs.

Because NOI excludes general and administrative expenses, interest expense, depreciation and amortization, other non-property income and expenses, gains and losses from property dispositions, discontinued operations, and extraordinary items, it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate and the impact to operations from trends in occupancy rates, rental rates, and operating costs, providing a perspective on operations not immediately apparent from net income. The Company uses NOI to evaluate its operating performance on a segment basis since NOI allows the Company to evaluate the impact that factors such as occupancy levels, lease structure, rental rates, and tenant base, which vary by segment type, have on the Company's results, margins and returns. In addition, management believes that NOI provides useful information to the investment community about the Company's financial and operating performance when compared to other REITs since NOI is generally recognized as a standard measure of performance in the real estate industry.

However, NOI should not be viewed as an alternative measure of the Company's financial performance since it does not reflect general and administrative expenses, interest expense, depreciation and amortization costs, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact the Company's results from operations.

Same Store Net Operating Income:

Management believes that Same Store NOI is a useful supplemental measure of the Company's operating performance. Same Store NOI represents the NOI for the stabilized properties that were operational for two comparable reporting periods. Because Same Store NOI excludes the change in NOI from properties developed, redeveloped, acquired and disposed of, it highlights operating trends such as occupancy levels, rental rates and operating costs on properties that were operational for two comparable periods. Other REITs may use different methodologies for calculating Same Store NOI, and accordingly, the Company's Same Store NOI may not be comparable to other REITs.

However, Same Store NOI should not be viewed as an alternative measure of the Company's financial performance since it does not reflect the operations of the Company's entire portfolio, nor does it reflect the impact of general and administrative expenses, interest expense, depreciation and amortization costs, other non-property income and expenses, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact the Company's results from operations.

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Management Statements on Non-GAAP Supplemental Measures

EBITDA:

Management believes that earnings before interest expense, depreciation and amortization, preferred dividends, minority interests and impairment loss ("EBITDA") is a useful supplemental measure of the Company's operating performance. When considered with other GAAP measures and FFO, management believes EBITDA gives the investment community a more complete understanding of the Company's operating results before the impact of investing and financing transactions and facilitates comparisons with competitors. Management also believes it is appropriate to present EBITDA as it is used in several of the Company's financial covenants for both its secured and unsecured debt. However, EBITDA should not be viewed as an alternative measure of the Company's operating performance since it excludes financing costs as well as depreciation and amortization costs which are significant economic costs that could materially impact the Company's results of operations and liquidity. Other REITs may use different methodologies for calculating EBITDA and, accordingly, the Company's EBITDA may not be comparable to other REITs.

Funds From Operations:

Management believes that FFO is a useful supplemental measure of the Company's operating performance. The Company computes FFO in accordance with the White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses from sales of depreciable operating property, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures. Other REITs may use different methodologies for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

Because FFO excludes depreciation and amortization, gains and losses from property dispositions, and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, providing perspective on operating performance not immediately apparent from net income. In addition, management believes that FFO provides useful information to the investment community about the Company's operating performance when compared to other REITs since FFO is generally recognized as the industry standard for reporting the operations of REITs.

However, FFO should not be viewed as an alternative measure of the Company's operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties, which are significant economic costs that could materially impact the Company's results of operations.

Funds Available for Distribution:

Management believes that Funds Available for Distribution ("FAD") is a useful supplemental measure of the Company's liquidity. The Company computes FAD by adding to FFO the noncash amortization of deferred financing costs and restricted stock compensation, the loss on derivative instruments, contractual cash rents received in advance of revenue recognition, the original issuance costs of redeemed preferred units, and the impairment losses on properties held for sale, and then subtracting tenant improvements, leasing commissions and recurring capital expenditures, revenue recorded for reimbursement of tenant improvements, the gain on derivative instruments, significant noncash gains, and eliminating the net effect of straight-line rents, and above (below) market rents for acquisition properties. FAD provides an additional perspective on the Company's ability to fund cash needs and make distributions to shareholders by adjusting for the effect of these non-cash items included in FFO, as well as recurring capital expenditures and leasing costs. Management also believes that FAD provides useful information to the investment community about the Company's financial position as compared to other REITs since FAD is a liquidity measure used by other REITs. However, other REITs may use different methodologies for calculating FAD and, accordingly, the Company's FAD may not be comparable to other REITs.

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Reconciliation of Same Store Net Operating Income to Net Income Available to Common Stockholders
(unaudited, \$ in thousands)

	Three Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
Same Store Cash Net Operating Income	\$52,603	\$41,268
Adjustment:		
GAAP Straight Line Rental Income	3,013	2,700
Same Store GAAP Net Operating Income ⁽¹⁾	55,616	43,968
Adjustment:		
Non-Same Store GAAP Net Operating Income	1,625	1,315
Net Operating Income, as defined ⁽¹⁾	57,241	45,283
Adjustments:		
Net Operating Income, as defined, from discontinued operations	-	(206)
Other Expenses:		
General and administrative expenses	(4,714)	(16,790)
Interest expense	(11,208)	(9,563)
Depreciation and amortization	(18,294)	(16,669)
Other Income and Expense:		
Interest and other income	231	54
Net settlement receipts on interest rate swaps	254	62
Gain on derivative instruments	(179)	(280)
Income from Continuing Operations	23,331	1,891
Minority interests	(2,954)	(1,152)
Income from discontinued operations	-	27
Preferred dividends	(2,402)	(2,402)
Net Income Available for Common Stockholders	<u>\$17,975</u>	<u>(\$1,636)</u>

Reconciliation of Same Store NOI to Same Store NOI Excluding Qwest		
	Three Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
Same Store Cash Net Operating Income	\$52,603	\$41,268
Less: Qwest Cash Lease Termination Fee	(8,978)	-
Same Store Cash Net Operating Income excluding impact of Qwest lease termination	<u>\$43,625</u>	<u>\$41,268</u>
Same Store GAAP Net Operating Income	\$55,616	\$43,968
Less: Qwest GAAP Lease Termination Fee	(9,763)	-
Same Store GAAP Net Operating Income excluding impact of Qwest lease termination	<u>\$45,853</u>	<u>\$43,968</u>

(1) Please refer to page 26 for Management Statements on Net Operating Income and Same Store Net Operating Income.

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Reconciliation of EBITDA to Net Income

(unaudited, \$ in thousands)

	Three Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
Net Income (Loss) Available for Common Stockholders	\$17,975	(\$1,636)
Preferred dividends	2,402	2,402
Adjustments for Continuing Operations:		
Interest expense	11,208	9,563
Depreciation and amortization	18,294	16,669
Distributions on Cumulative Redeemable Preferred units	1,397	1,397
Minority interest in earnings (loss) of Operating Partnersh	1,557	(245)
Adjustments for Discontinued Operations:		
Interest expense	-	55
Depreciation and amortization	-	137
Net gain on disposition of discontinued operations	-	-
Minority interest in loss of Operating Partnership	-	(13)
EBITDA Before Minority Interests ⁽¹⁾	\$52,833	\$28,329

(1) Please refer to page 27 for a Management Statement on EBITDA before minority interests.

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Reconciliation of Funds Available for Distribution to GAAP Net Cash Provided by Operating Activities
(unaudited, \$ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Funds Available for Distribution ⁽¹⁾	\$29,765	\$8,833	\$51,776	\$25,852
Adjustments:				
Tenant improvements, leasing commissions and recurring capital expenditures	4,949	4,066	7,644	9,241
Depreciation for furniture, fixtures and equipment	195	217	394	437
Accrued preferred dividends	2,402	2,402	4,804	4,804
Distributions on Cumulative Redeemable Preferred units	1,397	1,397	2,794	2,794
Provision for uncollectible tenant receivables	72	(92)	343	630
Net settlement (receipts) payments on interest rate swaps	(254)	(62)	(448)	40
Changes in assets and liabilities ^{(2) (3)}	4,349	12,193	(68,998)	9,063
GAAP Net Cash Provided by Operating Activities	<u>\$42,875</u>	<u>\$28,954</u>	<u>(\$1,691)</u>	<u>\$52,861</u>

(1) Please refer to page 27 for a Management Statement on Funds Available for Distribution.

(2) Includes changes in the following assets and liabilities and miscellaneous other adjustments: current receivables; deferred leasing costs; prepaid expenses and other assets; accounts payable, accrued expenses and other liabilities; rents received in advance, security deposits, and other deferred revenue; and other. The six months ended June 30, 2006 has been adjusted for approximately \$327,000 of contractual cash rents received in advance of revenue recognition, which is included in other deferred revenue and is added back for the purposes of calculating FAD. This adjustment is offset by \$12,000 of the corresponding amortization which is reflected in the net effect of straight-line rents for the three and six months ended June 30, 2006.

(3) Amount includes a \$71.7 million cash award approved by the Executive Compensation Committee and paid to the Company's executive officers in January 2006. The payment represents the amount earned by the Company's executive officers under a special long-term compensation program for the approximate three-year period ended December 31, 2005. Amounts were previously reflected in FAD as compensation was expensed for financial reporting purposes.