

**KILROY
REALTY**

CORPORATION

Second Quarter 1999 Supplemental Financial Report

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Some of the enclosed information presented is forward-looking in nature, including information concerning 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 does not undertake responsibility to update this information for any unanticipated events which may cause actual results to differ from those expressed or implied by this information.

Kilroy Realty Corporation

Second Quarter 1999 Supplemental Financial Report

Financial Highlights

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	1999	1998	% Change	1999	1998	% Change
INCOME ITEMS:						
Revenues	\$39,301	\$33,922	15.9%	\$76,851	\$63,275	21.5%
Net Operating Income	30,565	25,687	19.0%	59,235	48,202	22.9%
Net Income	10,796	9,785	10.3%	20,706	18,664	10.9%
Funds From Operations	20,203	17,894	12.9%	38,993	33,955	14.8%
Funds Available for Distribution	18,403	16,341	12.6%	34,997	31,466	11.2%
Funds From Operations per share – diluted	\$0.62	\$0.57	8.8%	\$1.21	\$1.13	7.1%
Funds Available for Distribution per share – diluted	0.57	0.52	9.6%	1.09	1.04	4.8%
Dividend per share	\$0.420	\$0.405	3.7%	\$0.840	\$0.810	3.7%
RATIOS:						
Interest Coverage Ratio(1)	3.3x	3.5x		3.4x	3.5x	
Fixed Charge Coverage Ratio(2)	2.6x	2.8x		2.6x	3.0x	
FFO Payout Ratio(3)	67.2%	71.6%	(4.4%)	69.6%	74.3%	(4.7%)
FAD Payout Ratio(4)	72.4%	78.4%	(6.0%)	76.8%	80.2%	(3.4%)

	June 30, 1999	Dec. 31, 1998	% Change
ASSETS:			
Investments in Real Estate before Depreciation	\$1,311,212	\$1,194,284	9.8%
Total Assets	1,208,541	1,105,928	9.3%
CAPITALIZATION:			
Total Debt	\$490,298	\$405,383	20.9%
Total Preferred Stock (5)	110,000	110,000	--
Total Market Equity Value (5)	787,364	732,322	7.5%
Total Market Capitalization (5)	1,387,662	1,247,703	11.2%
Total Debt / Total Market Capitalization	35.3%	32.5%	2.7%

(1) Calculated as earnings before gross interest expense and depreciation and amortization divided by gross interest expense plus loan cost amortization.

(2) Calculated as earnings before gross interest expense and depreciation and amortization divided by gross interest expense plus loan cost amortization and current year paid and accrued preferred dividends.

(3) Calculated as current year dividends paid and accrued to common shareholders divided by funds from operations.

(4) Calculated as current year dividends paid and accrued to common shareholders divided by funds available for distribution.

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

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Consolidated Balance Sheets (unaudited, \$ in thousands)

	<u>June 30,</u> <u>1999</u>	<u>December 31,</u> <u>1998</u>
ASSETS:		
Land and improvements	\$274,452	\$253,500
Buildings and improvements	907,145	828,425
Undeveloped land and construction in progress, net	<u>129,615</u>	<u>112,359</u>
Total investment in real estate	1,311,212	1,194,284
Accumulated depreciation and amortization	<u>(158,503)</u>	<u>(145,437)</u>
Investment in real estate, net	1,152,709	1,048,847
Cash and cash equivalents	9,044	6,443
Restricted cash	5,422	6,896
Tenant receivables, net	17,669	15,630
Notes receivable from related parties	-	8,798
Deferred financing and leasing costs, net	20,295	16,168
Prepaid expenses and other assets	<u>3,402</u>	<u>3,146</u>
TOTAL ASSETS	<u><u>\$1,208,541</u></u>	<u><u>\$1,105,928</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
<i>Liabilities:</i>		
Mortgage debt	\$237,798	\$133,383
Unsecured line of credit	252,500	272,000
Accounts payable and accrued expenses	15,848	16,791
Accrued distributions	13,567	12,895
Rents received in advance and tenant security deposits	<u>15,939</u>	<u>14,460</u>
Total liabilities	<u>535,652</u>	<u>449,529</u>
<i>Minority Interests:</i>		
8.075% Series A Cumulative Redeemable Preferred unitholders	73,716	73,718
9.375% Series C Cumulative Redeemable Preferred unitholders	34,471	34,410
Common unitholders	80,302	72,372
Minority interest in Development LLCs	<u>9,733</u>	=
Total minority interests	<u>198,222</u>	<u>180,500</u>
<i>Stockholders' Equity:</i>		
Common stock	276	276
Additional paid-in capital	488,737	487,467
Distributions in excess of earnings	<u>(14,346)</u>	<u>(11,844)</u>
Total stockholders' equity	<u>474,667</u>	<u>475,899</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$1,208,541</u></u>	<u><u>\$1,105,928</u></u>

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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,		
	1999	1998	% Change	1999	1998	% Change
REVENUES:						
Rental income	\$34,164	\$28,988	17.9%	\$66,982	\$54,448	23.0%
Tenant reimbursements	4,193	3,852	8.9%	8,316	7,077	17.5%
Interest income	221	409	(46.0%)	621	883	(29.7%)
Other income	<u>723</u>	<u>673</u>	7.4%	<u>932</u>	<u>867</u>	7.5%
Total revenues	<u>39,301</u>	<u>33,922</u>	15.9%	<u>76,851</u>	<u>63,275</u>	21.5%
EXPENSES:						
Property expenses	5,329	5,066	5.2%	10,463	9,037	15.8%
Real estate taxes	2,852	2,470	15.5%	5,861	4,558	28.6%
General and administrative expenses	2,201	2,143	2.7%	4,515	3,702	22.0%
Ground leases	334	290	15.2%	671	595	12.8%
Interest expense	6,160	4,593	34.1%	11,919	9,379	27.1%
Depreciation and amortization	<u>7,460</u>	<u>6,565</u>	13.6%	<u>14,677</u>	<u>12,419</u>	18.2%
Total expenses	<u>24,336</u>	<u>21,127</u>	15.2%	<u>48,106</u>	<u>39,690</u>	21.2%
INCOME BEFORE EQUITY IN LOSS OF UNCONSOLIDATED SUBSIDIARY AND MINORITY INTERESTS						
	14,965	12,795	17.0%	28,745	23,585	21.9%
Equity in loss of unconsolidated subsidiary	<u>(14)</u>	<u>(24)</u>	0.0%	<u>(14)</u>	<u>(25)</u>	(44.0%)
INCOME BEFORE MINORITY INTERESTS	<u>14,951</u>	<u>12,771</u>	17.1%	<u>28,731</u>	<u>23,560</u>	21.9%
MINORITY INTERESTS:						
Distributions on Cumulative Redeemable Preferred units	(2,335)	(1,554)	50.3%	(4,669)	(2,254)	107.1%
Minority interest in earnings	<u>(1,820)</u>	<u>(1,432)</u>	27.1%	<u>(3,356)</u>	<u>(2,642)</u>	27.0%
Total minority interests	<u>(4,155)</u>	<u>(2,986)</u>	39.1%	<u>(8,025)</u>	<u>(4,896)</u>	63.9%
NET INCOME	<u>\$10,796</u>	<u>\$9,785</u>	10.3%	<u>\$20,706</u>	<u>\$18,664</u>	10.9%
Weighted average shares outstanding - basic	27,629	27,407		27,631	26,325	
Weighted average shares outstanding - diluted	27,713	27,521		27,674	26,467	
NET INCOME PER COMMON SHARE:						
Income per common share - basic	<u>\$0.39</u>	<u>\$0.36</u>	8.3%	<u>\$0.75</u>	<u>\$0.71</u>	5.6%
Income per common share - diluted	<u>\$0.39</u>	<u>\$0.36</u>	8.3%	<u>\$0.75</u>	<u>\$0.71</u>	5.6%

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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,		
	1999	1998	% Change	1999	1998	% Change
FUNDS FROM OPERATIONS:						
Net income	\$10,796	\$9,785	10.3%	\$20,706	\$18,664	10.9%
Add:						
Minority interest in earnings	1,820	1,432	27.1%	3,356	2,642	27.0%
Depreciation and amortization	7,460	6,565	13.6%	14,677	12,419	18.2%
Other	<u>127</u>	<u>112</u>	13.4%	<u>254</u>	<u>230</u>	10.4%
Funds From Operations	<u>\$20,203</u>	<u>\$17,894</u>	12.9%	<u>\$38,993</u>	<u>\$33,955</u>	14.8%
Weighted average common shares/units outstanding - basic	32,302	31,385		32,109	30,039	
Weighted average common shares/units outstanding - diluted	32,386	31,499		32,151	30,181	
Funds From Operations per common share/unit - basic	<u>\$0.63</u>	<u>\$0.57</u>	10.5%	<u>\$1.21</u>	<u>\$1.13</u>	7.1%
Funds From Operations per common share/unit - diluted	<u>\$0.62</u>	<u>\$0.57</u>	8.8%	<u>\$1.21</u>	<u>\$1.13</u>	7.1%
FUNDS AVAILABLE FOR DISTRIBUTION:						
Funds From Operations	\$20,203	\$17,894	12.9%	\$38,993	\$33,955	14.8%
Adjustments:						
Amortization of deferred financing costs	269	299	(10.0%)	563	505	11.5%
Tenant improvements, leasing commissions and recurring capital expenditures	(849)	(937)	(9.4%)	(1,950)	(1,422)	37.1%
Net effect of straight-line rents	<u>(1,220)</u>	<u>(915)</u>	33.3%	<u>(2,609)</u>	<u>(1,572)</u>	66.0%
Funds Available for Distribution	<u>\$18,403</u>	<u>\$16,341</u>	12.6%	<u>\$34,997</u>	<u>\$31,466</u>	11.2%
Funds Available for Distribution per common share/unit - basic	<u>\$0.57</u>	<u>\$0.52</u>	9.6%	<u>\$1.09</u>	<u>\$1.05</u>	3.8%
Funds Available for Distribution per common share/unit - diluted	<u>\$0.57</u>	<u>\$0.52</u>	9.6%	<u>\$1.09</u>	<u>\$1.04</u>	4.8%

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Net Operating Income Breakdown

	Six Months Ended June 30, 1999
% OF TOTAL NOI BY PRODUCT TYPE:	
<i>Office:</i>	
Los Angeles	35.0%
Orange County	9.8%
San Diego	16.5%
Other	<u>7.4%</u>
Subtotal	68.7%
 <i>Industrial:</i>	
Los Angeles	3.7%
Orange County	18.8%
San Diego	2.0%
Other	<u>6.8%</u>
Subtotal	31.3%
 % OF TOTAL NOI BY REGION:	
Los Angeles	38.7%
Orange County	28.6%
San Diego	18.5%
Other	<u>14.2%</u>
Total	<u>100.0%</u>

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Same Store Analysis ⁽¹⁾

(\$ in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998	\$ Change	% Change	1999	1998	\$ Change	% Change
TOTAL SAME STORE PORTFOLIO:								
<i>Operating Revenues:</i>								
Rental revenues	\$24,680	\$23,631	\$1,049	4.4%	\$49,244	\$47,477	\$1,767	3.7%
Tenant reimbursements	3,222	3,326	(104)	(3.1%)	6,668	6,462	206	3.2%
Other property income	276	119	157	131.9%	322	250	72	28.8%
Total operating revenues	<u>28,178</u>	<u>27,076</u>	<u>1,102</u>	4.1%	<u>56,234</u>	<u>54,189</u>	<u>2,045</u>	3.8%
<i>Operating Expenses:</i>								
Property expense	3,720	3,789	(69)	(1.8%)	7,443	7,461	(18)	(0.2%)
Real estate taxes	2,082	2,011	71	3.5%	4,200	3,898	302	7.7%
Ground rent	290	278	12	4.3%	570	574	(4)	(0.7%)
Total operating expenses	<u>6,092</u>	<u>6,078</u>	<u>14</u>	0.2%	<u>12,213</u>	<u>11,933</u>	<u>280</u>	2.3%
<i>Net Operating Income</i>	<u>\$22,086</u>	<u>\$20,998</u>	<u>\$1,088</u>	5.2%	<u>\$44,021</u>	<u>\$42,256</u>	<u>\$1,765</u>	4.2%
<i>Average Occupancy</i>	<u>94.9%</u>	<u>95.1%</u>		(0.2%)	<u>95.5%</u>	<u>95.6%</u>		(0.1%)

(1) Same stores defined as all stabilized properties owned at January 1, 1998.

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Stabilized Portfolio Occupancy Overview

	# of Buildings	Square Feet			Occupancy at:		
		Total	Leased	Available	6/30/99	3/31/99	12/31/98
OCCUPANCY BY PRODUCT TYPE:							
<i>Office:</i>							
Los Angeles	27	2,418,339	2,297,473	120,866	95.0%	95.3%	95.6%
Orange County	27	1,021,882	814,684	207,198	79.7%	90.5%	92.9%
San Diego	23	1,660,352	1,606,040	54,312	96.7%	96.7%	100.0%
Other	<u>6</u>	<u>709,614</u>	<u>688,833</u>	<u>20,781</u>	97.1%	94.7%	91.1%
Subtotal	<u>83</u>	<u>5,810,187</u>	<u>5,407,030</u>	<u>403,157</u>	93.1%	94.8%	95.7%
<i>Industrial:</i>							
Los Angeles	8	679,736	667,067	12,669	98.1%	100.0%	99.0%
Orange County	62	3,946,531	3,836,883	109,648	97.2%	96.5%	95.4%
San Diego	3	199,351	199,351	-	100.0%	100.0%	100.0%
Other	<u>13</u>	<u>1,326,557</u>	<u>1,325,676</u>	<u>881</u>	99.9%	89.1%	95.6%
Subtotal	<u>86</u>	<u>6,152,175</u>	<u>6,028,977</u>	<u>123,198</u>	98.0%	95.4%	96.0%
OCCUPANCY BY REGION:							
Los Angeles	35	3,098,075	2,964,540	133,535	95.7%	96.3%	96.4%
Orange County	89	4,968,413	4,651,567	316,846	93.6%	95.3%	94.9%
San Diego	26	1,859,703	1,805,391	54,312	97.1%	97.1%	100.0%
Other	<u>19</u>	<u>2,036,171</u>	<u>2,014,509</u>	<u>21,662</u>	98.9%	91.0%	94.0%
TOTAL PORTFOLIO	<u>169</u>	<u>11,962,362</u>	<u>11,436,007</u>	<u>526,355</u>	95.6%	95.1%	95.9%

AVERAGE OCCUPANCY - STABILIZED PORTFOLIO			
	<u>Office</u>	<u>Industrial</u>	<u>Total</u>
2nd Quarter	93.9%	96.7%	95.3%
Year-to-Date	94.4%	97.0%	95.7%

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Leasing Activity

2nd Quarter

	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		2nd Generation				Weighted Average Lease Term (Mo.)	
					Maintenance					
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft.	Capex Per Sq. Ft. ⁽²⁾	Changes in Rents ⁽³⁾	Changes in Cash Rents ⁽⁴⁾		Retention Rates ⁽⁵⁾
Office	21	19	122,569	63,619	\$6.62	--	28.1%	7.7%	18.4%	80
Industrial	<u>19</u>	<u>15</u>	<u>278,389</u>	<u>120,096</u>	<u>\$2.82</u>	--	<u>19.8%</u>	<u>15.0%</u>	<u>66.5%</u>	58
Total	<u>40</u>	<u>34</u>	<u>400,958</u>	<u>183,715</u>	<u>\$3.89</u>	==	<u>23.7%</u>	<u>11.4%</u>	<u>37.9%</u>	65

Year to Date

	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		2nd Generation				Weighted Average Lease Term (Mo.)	
					Maintenance					
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft.	Capex Per Sq. Ft. ⁽²⁾	Changes in Rents ⁽³⁾	Changes in Cash Rents ⁽⁴⁾		Retention Rates ⁽⁵⁾
Office	39	40	335,075	324,204	\$4.30	\$0.06	42.3%	22.3%	49.1%	71
Industrial	<u>43</u>	<u>30</u>	<u>388,191</u>	<u>270,365</u>	<u>\$2.14</u>	--	<u>16.7%</u>	<u>11.9%</u>	<u>58.6%</u>	53
Total	<u>82</u>	<u>70</u>	<u>723,266</u>	<u>594,569</u>	<u>\$3.18</u>	<u>\$0.03</u>	<u>33.6%</u>	<u>19.0%</u>	<u>53.0%</u>	62

(1) Includes first and second generation space, net of month-to-month leases. Excludes leasing on new construction. First generation space is defined as the space first leased by the Company.

(2) Calculated over entire stabilized portfolio.

(3) Calculated as the change between GAAP rents for new/renewed leases and the expiring GAAP rents for the same space.

(4) Calculated as the change between stated rents for new/renewed leases and the expiring stated rents for the same space.

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

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Lease Expiration Schedule
(\$ in thousands)

<u>Year of Expiration</u>	<u># of Expiring Leases</u>	<u>Total Square Feet</u>	<u>% of Total Leased Sq. Ft.</u>	<u>Annual Base Rent</u>	<u>Annual Rent per Sq. Ft.</u>
OFFICE:					
Remaining 1999	43	272,919	5.0%	\$6,364	\$23.32
2000	83	382,368	6.9%	7,337	19.19
2001	85	1,048,008	19.0%	15,211	14.51
2002	55	583,378	10.6%	8,892	15.24
2003	35	218,413	4.0%	3,755	17.19
2004	31	607,472	11.0%	13,485	22.20
2005	16	664,610	12.1%	9,323	14.03
2006	10	338,762	6.1%	5,986	17.67
2007	9	511,203	9.3%	7,985	15.62
2008 and Beyond	<u>15</u>	<u>882,336</u>	<u>16.0%</u>	<u>15,715</u>	<u>17.81</u>
Subtotal	<u>382</u>	<u>5,509,469</u>	<u>100.0%</u>	<u>\$94,053</u>	<u>\$17.07</u>
INDUSTRIAL:					
Remaining 1999	39	224,084	3.9%	\$1,465	\$6.54
2000	80	975,146	16.8%	7,376	7.56
2001	58	911,871	15.7%	5,433	5.96
2002	24	176,047	3.0%	1,599	9.08
2003	28	779,872	13.4%	5,508	7.06
2004	11	520,280	8.9%	3,878	7.45
2005	5	327,757	5.6%	2,394	7.30
2006	7	571,680	9.8%	4,075	7.13
2007	2	135,885	2.3%	1,081	7.96
2008 and Beyond	<u>13</u>	<u>1,192,243</u>	<u>20.5%</u>	<u>8,718</u>	<u>7.31</u>
Subtotal	<u>267</u>	<u>5,814,865</u>	<u>100.0%</u>	<u>\$41,527</u>	<u>\$7.14</u>
TOTAL PORTFOLIO:					
Remaining 1999	82	497,003	4.4%	\$7,829	\$15.75
2000	163	1,357,514	12.0%	14,713	10.84
2001	143	1,959,879	17.3%	20,644	10.53
2002	79	759,425	6.7%	10,491	13.81
2003	63	998,285	8.8%	9,263	9.28
2004	42	1,127,752	10.0%	17,363	15.40
2005	21	992,367	8.8%	11,717	11.81
2006	17	910,442	8.0%	10,061	11.05
2007	11	647,088	5.7%	9,066	14.01
2008 and Beyond	<u>28</u>	<u>2,074,579</u>	<u>18.3%</u>	<u>24,433</u>	<u>11.78</u>
Total	<u>649</u>	<u>11,324,334</u>	<u>100.0%</u>	<u>\$135,580</u>	<u>\$11.97</u>

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1999 Acquisitions (*\$ in thousands*)

<u>Project</u>	<u>Location</u>	<u>Type</u>	<u>Month of Acquisition</u>	<u>Square Feet</u>	<u>Estimated Investment</u>	<u>Occupancy</u>
1st QUARTER:						
9785 & 9791 Towne Center Drive	San Diego, CA	Office	March	<u>126,000</u>	<u>\$21,070</u>	<u>100%</u>
2nd QUARTER:						
None						
TOTAL YEAR-TO-DATE ACQUISITIONS				<u>126,000</u>	<u>\$21,070</u>	<u>100%</u>

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Stabilized Development (*\$ in thousands*)

Project	Location	Type	Start Date	Completion Date	Rentable Square Feet	Total Est. Investment	Occupancy
1st QUARTER:							
None							
2nd QUARTER:							
Intuit Expansion	San Diego, CA	Office	3Q 1998	2Q 1999	<u>71,000</u>	<u>\$8,536</u>	<u>100%</u>
TOTAL YEAR-TO-DATE DEVELOPMENTS STABILIZED					<u>71,000</u>	<u>\$8,536</u>	<u>100%</u>

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In-Process and Committed Development Projects

(\$ in thousands)

Project	Location	Type	Est. Construction Period		Est. Stabilization Date ⁽²⁾	Square Feet	Estimated Investment	% Committed ⁽³⁾
			Start Date	Finish Date				
PROJECTS IN LEASE-UP:								
Kilroy Airport Center, Long Beach - 5 Story	Long Beach, CA	Office	1Q 1998	1Q 1999	4Q 1999	136,026	\$22,336	100%
Anaheim Technology Center - Phase I	Anaheim, CA	Industrial	3Q 1997	4Q 1998	4Q 1999	379,278	21,450	100%
Anaheim Technology Center - Phase II	Anaheim, CA	Industrial	4Q 1998	2Q 1999	3Q 1999	211,442	14,932	100%
Brea Industrial Complex	Brea, CA	Industrial	3Q 1998	1Q 1999	4Q 1999	178,500	12,603	71%
San Diego Corporate Center	Del Mar, CA	Office	4Q 1998	2Q 1999	3Q 1999	<u>39,336</u>	<u>6,225</u>	100%
Subtotal						<u>944,582</u>	<u>\$77,546</u>	95%
PROJECTS UNDER CONSTRUCTION:								
Kilroy Airport Center, Long Beach - 7 Story	Long Beach, CA	Office	2Q 1999	3Q 2000	3Q 2001	191,762	\$30,982	74%
Westside Media Center - Phase II	West LA, CA	Office	2Q 1999	2Q 2000	3Q 2001	151,000	41,935	0%
Calabasas Park Center - Phase I	Calabasas, CA	Office	3Q 1999	3Q 2000	1Q 2001	101,646	17,651	49%
Brobeck, Phleger & Harrison	Del Mar, CA	Office	1Q 1999	1Q 2000	1Q 2000	72,332	15,531	100%
Peregrine Systems Corporate Ctr - Bld. 1 ⁽¹⁾	Del Mar, CA	Office	4Q 1998	4Q 1999	4Q 1999	52,375	10,402	100%
Peregrine Systems Corporate Ctr - Bld. 2 ⁽¹⁾	Del Mar, CA	Office	2Q 1999	2Q 2000	2Q 2000	129,680	26,429	100%
Sorrento Gateway - Phase 1 ⁽¹⁾	San Diego, CA	Office	4Q 1998	3Q 1999	3Q 1999	<u>172,778</u>	<u>28,313</u>	100%
Subtotal						<u>871,573</u>	<u>\$171,243</u>	71%
TOTAL PROJECTS IN LEASE UP AND UNDER CONSTRUCTION						<u>1,816,155</u>	<u>\$248,789</u>	83%
COMMITTED DEVELOPMENT:								
Sorrento Rim - Parcel C	San Diego, CA	Office	3Q 2000	2Q 2001	2Q 2001	58,000	\$8,392	100%
Peregrine Systems Corporate Ctr - Bld. 3 ⁽¹⁾	Del Mar, CA	Office	2Q 2000	2Q 2001	2Q 2002	127,853	27,493	100%
Peregrine Systems Corporate Ctr - Bld. 5 ⁽¹⁾	Del Mar, CA	Office	3Q 1999	3Q 2000	3Q 2000	<u>112,067</u>	<u>22,749</u>	100%
Subtotal						<u>297,920</u>	<u>\$58,634</u>	100%
TOTAL IN-PROCESS AND COMMITTED DEVELOPMENT PROJECTS						<u>2,114,075</u>	<u>\$307,423</u>	86%

(1) Project is being developed by an LLC in which the Company holds a 50% managing interest. The estimated investment figure includes the capital required to purchase the remaining 50% interest in the project.

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

(3) Includes executed leases and signed letters of intent calculated on a square footage basis.

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Future Development Pipeline (*\$ in thousands*)

Project	Location	Type	Square Feet	Estimated Investment
LOS ANGELES COUNTY:				
Westside MediaCenter - Phase III	West LA, CA	Office	151,000	\$44,020
Calabasas - Phase II	Calabasas, CA	Office	98,630	18,100
Calabasas - Phase III	Calabasas, CA	Office	<u>6,942</u>	<u>1,322</u>
Subtotal			<u>256,572</u>	<u>\$63,442</u>
SAN DIEGO COUNTY:				
Carmel Mountain Technology Center	San Diego, CA	Office	103,000	\$15,056
Kilroy Carmel Center - Bld 4 ⁽¹⁾	San Diego, CA	Office	118,061	27,228
McKellar Corporate Center	San Diego, CA	Office	65,000	8,496
Pacific Corporate Center - Lots 25 & 27	San Diego, CA	Office	63,620	9,776
Pacific Corporate Center - Lots 3,4&6	San Diego, CA	Office	220,000	30,484
Pacific Corporate Center - Lot 8	San Diego, CA	Office	82,700	12,321
Sorrento Gateway - Dataworks Phase II ⁽¹⁾	San Diego, CA	Office	57,000	10,395
Sorrento Gateway - Lot 1	San Diego, CA	Office	50,000	7,036
Sorrento Gateway - Lot 2 ⁽¹⁾	San Diego, CA	Office	71,000	11,305
Sorrento Gateway - Lot 3 ⁽¹⁾	San Diego, CA	Office	54,600	9,039
Sorrento Gateway - Lots 4 & 5 ⁽¹⁾	San Diego, CA	Office	109,000	17,516
Sorrento Rim Business Park II	San Diego, CA	Office	<u>123,700</u>	<u>17,478</u>
			<u>1,117,681</u>	<u>\$176,130</u>
TOTAL FUTURE DEVELOPMENT PIPELINE			<u>1,374,253</u>	<u>\$239,572</u>

(1) Project is being developed by an LLC in which the Company holds a 50% interest. The estimated investment figure includes the capital required to purchase the remaining 50% interest in the project.

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Capital Structure At June 30, 1999 (\$ in thousands)

	Shares/Units at June 30, 1999	Aggregate Principal Amount or \$ Value Equivalent	% of Total Market Capitalization
DEBT:			
Line of Credit		\$252,500	18.2%
Mortgage Loans		<u>237,798</u>	<u>17.1%</u>
Total Debt		<u>\$490,298</u>	<u>35.3%</u>
EQUITY:			
8.075% Series A Cumulative Redeemable Preferred Units ⁽¹⁾	1,500,000	\$75,000	5.4%
9.375% Series C Cumulative Redeemable Preferred Units ⁽¹⁾	700,000	35,000	2.5%
Common Units Outstanding ⁽²⁾	4,672,902	113,902	8.2%
Common Shares Outstanding ⁽²⁾	27,629,210	<u>673,462</u>	<u>48.5%</u>
Total Equity		<u>\$897,364</u>	<u>64.7%</u>
TOTAL MARKET CAPITALIZATION		<u>\$1,387,662</u>	<u>100.0%</u>

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

(2) Valued based on closing share price of \$24 3/8 at June 30, 1999.

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Debt Analysis

At June 30, 1999
(\$ in thousands)

MORTGAGE DEBT MATURITY SCHEDULE						
1999	2000	2001	2002	2003	Thereafter	Total
\$2,163	\$4,825	\$5,115	\$5,637	\$6,092	\$213,966	\$237,798

DEBT COMPOSITION			
	% of	Weighted Average	
	Total Debt	Interest Rate	Maturity
<i>Secured vs. Unsecured Debt:</i>			
Secured Debt	48.5%	7.8%	9.6
Unsecured Debt	51.5%	6.3%	0.6
<i>Floating vs. Fixed Rate Debt:</i>			
Fixed Rate Debt	48.5%	7.8%	9.6
Floating Rate Debt ⁽¹⁾	51.5%	6.3%	0.6
Total Debt		7.0%	4.9

UNSECURED LINE OF CREDIT		
Total Line	Outstanding Balance	Expiration Date
\$350,000	\$252,500	February 2000

(1) The Company currently has a \$150 million interest rate cap on its floating rate debt.