



## **First Quarter 2011 Supplemental Financial Report**

*Some of the enclosed information presented in this supplemental and on the Company's May 3, 2011 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, our ability to complete and successfully integrate pending and recent acquisitions, 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, 2010. In light of these risks, uncertainties and assumptions, the forward-looking events contained in this supplemental information and on the Company's May 3, 2011 conference call might not occur.*

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

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# Kilroy Realty Corporation

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### Company Background

Kilroy Realty Corporation (NYSE: **KRC**), a member of the S&P Small Cap 600 Index, is a real estate investment trust active in the premier office and industrial submarkets along the West Coast. The Company owns, develops, acquires and manages real estate assets primarily in the coastal regions of Los Angeles, Orange County, San Diego County, greater Seattle, and the San Francisco Bay Area. As of March 31, 2011, the Company's stabilized portfolio consisted of 101 office buildings and 40 industrial buildings, which encompassed an aggregate of 10.5 million and 3.6 million rentable square feet, respectively, and was 90.8% occupied.

#### Board of Directors

|                          |                 |
|--------------------------|-----------------|
| John B. Kilroy, Sr.      | <i>Chairman</i> |
| Edward F. Brennan, Ph.D. |                 |
| William P. Dickey        |                 |
| Scott S. Ingraham        |                 |
| John B. Kilroy, Jr.      |                 |
| Dale F. Kinsella         |                 |

#### Senior Management

|                     |  |
|---------------------|--|
| John B. Kilroy, Jr. | <i>President and CEO</i>                   |
| Chris Corpuz        | <i>Executive VP, Strategic Initiatives</i> |
| Jeffrey C. Hawken   | <i>Executive VP and COO</i>                |
| Eli Khouri          | <i>Executive VP and CIO</i>                |
| Tyler H. Rose       | <i>Executive VP and CFO</i>                |
| John T. Fucci       | <i>Sr. VP, Asset Management</i>            |
| Heidi R. Roth       | <i>Sr. VP and Controller</i>               |
| Steve Scott         | <i>Sr. VP, San Diego</i>                   |
| Justin W. Smart     | <i>Sr. VP, Development</i>                 |

#### Investor Relations

12200 W. Olympic Blvd., Suite 200  
 Los Angeles, CA 90064  
 (310) 481-8400  
 Web: [www.kilroyrealty.com](http://www.kilroyrealty.com)  
 E-mail: [investorrelations@kilroyrealty.com](mailto:investorrelations@kilroyrealty.com)

#### Equity Research Coverage

##### Bank of America Merrill Lynch

James Feldman (646) 855-5808

##### Citigroup Investment Research

Michael Bilerman (212) 816-1383

##### Cowen and Company

James Sullivan (646) 562-1380

##### Credit Suisse Group

Andrew Rosivach (415) 249-7942

##### Deutsche Bank Securities, Inc.

John N. Perry (212) 250-4912

##### FBR Capital Markets

Srikanth Nagarajan (646) 885-5429

##### Green Street Advisors

Michael Knott (949) 640-8780

##### ISI Group

Steve Sakwa (212) 446-9462

##### JMP Securities

Mitch Germain (212) 906-3546

##### J.P. Morgan

Anthony Paolone (212) 622-6682

##### RBC Capital Markets

Dave Rodgers (440) 715-2647

##### Robert W. Baird & Company

David Aubuchon (314) 863-4235

##### Stifel, Nicolaus & Company

John W. Guinee III (443) 224-1307

##### UBS Investment Research

Ross T. Nussbaum (212) 713-2484

*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.*

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Financial Highlights

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

|   | Three Months Ended |              |              |              |              |
|---|--------------------|--------------|--------------|--------------|--------------|
|   | 3/31/2011          | 12/31/2010   | 9/30/2010    | 6/30/2010    | 3/31/2010    |
| <b>INCOME ITEMS (Including Discontinued Operations):</b>                      |                    |              |              |              |              |
| Revenues  | \$ 88,125          | \$ 82,941    | \$ 79,804    | \$ 72,416    | \$ 66,819    |
| Net Operating Income <sup>(1)</sup>   | 61,902             | 59,804       | 56,866       | 51,033       | 48,795       |
| Capitalized Interest and Debt Costs   | 1,979              | 1,932        | 2,690        | 2,810        | 2,584        |
| Net Income (Loss) Available to Common Stockholders                            | 1,034              | 1,535        | (126)        | (1,783)      | 4,886        |
| EBITDA <sup>(1)(2)</sup>  | 55,054             | 52,574       | 49,576       | 43,330       | 41,771       |
| Funds From Operations <sup>(1)(3)(4)</sup>                                    | 30,127             | 29,485       | 29,690       | 21,658       | 25,806       |
| Funds Available for Distribution <sup>(1)(3)(4)</sup>                         | 19,843             | 15,919       | 14,760       | 10,695       | 13,791       |
| Net Income (Loss) Available to Common Stockholders per common share - diluted | \$ 0.01            | \$ 0.02      | \$ (0.01)    | \$ (0.04)    | \$ 0.11      |
| Funds From Operations per common share - diluted                              | \$ 0.55            | \$ 0.54      | \$ 0.54      | \$ 0.41      | \$ 0.57      |
| Dividends per share   | \$ 0.35            | \$ 0.35      | \$ 0.35      | \$ 0.35      | \$ 0.35      |
| <b>RATIOS (Including Discontinued Operations):</b>                            |                    |              |              |              |              |
| Operating Margins   | 70.2%              | 72.1%        | 71.3%        | 70.5%        | 73.0%        |
| Interest Coverage Ratio <sup>(5)</sup>  | 2.9x               | 3.1x         | 3.4x         | 3.5x         | 3.8x         |
| Fixed Charge Coverage Ratio <sup>(6)</sup>                                    | 2.4x               | 2.5x         | 2.7x         | 2.7x         | 2.8x         |
| FFO Payout Ratio <sup>(7)</sup>   | 62.9%              | 64.2%        | 63.7%        | 87.3%        | 60.8%        |
| FAD Payout Ratio <sup>(8)</sup>   | 95.5%              | 118.9%       | 128.0%       | 176.8%       | 113.7%       |
| <b>ASSETS:</b>  |                    |              |              |              |              |
| Real Estate Held for Investment before Depreciation                           | \$ 3,266,197       | \$ 3,216,871 | \$ 2,964,429 | \$ 2,953,609 | \$ 2,556,303 |
| Total Assets  | 2,841,933          | 2,816,565    | 2,535,684    | 2,556,509    | 2,112,242    |
| <b>CAPITALIZATION:</b>  |                    |              |              |              |              |
| Total Debt <sup>(9)</sup>   | \$ 1,482,553       | \$ 1,451,152 | \$ 1,174,421 | \$ 1,181,970 | \$ 1,031,514 |
| Total Preferred Equity and Noncontrolling Interests <sup>(9)</sup>            | 201,500            | 201,500      | 201,500      | 201,500      | 201,500      |
| Total Common Equity and Noncontrolling Interests <sup>(9)</sup>               | 2,102,354          | 1,972,035    | 1,791,973    | 1,605,996    | 1,382,129    |
| Total Market Capitalization <sup>(9)</sup>                                    | 3,786,407          | 3,624,687    | 3,167,894    | 2,989,466    | 2,615,143    |
| Total Debt / Total Market Capitalization <sup>(9)</sup>                       | 39.2%              | 40.2%        | 37.1%        | 39.6%        | 39.4%        |
| Total Debt and Preferred / Total Market Capitalization <sup>(9)</sup>         | 44.6%              | 45.8%        | 43.5%        | 46.3%        | 47.1%        |

(1) Please refer to pages 30 and 31 for Management Statements on Net Operating Income, EBITDA, Funds From Operations and Funds Available for Distribution.

(2) Please refer to page 33 for a reconciliation of GAAP Net Income Available to Common Stockholders to EBITDA.

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

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

(5) Calculated as EBITDA divided by interest expense (excluding amortization of deferred debt costs and debt discounts).

(6) Calculated as EBITDA divided by interest expense (excluding amortization of deferred debt costs and debt discounts), current year accrued preferred dividends and distributions on Cumulative Redeemable Preferred units.

(7) Calculated as current-quarter dividends accrued to common stockholders and common unitholders (excluding dividend equivalents accrued to restricted stock unitholders) divided by Funds From Operations.

(8) Calculated as current-quarter dividends accrued to common stockholders and common unitholders (excluding dividend equivalents accrued to restricted stock unitholders) divided by Funds Available for Distribution.

(9) See "Capital Structure" on page 26.

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### Common Stock Data (NYSE: KRC)

|  | Three Months Ended |               |               |               |               |
|--|--------------------|---------------|---------------|---------------|---------------|
|  | 3/31/2011          | 12/31/2010    | 9/30/2010     | 6/30/2010     | 3/31/2010     |
| High Price   | \$ 39.24           | \$ 36.72      | \$ 34.39      | \$ 36.72      | \$ 32.60      |
| Low Price  | \$ 36.61           | \$ 32.64      | \$ 27.54      | \$ 29.73      | \$ 26.75      |
| Closing Price  | \$ 38.83           | \$ 36.47      | \$ 33.14      | \$ 29.73      | \$ 30.84      |
| Dividends per share - annualized                           | \$ 1.40            | \$ 1.40       | \$ 1.40       | \$ 1.40       | \$ 1.40       |
| Closing common shares (in 000's) <sup>(1)(2)</sup>         | 52,419             | 52,350        | 52,350        | 52,296        | 43,093        |
| Closing common partnership units (in 000's) <sup>(1)</sup> | 1,723              | 1,723         | 1,723         | 1,723         | 1,723         |
|  | <u>54,142</u>      | <u>54,073</u> | <u>54,073</u> | <u>54,019</u> | <u>44,816</u> |

(1) As of the end of the period.

(2) Does not include 6,037,500 shares of common stock the Company issued in an underwritten public offering in April 2011 at \$38.25 per share.

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### Consolidated Balance Sheets

(unaudited, \$ in thousands)

|   | 3/31/2011           | 12/31/2010          | 9/30/2010           | 6/30/2010           | 3/31/2010           |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS:</b>  |                     |                     |                     |                     |                     |
| Land and improvements   | \$ 498,963          | \$ 491,333          | \$ 432,289          | \$ 434,792          | \$ 338,684          |
| Buildings and improvements  | 2,470,989           | 2,435,173           | 2,245,618           | 2,247,549           | 1,950,408           |
| Undeveloped land and construction in progress                                     | 296,245             | 290,365             | 286,522             | 271,268             | 267,211             |
| Total real estate held for investment   | 3,266,197           | 3,216,871           | 2,964,429           | 2,953,609           | 2,556,303           |
| Accumulated depreciation and amortization   | (695,548)           | (672,429)           | (652,675)           | (644,246)           | (623,981)           |
| Total real estate assets, net   | 2,570,649           | 2,544,442           | 2,311,754           | 2,309,363           | 1,932,322           |
| Cash and cash equivalents   | 6,708               | 14,840              | 8,313               | 29,428              | 10,736              |
| Restricted cash   | 1,899               | 1,461               | 3,265               | 3,485               | 32                  |
| Marketable securities   | 5,425               | 4,902               | 4,481               | 4,087               | 4,226               |
| Current receivables, net  | 4,816               | 6,258               | 4,055               | 3,739               | 2,913               |
| Deferred rent receivables, net  | 93,392              | 89,052              | 83,563              | 79,813              | 76,406              |
| Note receivable   | —                   | —                   | —                   | 10,603              | 10,641              |
| Deferred leasing costs and acquisition-related intangible assets, net             | 129,578             | 131,066             | 96,691              | 98,466              | 56,570              |
| Deferred financing costs, net   | 15,742              | 16,447              | 14,574              | 10,078              | 7,651               |
| Prepaid expenses and other assets, net  | 13,724              | 8,097               | 8,988               | 7,447               | 10,745              |
| <b>TOTAL ASSETS</b>   | <b>\$ 2,841,933</b> | <b>\$ 2,816,565</b> | <b>\$ 2,535,684</b> | <b>\$ 2,556,509</b> | <b>\$ 2,112,242</b> |
| <b>LIABILITIES, NONCONTROLLING INTEREST AND EQUITY:</b>                           |                     |                     |                     |                     |                     |
| <i>Liabilities:</i>   |                     |                     |                     |                     |                     |
| Secured debt, net   | \$ 446,539          | \$ 313,009          | \$ 315,150          | \$ 316,570          | \$ 267,014          |
| Exchangeable senior notes, net  | 301,652             | 299,964             | 298,295             | 296,660             | 438,749             |
| Unsecured senior notes, net   | 655,866             | 655,803             | 330,941             | 391,888             | 144,000             |
| Unsecured line of credit  | 57,000              | 159,000             | 205,000             | 150,000             | 150,000             |
| Accounts payable, accrued expenses and other liabilities                          | 78,847              | 68,525              | 66,814              | 57,792              | 58,333              |
| Accrued distributions   | 20,443              | 20,385              | 20,383              | 20,395              | 17,167              |
| Deferred revenue and acquisition-related intangible liabilities, net              | 78,992              | 79,322              | 68,251              | 71,651              | 65,655              |
| Rents received in advance and tenant security deposits                            | 26,433              | 29,189              | 23,776              | 25,849              | 23,654              |
| Total liabilities   | 1,665,772           | 1,625,197           | 1,328,610           | 1,330,805           | 1,164,572           |
| <i>Noncontrolling Interest:</i>   |                     |                     |                     |                     |                     |
| 7.45% Series A Cumulative Redeemable Preferred units of the Operating Partnership | 73,638              | 73,638              | 73,638              | 73,638              | 73,638              |
| <i>Equity:</i>  |                     |                     |                     |                     |                     |
| <i>Stockholders' Equity</i>   |                     |                     |                     |                     |                     |
| 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  | 524                 | 523                 | 523                 | 523                 | 431                 |
| Additional paid-in capital  | 1,214,463           | 1,211,498           | 1,209,673           | 1,208,716           | 914,766             |
| Distributions in excess of earnings   | (264,848)           | (247,252)           | (230,215)           | (211,555)           | (191,190)           |
| Total stockholders' equity  | 1,071,721           | 1,086,351           | 1,101,563           | 1,119,266           | 845,589             |
| <i>Noncontrolling Interest</i>  |                     |                     |                     |                     |                     |
| Common units of the Operating Partnership   | 30,802              | 31,379              | 31,873              | 32,800              | 28,443              |
| Total equity  | 1,102,523           | 1,117,730           | 1,133,436           | 1,152,066           | 874,032             |
| <b>TOTAL LIABILITIES, NONCONTROLLING INTEREST AND EQUITY</b>                      | <b>\$ 2,841,933</b> | <b>\$ 2,816,565</b> | <b>\$ 2,535,684</b> | <b>\$ 2,556,509</b> | <b>\$ 2,112,242</b> |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Consolidated Statements of Operations

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

|  | <b>Three Months Ended March 31,</b> |                 |                 |
|--|-------------------------------------|-----------------|-----------------|
|  | <b>2011</b>                         | <b>2010</b>     | <b>% Change</b> |
| <b>REVENUES:</b>   |                                     |                 |                 |
| Rental income  | \$ 80,290                           | \$ 60,656       | 32.4 %          |
| Tenant reimbursements  | 6,422                               | 5,718           | 12.3 %          |
| Other property income  | 1,413                               | 445             | 217.5 %         |
| Total revenues   | <u>88,125</u>                       | <u>66,819</u>   | 31.9 %          |
| <b>EXPENSES:</b>   |                                     |                 |                 |
| Property expenses  | 17,689                              | 12,020          | 47.2 %          |
| Real estate taxes  | 8,169                               | 6,036           | 35.3 %          |
| Provision for bad debts  | 26                                  | 26              | — %             |
| Ground leases  | 339                                 | (58)            | 684.5 %         |
| General and administrative expenses  | 6,560                               | 7,095           | (7.5)%          |
| Acquisition-related expenses   | 472                                 | 313             | 50.8 %          |
| Depreciation and amortization  | 29,311                              | 20,938          | 40.0 %          |
| Total expenses   | <u>62,566</u>                       | <u>46,370</u>   | 34.9 %          |
| <b>OTHER (EXPENSES) INCOME:</b>  |                                     |                 |                 |
| Interest income and other net investment gains   | 184                                 | 384             | (52.1)%         |
| Interest expense   | (20,876)                            | (11,956)        | 74.6 %          |
| Total other (expenses) income  | <u>(20,692)</u>                     | <u>(11,572)</u> | 78.8 %          |
| <b>NET INCOME</b>  | 4,867                               | 8,877           | (45.2)%         |
| Net income attributable to noncontrolling common units of the Operating Partnership                | (34)                                | (192)           | (82.3)%         |
| <b>NET INCOME ATTRIBUTABLE TO KILROY REALTY CORPORATION</b>  | <u>4,833</u>                        | <u>8,685</u>    | (44.4)%         |
| <b>PREFERRED DISTRIBUTIONS AND DIVIDENDS:</b>  |                                     |                 |                 |
| Distributions on noncontrolling cumulative redeemable preferred units of the Operating Partnership | (1,397)                             | (1,397)         | — %             |
| Preferred dividends  | (2,402)                             | (2,402)         | — %             |
| Total preferred distributions and dividends  | <u>(3,799)</u>                      | <u>(3,799)</u>  | — %             |
| <b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>   | <u>\$ 1,034</u>                     | <u>\$ 4,886</u> | (78.8)%         |
| Weighted average common shares outstanding - basic   | 52,302                              | 43,012          | 21.6 %          |
| Weighted average common shares outstanding - diluted   | 52,573                              | 43,015          | 22.2 %          |
| <b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS PER SHARE</b>                                       |                                     |                 |                 |
| Net income available to common stockholders per share - basic                                      | <u>\$ 0.01</u>                      | <u>\$ 0.11</u>  | (87.3)%         |
| Net income available to common stockholders per share - diluted                                    | <u>\$ 0.01</u>                      | <u>\$ 0.11</u>  | (87.4)%         |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Funds From Operations and Funds Available for Distribution

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

|   | Three Months Ended March 31, |                  | % Change  |
|---|------------------------------|------------------|-----------|
|   | 2011                         | 2010             |           |
| <b>FUNDS FROM OPERATIONS: <sup>(1)</sup></b>  |                              |                  |           |
| Net income available to common stockholders   | \$ 1,034                     | \$ 4,886         | (78.8)%   |
| Adjustments:  |                              |                  |           |
| Net income attributable to noncontrolling common units of the Operating Partnership | 34                           | 192              | (82.3)%   |
| Depreciation and amortization of real estate assets                                 | 29,059                       | 20,728           | 40.2 %    |
| Funds From Operations <sup>(2)</sup>  | <u>\$ 30,127</u>             | <u>\$ 25,806</u> | 16.7 %    |
| Weighted average common shares/units outstanding - basic <sup>(3)</sup>             | 54,902                       | 45,554           | 20.5 %    |
| Weighted average common shares/units outstanding - diluted <sup>(3)</sup>           | 55,173                       | 45,557           | 21.1 %    |
| FFO per common share/unit - basic <sup>(2)</sup>                                    | <u>\$ 0.55</u>               | <u>\$ 0.57</u>   | (3.1)%    |
| FFO per common share/unit - diluted <sup>(2)</sup>                                  | <u>\$ 0.55</u>               | <u>\$ 0.57</u>   | (3.6)%    |
| <b>FUNDS AVAILABLE FOR DISTRIBUTION: <sup>(1)</sup></b>                             |                              |                  |           |
| Funds From Operations <sup>(2)</sup>  | \$ 30,127                    | \$ 25,806        | 16.7 %    |
| Adjustments:  |                              |                  |           |
| Tenant improvements, leasing commissions and recurring capital expenditures         | (7,971)                      | (11,961)         | (33.4)%   |
| Amortization of deferred revenue related to tenant improvements <sup>(4)</sup>      | (2,326)                      | (2,352)          | (1.1)%    |
| Net effect of straight-line rents <sup>(5)</sup>                                    | (4,340)                      | (2,014)          | 115.5 %   |
| Amortization of other deferred revenue, net <sup>(6)</sup>                          | (119)                        | (50)             | 138.0 %   |
| Amortization of net above (below) market rents <sup>(7)</sup>                       | 653                          | (28)             | 2,432.1 % |
| Noncash amortization of exchangeable debt discount, net <sup>(8)</sup>              | 1,436                        | 1,726            | (16.8)%   |
| Amortization of deferred financing costs and debt discounts                         | 1,277                        | 958              | 33.3 %    |
| Noncash amortization of share-based compensation awards                             | 1,106                        | 1,706            | (35.2)%   |
| Funds Available for Distribution <sup>(2)</sup>                                     | <u>\$ 19,843</u>             | <u>\$ 13,791</u> | 43.9 %    |

(1) See page 31 for Management Statements on Funds From Operations and Funds Available for Distribution.

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

(3) Calculated based on weighted average shares outstanding including participating share-based awards (i.e. restricted stock units) and assuming the exchange of all common limited partnership units outstanding.

(4) Represents revenue recognized during the period as a result of the amortization of deferred revenue recorded for tenant-funded tenant improvements.

(5) 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 and the provision for bad debts recorded for deferred rent receivable balances.

(6) Represents amortization of deferred revenue related to cash received prior to or during the revenue recognition period in connection with tenants' contractual lease obligations, net of such amounts received.

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

(8) Represents the amortization of the noncash debt discounts on the Company's exchangeable senior notes, net of amounts capitalized.



# Kilroy Realty Corporation

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### Same Store Analysis <sup>(1)</sup> (unaudited, \$ in thousands)

| Same Store Analysis (GAAP Basis)  |                              |                  |              |
|-----------------------------------|------------------------------|------------------|--------------|
|                                   | Three Months Ended March 31, |                  |              |
|                                   | 2011                         | 2010             | % Change     |
| <b>Total Same Store Portfolio</b> |                              |                  |              |
| Number of properties              | 130                          | 130              |              |
| Square Feet                       | 11,924,551                   | 11,924,551       |              |
| Percent of Stabilized Portfolio   | 84.6%                        | 100.0%           |              |
| Average Occupancy                 | 90.6%                        | 82.4%            |              |
| <b>Operating Revenues:</b>        |                              |                  |              |
| Rental income                     | \$ 62,414                    | \$ 59,056        | 5.7%         |
| Tenant reimbursements             | 5,419                        | 5,315            | 2.0%         |
| Other property income             | 1,359                        | 445              | 205.4%       |
| <b>Total operating revenues</b>   | <b>69,192</b>                | <b>64,816</b>    | <b>6.8%</b>  |
| <b>Operating Expenses:</b>        |                              |                  |              |
| Property expenses                 | 13,057                       | 11,404           | 14.5%        |
| Real estate taxes                 | 5,856                        | 5,640            | 3.8%         |
| Provision for bad debts           | 26                           | 26               | 0.0%         |
| Ground leases                     | 335                          | (61)             | 649.2%       |
| <b>Total operating expenses</b>   | <b>19,274</b>                | <b>17,009</b>    | <b>13.3%</b> |
| <b>GAAP Net Operating Income</b>  | <b>\$ 49,918</b>             | <b>\$ 47,807</b> | <b>4.4%</b>  |

  

| Same Store Analysis (Cash Basis) |                              |                  |             |
|----------------------------------|------------------------------|------------------|-------------|
|                                  | Three Months Ended March 31, |                  |             |
|                                  | 2011                         | 2010             | % Change    |
| Total operating revenues         | \$ 63,313                    | \$ 60,426        | 4.8%        |
| Total operating expenses         | 19,248                       | 16,983           | 13.3%       |
| <b>Cash Net Operating Income</b> | <b>\$ 44,065</b>             | <b>\$ 43,443</b> | <b>1.4%</b> |

- (1) Same store defined as all stabilized properties owned as of January 1, 2010 and still owned and in the stabilized portfolio as of March 31, 2011.
- (2) Please refer to page 32 for a reconciliation of the Same Store measures on this page to Net Income Available to Common Stockholders.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

|                                   | Portfolio Breakdown |                                 |                      |                          | Occupancy at: <sup>(1)</sup> |              |              |
|-----------------------------------|---------------------|---------------------------------|----------------------|--------------------------|------------------------------|--------------|--------------|
|                                   | # of Buildings      | Year-to-Date NOI <sup>(2)</sup> | Sq. Ft.              | Total Square Feet        | 3/31/2011                    | 12/31/2010   | 9/30/2010    |
| <b>STABILIZED PORTFOLIO:</b>      |                     |                                 |                      |                          |                              |              |              |
| <b>OCCUPANCY BY PRODUCT TYPE:</b> |                     |                                 |                      |                          |                              |              |              |
| <i>Office:</i>                    |                     |                                 |                      |                          |                              |              |              |
| Los Angeles and Ventura Counties  | 29                  | 21.5 %                          | 21.7 %               | 3,065,626                | 90.7 %                       | 89.3 %       | 89.6 %       |
| San Diego County                  | 63                  | 53.5 %                          | 38.8 %               | 5,466,298                | 87.8 %                       | 86.4 %       | 82.2 %       |
| Orange County                     | 5                   | 4.6 %                           | 3.8 %                | 540,656                  | 93.9 %                       | 93.1 %       | 78.7 %       |
| San Francisco                     | 3                   | 12.2 %                          | 9.2 %                | 1,291,267                | 87.0 %                       | 84.3 %       | 89.4 %       |
| Greater Seattle                   | 1                   | 1.4 %                           | 0.9 %                | 122,103                  | 100.0 %                      | 100.0 %      | —            |
| Subtotal                          | <u>101</u>          | <u>93.2 %</u>                   | <u>74.4 %</u>        | <u>10,485,950</u>        | 89.0 %                       | 87.5 %       | 84.8 %       |
| <i>Industrial:</i>                |                     |                                 |                      |                          |                              |              |              |
| Los Angeles County                | 1                   | 1.2 %                           | 1.4 %                | 192,053                  | 100.0 %                      | 100.0 %      | 100.0 %      |
| Orange County                     | 39                  | 5.6 %                           | 24.2 %               | 3,413,354                | 95.6 %                       | 93.5 %       | 90.0 %       |
| Subtotal                          | <u>40</u>           | <u>6.8 %</u>                    | <u>25.6 %</u>        | <u>3,605,407</u>         | 95.9 %                       | 93.9 %       | 90.6 %       |
| <b>OCCUPANCY BY REGION:</b>       |                     |                                 |                      |                          |                              |              |              |
| Los Angeles and Ventura Counties  | 30                  | 22.7 %                          | 23.1 %               | 3,257,679                | 91.3 %                       | 89.9 %       | 90.2 %       |
| San Diego County                  | 63                  | 53.5 %                          | 38.8 %               | 5,466,298                | 87.8 %                       | 86.4 %       | 82.2 %       |
| Orange County                     | 44                  | 10.2 %                          | 28.0 %               | 3,954,010                | 95.4 %                       | 93.5 %       | 88.3 %       |
| San Francisco                     | 3                   | 12.2 %                          | 9.2 %                | 1,291,267                | 87.0 %                       | 84.3 %       | 89.4 %       |
| Greater Seattle                   | 1                   | 1.4 %                           | 0.9 %                | 122,103                  | 100.0 %                      | 100.0 %      | —            |
| <b>TOTAL STABILIZED PORTFOLIO</b> | <b><u>141</u></b>   | <b><u>100.0%</u></b>            | <b><u>100.0%</u></b> | <b><u>14,091,357</u></b> | <b>90.8%</b>                 | <b>89.1%</b> | <b>86.4%</b> |
| <b>REENTITLEMENT PROPERTY:</b>    |                     |                                 |                      |                          |                              |              |              |
| <i>Industrial:</i>                |                     |                                 |                      |                          |                              |              |              |
| Orange County (17150 Von Karman)  | 1                   |                                 |                      | 157,458                  |                              |              |              |
| <b>TOTAL PORTFOLIO</b>            | <b><u>142</u></b>   |                                 |                      | <b><u>14,248,815</u></b> |                              |              |              |

| Average Occupancy - Stabilized Portfolio |        |            |       |
|--|--------|------------|-------|
|  | Office | Industrial | Total |
| Quarter-to-Date                          | 88.8%  | 94.5%      | 90.2% |

| Average Occupancy - Same Store Portfolio |        |            |       |
|--|--------|------------|-------|
|  | Office | Industrial | Total |
| Quarter-to-Date                          | 88.9%  | 94.5%      | 90.6% |

- (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 and discontinued operations.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

| <i>Office:</i>                                       | <u>City/<br/>Submarket</u> | <u>Square Feet</u> | <u>Occupancy</u> |
|--|----------------------------|--------------------|------------------|
| <b>Los Angeles and Ventura, California</b>           |                            |                    |                  |
| 23925 Park Sorrento                                  | Calabasas                  | 11,789             | 100.0 %          |
| 23975 Park Sorrento                                  | Calabasas                  | 100,592            | 84.8 %           |
| 24025 Park Sorrento                                  | Calabasas                  | 102,264            | 96.8 %           |
| 26541 Agoura Road                                    | Calabasas                  | 90,156             | 100.0 %          |
| 5151 Camino Ruiz                                     | Camarillo                  | 187,861            | 89.4 %           |
| 5153 Camino Ruiz                                     | Camarillo                  | 38,655             | 100.0 %          |
| 5155 Camino Ruiz                                     | Camarillo                  | 38,856             | 100.0 %          |
| 2240 E. Imperial Highway                             | El Segundo                 | 122,870            | 100.0 %          |
| 2250 E. Imperial Highway                             | El Segundo                 | 293,261            | 90.5 %           |
| 909 N. Sepulveda Boulevard                           | El Segundo                 | 241,607            | 99.5 %           |
| 999 N. Sepulveda Boulevard                           | El Segundo                 | 127,901            | 100.0 %          |
| 3750 Kilroy Airport Way                              | Long Beach                 | 10,457             | 100.0 %          |
| 3760 Kilroy Airport Way                              | Long Beach                 | 165,278            | 96.1 %           |
| 3780 Kilroy Airport Way                              | Long Beach                 | 219,745            | 83.3 %           |
| 3800 Kilroy Airport Way                              | Long Beach                 | 192,476            | 93.6 %           |
| 3840 Kilroy Airport Way                              | Long Beach                 | 136,026            | 100.0 %          |
| 3880 Kilroy Airport Way                              | Long Beach                 | 98,243             | 100.0 %          |
| 3900 Kilroy Airport Way                              | Long Beach                 | 126,840            | 86.3 %           |
| 12100 W. Olympic Boulevard                           | Los Angeles                | 150,167            | 65.1 %           |
| 12200 W. Olympic Boulevard                           | Los Angeles                | 150,302            | 92.2 %           |
| 12312 W. Olympic Boulevard                           | Los Angeles                | 78,000             | 100.0 %          |
| 1633 26th Street                                     | Santa Monica               | 44,915             | 100.0 %          |
| 2100 Colorado Avenue                                 | Santa Monica               | 94,844             | 58.9 %           |
| 3130 Wilshire Boulevard                              | Santa Monica               | 88,339             | 80.3 %           |
| 501 Santa Monica Boulevard                           | Santa Monica               | 73,115             | 88.0 %           |
| 2829 Townsgate Road                                  | Thousand Oaks              | 81,067             | 82.3 %           |
| <b>Total Los Angeles and Ventura Counties Office</b> |                            | <b>3,065,626</b>   | <b>90.7%</b>     |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

| <i>Office:</i>                  | <u>City/<br/>Submarket</u> | <u>Square Feet</u> | <u>Occupancy</u> |
|---------------------------------|----------------------------|--------------------|------------------|
| <b>San Diego, California</b>    |                            |                    |                  |
| 12225 El Camino Real            | Del Mar                    | 60,148             | 87.3%            |
| 12235 El Camino Real            | Del Mar                    | 54,673             | 81.0%            |
| 12340 El Camino Real            | Del Mar                    | 87,405             | 80.2%            |
| 12390 El Camino Real            | Del Mar                    | 72,332             | 100.0%           |
| 12348 High Bluff Drive          | Del Mar                    | 38,710             | 100.0%           |
| 12400 High Bluff Drive          | Del Mar                    | 208,464            | 100.0%           |
| 3579 Valley Center Drive        | Del Mar                    | 52,375             | 79.0%            |
| 3611 Valley Center Drive        | Del Mar                    | 130,178            | 100.0%           |
| 3661 Valley Center Drive        | Del Mar                    | 129,752            | 96.9%            |
| 3721 Valley Centre Drive        | Del Mar                    | 114,780            | 100.0%           |
| 3811 Valley Centre Drive        | Del Mar                    | 112,067            | 100.0%           |
| 6200 Greenwich Drive            | Governor Park              | 71,000             | 100.0%           |
| 6220 Greenwich Drive            | Governor Park              | 141,214            | 100.0%           |
| 15051 Avenue of Science         | I-15 Corridor              | 70,617             | 100.0%           |
| 15073 Avenue of Science         | I-15 Corridor              | 46,759             | 100.0%           |
| 15231 Avenue of Science         | I-15 Corridor              | 65,638             | 72.3%            |
| 15253 Avenue of Science         | I-15 Corridor              | 37,437             | 100.0%           |
| 15333 Avenue of Science         | I-15 Corridor              | 78,880             | 46.4%            |
| 15378 Avenue of Science         | I-15 Corridor              | 68,910             | 100.0%           |
| 15004 Innovation Drive          | I-15 Corridor              | 150,801            | 100.0%           |
| 15435 Innovation Drive          | I-15 Corridor              | 51,500             | 63.5%            |
| 15445 Innovation Drive          | I-15 Corridor              | 51,500             | 100.0%           |
| 13280 Evening Creek Drive South | I-15 Corridor              | 42,971             | 85.7%            |
| 13290 Evening Creek Drive South | I-15 Corridor              | 61,176             | —                |
| 13480 Evening Creek Drive North | I-15 Corridor              | 149,817            | 100.0%           |
| 13500 Evening Creek Drive North | I-15 Corridor              | 147,533            | 100.0%           |
| 13520 Evening Creek Drive North | I-15 Corridor              | 141,368            | 94.3%            |
| 7525 Torrey Santa Fe            | 56 Corridor                | 103,979            | 100.0%           |
| 7535 Torrey Santa Fe            | 56 Corridor                | 130,243            | 100.0%           |
| 7545 Torrey Santa Fe            | 56 Corridor                | 130,354            | 100.0%           |
| 7555 Torrey Santa Fe            | 56 Corridor                | 101,236            | 100.0%           |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

| <i>Office:</i>                           | <u>City/<br/>Submarket</u> | <u>Square Feet</u> | <u>Occupancy</u> |
|--|----------------------------|--------------------|------------------|
| <b>San Diego, California (Continued)</b> |                            |                    |                  |
| 2355 Northside Drive                     | Mission Valley             | 50,425             | 59.4 %           |
| 2365 Northside Drive                     | Mission Valley             | 91,260             | 91.1 %           |
| 2375 Northside Drive                     | Mission Valley             | 48,949             | 85.7 %           |
| 2385 Northside Drive                     | Mission Valley             | 88,795             | 71.8 %           |
| 2305 Historic Decatur Road               | Point Loma                 | 103,900            | 95.4 %           |
| 10020 Pacific Mesa Boulevard             | Sorrento Mesa              | 318,000            | 100.0 %          |
| 4910 Directors Place                     | Sorrento Mesa              | 50,925             | 37.3 %           |
| 4921 Directors Place                     | Sorrento Mesa              | 55,500             | 85.9 %           |
| 4939 Directors Place                     | Sorrento Mesa              | 60,662             | 100.0 %          |
| 4955 Directors Place                     | Sorrento Mesa              | 76,246             | 100.0 %          |
| 5005 Wateridge Vista Drive               | Sorrento Mesa              | 61,460             | —                |
| 5010 Wateridge Vista Drive               | Sorrento Mesa              | 111,318            | —                |
| 10243 Genetic Center Drive               | Sorrento Mesa              | 102,875            | —                |
| 6055 Lusk Avenue                         | Sorrento Mesa              | 93,000             | 100.0 %          |
| 6260 Sequence Drive                      | Sorrento Mesa              | 130,536            | 100.0 %          |
| 6290 Sequence Drive                      | Sorrento Mesa              | 90,000             | 100.0 %          |
| 6310 Sequence Drive                      | Sorrento Mesa              | 62,415             | 100.0 %          |
| 6340 Sequence Drive                      | Sorrento Mesa              | 66,400             | 100.0 %          |
| 6350 Sequence Drive                      | Sorrento Mesa              | 132,600            | 100.0 %          |
| 10390 Pacific Center Court               | Sorrento Mesa              | 68,400             | 100.0 %          |
| 10394 Pacific Center Court               | Sorrento Mesa              | 59,630             | 100.0 %          |
| 10398 Pacific Center Court               | Sorrento Mesa              | 43,645             | 100.0 %          |
| 10421 Pacific Center Court               | Sorrento Mesa              | 79,871             | 63.0 %           |
| 10445 Pacific Center Court               | Sorrento Mesa              | 48,709             | 100.0 %          |
| 10455 Pacific Center Court               | Sorrento Mesa              | 90,000             | 100.0 %          |
| 10350 Barnes Canyon                      | Sorrento Mesa              | 38,018             | 100.0 %          |
| 10120 Pacific Heights                    | Sorrento Mesa              | 52,540             | 100.0 %          |
| 5717 Pacific Center Boulevard            | Sorrento Mesa              | 67,995             | 100.0 %          |
| 4690 Executive Drive                     | University Towne Center    | 47,212             | 88.3 %           |
| 9455 Towne Center Drive                  | University Towne Center    | 45,195             | —                |
| 9785 Towne Center Drive                  | University Towne Center    | 75,534             | 100.0 %          |
| 9791 Towne Center Drive                  | University Towne Center    | 50,466             | 100.0 %          |
| <b>Total San Diego County Office</b>     |                            | <b>5,466,298</b>   | <b>87.8%</b>     |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

|  | City/<br>Submarket | Square Feet       | Occupancy     |
|--|--------------------|-------------------|---------------|
| <i>Office:</i>                             |                    |                   |               |
| <b>Orange County, California</b>           |                    |                   |               |
| 4175 E. La Palma Avenue                    | Anaheim            | 43,263            | 96.6 %        |
| 8101 Kaiser Boulevard                      | Anaheim            | 59,790            | 100.0 %       |
| 2211 Michelson Drive                       | Irvine             | 271,556           | 93.7 %        |
| 111 Pacifica                               | Irvine Spectrum    | 67,496            | 78.4 %        |
| 999 Town & Country                         | Orange             | 98,551            | 100.0 %       |
| <b>Total Orange County Office</b>          |                    | <b>540,656</b>    | <b>93.9%</b>  |
| <b>San Francisco, California</b>           |                    |                   |               |
| 303 Second Street                          | San Francisco      | 734,035           | 95.0 %        |
| 100 First Street                           | San Francisco      | 466,490           | 76.4 %        |
| 250 Brannan Street                         | San Francisco      | 90,742            | 76.7 %        |
| <b>Total San Francisco Office</b>          |                    | <b>1,291,267</b>  | <b>87.0%</b>  |
| <b>Greater Seattle, Washington</b>         |                    |                   |               |
| 15050 NE 36th Street                       | Redmond            | 122,103           | 100.0 %       |
| <b>Total Greater Seattle Office</b>        |                    | <b>122,103</b>    | <b>100.0%</b> |
| <b>Total Office</b>                        |                    | <b>10,485,950</b> | <b>89.0%</b>  |
| <i>Industrial:</i>                         |                    |                   |               |
| <b>Los Angeles, California</b>             |                    |                   |               |
| 2031 E. Mariposa Avenue                    | El Segundo         | 192,053           | 100.0 %       |
| <b>Total Los Angeles County Industrial</b> |                    | <b>192,053</b>    | <b>100.0%</b> |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Stabilized Portfolio Occupancy Overview

|                                  | <u>City/<br/>Submarket</u> | <u>Square Feet</u> | <u>Occupancy</u> |
|----------------------------------|----------------------------|--------------------|------------------|
| <i>Industrial:</i>               |                            |                    |                  |
| <b>Orange County, California</b> |                            |                    |                  |
| 1000 E. Ball Road                | Anaheim                    | 100,000            | 100.0%           |
| 1230 S. Lewis Street             | Anaheim                    | 57,730             | 100.0%           |
| 1250 N. Tustin Avenue            | Anaheim                    | 84,185             | 100.0%           |
| 3125 E. Coronado Street          | Anaheim                    | 144,000            | 100.0%           |
| 3130/3150 Miraloma Avenue        | Anaheim                    | 144,000            | 100.0%           |
| 3250 E. Carpenter Avenue         | Anaheim                    | 41,225             | 100.0%           |
| 3340 E. La Palma Avenue          | Anaheim                    | 153,320            | 100.0%           |
| 3355 E. La Palma Avenue          | Anaheim                    | 98,200             | 100.0%           |
| 4123 E. La Palma Avenue          | Anaheim                    | 70,863             | 100.0%           |
| 4155 E. La Palma Avenue          | Anaheim                    | 74,618             | 99.9%            |
| 5115 E. La Palma Avenue          | Anaheim                    | 286,139            | 100.0%           |
| 5325 E. Hunter Avenue            | Anaheim                    | 110,487            | 100.0%           |
| 1145 N. Ocean Boulevard          | Anaheim                    | 67,500             | —                |
| 1201 N. Miller Street            | Anaheim                    | 119,612            | 100.0%           |
| 1211 N. Miller Street            | Anaheim                    | 200,646            | 100.0%           |
| 1231 N. Miller Street            | Anaheim                    | 113,700            | 56.5%            |
| 950 W. Central Avenue            | Brea                       | 24,000             | 100.0%           |
| 1050 W. Central Avenue           | Brea                       | 30,000             | 60.0%            |
| 1150 W. Central Avenue           | Brea                       | 30,000             | 100.0%           |
| 895 Beacon Street                | Brea                       | 54,795             | 100.0%           |
| 955 Beacon Street                | Brea                       | 37,916             | 100.0%           |
| 1125 Beacon Street               | Brea                       | 49,178             | 100.0%           |
| 925 Lambert Road                 | Brea                       | 80,000             | 100.0%           |
| 1075 Lambert Road                | Brea                       | 98,811             | 100.0%           |
| 1675 MacArthur Boulevard         | Costa Mesa                 | 50,842             | 100.0%           |
| 25202 Towne Center Drive         | Foothill Ranch             | 309,685            | 100.0%           |
| 12681/12691 Pala Drive           | Garden Grove               | 84,700             | 82.6%            |
| 7421 Oranewood Avenue            | Garden Grove               | 82,602             | 100.0%           |
| 7091 Belgrave Avenue             | Garden Grove               | 70,000             | 100.0%           |
| 12271 Industry Street            | Garden Grove               | 20,000             | 75.0%            |
| 12311 Industry Street            | Garden Grove               | 25,000             | 100.0%           |
| 7261 Lampson Avenue              | Garden Grove               | 47,092             | 100.0%           |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

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### Stabilized Portfolio Occupancy Overview

|  | <u>City/<br/>Submarket</u> | <u>Square Feet</u> | <u>Occupancy</u> |
|--|----------------------------|--------------------|------------------|
| <i>Industrial:</i>                           |                            |                    |                  |
| <b>Orange County, California (Continued)</b> |                            |                    |                  |
| 12472 Edison Way                             | Garden Grove               | 55,576             | 100.0 %          |
| 12442 Knott Street                           | Garden Grove               | 58,303             | 100.0 %          |
| 2055 S.E. Main Street                        | Irvine                     | 47,583             | 100.0 %          |
| 1951 E. Carnegie Avenue                      | Santa Ana                  | 100,000            | 100.0 %          |
| 2525 Pullman Street                          | Santa Ana                  | 103,380            | 100.0 %          |
| 14831 Franklin Avenue                        | Tustin                     | 36,256             | 100.0 %          |
| 2911 Dow Avenue                              | Tustin                     | 51,410             | 100.0 %          |
| <b>Total Orange County Industrial</b>        |                            | <b>3,413,354</b>   | <b>95.6%</b>     |
| <b>Total Industrial</b>                      |                            | <b>3,605,407</b>   | <b>95.9%</b>     |



# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Submarket Statistics as of March 31, 2011

| Submarket  | Market<br>Direct<br>Vacancy <sup>(1),(2)</sup> | Market<br>Total<br>Vacancy <sup>(1),(2)</sup> | KRC<br>Percentage<br>Occupied <sup>(2)</sup> | KRC<br>Percentage<br>Leased <sup>(2)</sup> |
|--|--|---|--|--|
| <b><u>SAN DIEGO</u></b>  |  |   |  |  |
| Del Mar  | 13.6%  | 17.5%   | 96.7%  | 97.7%                                      |
| Sorrento Mesa<br><i>Two- Three Story Corporate</i>                           | 11.9%  | 12.3%   | 82.4%  | 87.8%                                      |
| University Towne Center / Governor Park<br><i>Two- Three Story Corporate</i> | 16.0%  | 20.5%   | 88.2%  | 88.2%                                      |
| I-15 Corridor<br><i>Class A Office Market</i>                                | 13.0%  | 13.5%   | 98.1%  | 98.1%                                      |
| <i>Two- Three Story Corporate</i>  | 19.2%  | 20.5%   | 79.8%  | 79.8%                                      |
| Mission Valley   | 15.5%  | 15.7%   | 78.3%  | 81.2%                                      |
| Point Loma   | 3.6%   | 3.6%  | 95.4%  | 95.4%                                      |
| <b><u>ORANGE COUNTY</u></b>  |  |   |  |  |
| Office   | 15.9%  | 16.4%   | 93.9%  | 94.5%                                      |
| Industrial   | 5.3%   | 9.1%  | 95.6%  | 99.0%                                      |
| <b><u>LOS ANGELES</u></b>  |  |   |  |  |
| Westside   | 15.6%  | 19.5%   | 81.0%  | 81.0%                                      |
| El Segundo (Class A)   | 22.4%  | 24.0%   | 96.3%  | 96.3%                                      |
| Long Beach Airport (Class A)   | 14.9%  | 15.3%   | 92.3%  | 93.2%                                      |
| 101 Corridor (Class A)   | 17.6%  | 17.6%   | 91.9%  | 92.5%                                      |
| <b><u>SAN FRANCISCO</u></b>  |  |   |  |  |
| South Financial District   | 10.5%  | 11.3%   | 87.0%  | 94.8%                                      |
| <b><u>GREATER SEATTLE</u></b>  |  |   |  |  |
| Eastside   | 15.9%  | 17.4%   | 100.0%                                       | 100.0%                                     |

- (1) Market direct and market total vacancy data was obtained from market research data from third parties. Kilroy Realty Corporation uses market research data from third parties to analyze the current and projected real estate fundamentals in each of its existing submarkets as well as potential acquisition submarkets. Recent market research data from third parties suggests improvement in real estate fundamentals in each of Kilroy Realty's primary submarkets over the next few years. Please note that Kilroy Realty Corporation does not verify the market research data from third parties and further that such data does not represent views or forecasts of Kilroy Realty Corporation or its management.
- (2) All information is presented for office properties with the exception of Orange County Industrial.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Lease Commencement Information

For Leases That Commenced During the Three Months Ended March 31, 2011

|              | 1st & 2nd Generation       |           |                            |                | 2nd Generation                     |  |                                    |  |                                   |   |
|--------------|----------------------------|-----------|----------------------------|----------------|------------------------------------|--|------------------------------------|--|-----------------------------------|---|
|              | # of Leases <sup>(1)</sup> |           | Square Feet <sup>(1)</sup> |                | TI/LC<br>Per Sq.Ft. <sup>(2)</sup> | Maintenance<br>Capex Per<br>Sq. Ft. <sup>(3)</sup> | Changes in<br>Rents <sup>(4)</sup> | Changes in<br>Cash<br>Rents <sup>(5)</sup> | Retention<br>Rates <sup>(6)</sup> | Weighted<br>Average Lease<br>Term (Mo.) |
|              | New                        | Renewal   | New                        | Renewal        |                                    |  |                                    |  |                                   |   |
| Office       | 15                         | 10        | 167,909                    | 73,956         | \$ 35.49                           | \$ 0.13  | (19.6)%                            | (23.2)%                                    | 65.3%                             | 61                                      |
| Industrial   | 2                          | 1         | 84,789                     | 36,971         | 3.39                               | \$ 0.07  | 0.0%                               | 0.0%                                       | 86.0%                             | 87                                      |
| <b>Total</b> | <b>17</b>                  | <b>11</b> | <b>252,698</b>             | <b>110,927</b> | <b>\$ 22.17</b>                    | <b>\$ 0.11</b>                                     | <b>(18.6)%</b>                     | <b>(22.1)%</b>                             | <b>71.0%</b>                      | <b>72</b>                               |

- (1) Represents leasing activity for leases that commenced during the period shown, including first and second generation space, net of month-to-month leases.
- (2) Amounts exclude tenant-funded tenant improvements.
- (3) Calculated over entire stabilized portfolio.
- (4) Calculated as the change between GAAP rents for new/renewed leases and the expiring GAAP rents for the same space. Excludes leases for which the space was vacant longer than one year, or vacant when the property was acquired by the Company.
- (5) Calculated as the change between stated rents for new/renewed leases and the expiring stated rents for the same space. Excludes leases for which the space was vacant longer than one year, or vacant when the property was acquired by the Company.
- (6) Calculated as the percentage of space either renewed or expanded into by existing tenants or subtenants at lease expiration.

**Kilroy Realty Corporation**  
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**Stabilized Portfolio Capital Expenditures**  
*(\$ in thousands)*

| <b><u>Nonrecurring Capital Expenditures:</u></b> |    | <u>Q1 2011</u> |
|--|----|----------------|
| Capital Improvements                             | \$ | 1,347          |
| Tenant Improvements & Leasing Commissions        |    | 3,488          |
| Total  | \$ | <u>4,835</u>   |

| <b><u>Recurring Capital Expenditures:</u></b>            |    | <u>Q1 2011</u> |
|--|----|----------------|
| Capital Improvements                                     |    |                |
| Office   | \$ | 1,335          |
| Industrial   |    | 236            |
|  |    | <u>1,571</u>   |
| Tenant Improvements & Leasing Commissions <sup>(1)</sup> |    |                |
| Office   |    | 5,590          |
| Industrial   |    | 810            |
|  |    | <u>6,400</u>   |
| Total  |    |                |
| Office   |    | 6,925          |
| Industrial   |    | 1,046          |
|  | \$ | <u>7,971</u>   |

*(1) Represents costs incurred for leasing activity during the period shown. Amounts exclude tenant-funded tenant improvements.*

# Kilroy Realty Corporation

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### Lease Expiration Summary Schedule <sup>(1)</sup> (\$ in thousands)

| Year of Expiration      | # of Expiring Leases | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> |
|-------------------------|----------------------|-------------------|---------------------------|-------------------------------------|--|--|
| <b>OFFICE:</b>          |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | 54                   | 511,795           | 4.1%                      | \$10,287                            | 3.4%   | \$20.10                                    |
| 2012                    | 73                   | 790,139           | 6.3%                      | 22,240                              | 7.3%   | 28.15                                      |
| 2013                    | 73                   | 934,485           | 7.4%                      | 26,324                              | 8.6%   | 28.17                                      |
| 2014                    | 62                   | 1,181,423         | 9.4%                      | 31,225                              | 10.2%  | 26.43                                      |
| 2015                    | 88                   | 1,516,705         | 12.1%                     | 50,023                              | 16.4%  | 32.98                                      |
| 2016                    | 35                   | 468,656           | 3.7%                      | 11,418                              | 3.7%   | 24.36                                      |
| 2017                    | 32                   | 1,394,035         | 11.1%                     | 40,601                              | 13.3%  | 29.12                                      |
| 2018                    | 15                   | 768,499           | 6.1%                      | 33,671                              | 11.0%  | 43.81                                      |
| 2019                    | 10                   | 395,351           | 3.1%                      | 14,737                              | 4.8%   | 37.28                                      |
| 2020                    | 12                   | 495,136           | 3.9%                      | 15,313                              | 5.0%   | 30.93                                      |
| 2021 and beyond         | 11                   | 654,889           | 5.2%                      | 24,235                              | 7.9%   | 37.01                                      |
| Subtotal                | 465                  | 9,111,113         | 72.5%                     | \$280,074                           | 91.6%  | \$30.74                                    |
| <b>INDUSTRIAL:</b>      |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | 1                    | 78,605            | 0.6%                      | \$733                               | 0.2%   | \$9.33                                     |
| 2012                    | 11                   | 452,557           | 3.6%                      | 2,647                               | 0.9%   | 5.85                                       |
| 2013                    | 9                    | 628,386           | 5.0%                      | 4,671                               | 1.5%   | 7.43                                       |
| 2014                    | 16                   | 557,386           | 4.4%                      | 4,482                               | 1.5%   | 8.04                                       |
| 2015                    | 10                   | 544,864           | 4.3%                      | 3,839                               | 1.3%   | 7.05                                       |
| 2016                    | 5                    | 317,198           | 2.5%                      | 3,687                               | 1.2%   | 11.62                                      |
| 2017                    | 4                    | 149,482           | 1.2%                      | 888                                 | 0.3%   | 5.94                                       |
| 2018                    | 2                    | 137,397           | 1.1%                      | 947                                 | 0.3%   | 6.89                                       |
| 2019                    | 2                    | 168,200           | 1.3%                      | 1,467                               | 0.5%   | 8.72                                       |
| 2020                    | 1                    | 50,842            | 0.4%                      | 577                                 | 0.2%   | 11.35                                      |
| 2021 and beyond         | 3                    | 371,633           | 3.0%                      | 1,681                               | 0.5%   | 4.52                                       |
| Subtotal                | 64                   | 3,456,550         | 27.5%                     | \$25,619                            | 8.4%   | \$7.41                                     |
| <b>TOTAL PORTFOLIO:</b> |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | 55                   | 590,400           | 4.7%                      | \$11,020                            | 3.6%   | \$18.67                                    |
| 2012                    | 84                   | 1,242,696         | 9.9%                      | 24,887                              | 8.1%   | 20.03                                      |
| 2013                    | 82                   | 1,562,871         | 12.4%                     | 30,995                              | 10.1%  | 19.83                                      |
| 2014                    | 78                   | 1,738,809         | 13.8%                     | 35,707                              | 11.7%  | 20.54                                      |
| 2015                    | 98                   | 2,061,569         | 16.4%                     | 53,862                              | 17.6%  | 26.13                                      |
| 2016                    | 40                   | 785,854           | 6.3%                      | 15,105                              | 4.9%   | 19.22                                      |
| 2017                    | 36                   | 1,543,517         | 12.3%                     | 41,489                              | 13.6%  | 26.88                                      |
| 2018                    | 17                   | 905,896           | 7.2%                      | 34,618                              | 11.3%  | 38.21                                      |
| 2019                    | 12                   | 563,551           | 4.5%                      | 16,204                              | 5.3%   | 28.75                                      |
| 2020                    | 13                   | 545,978           | 4.3%                      | 15,890                              | 5.2%   | 29.10                                      |
| 2021 and beyond         | 14                   | 1,026,522         | 8.2%                      | 25,916                              | 8.6%   | 25.25                                      |
| Total                   | 529                  | 12,567,663        | 100.0%                    | \$305,693                           | 100.0%   | \$24.32                                    |

- (1) The information presented for all lease expiration activity reflects leasing activity through March 31, 2011. For leases that have been renewed early or space that has been re-leased to a new tenant, the expiration date and annualized base rent information presented takes into consideration the renewed or re-leased lease terms. Excludes space leased under month-to-month leases and vacant space as of March 31, 2011.
- (2) Reflects annualized contractual base rent calculated on a straight-line basis in accordance with GAAP excluding the amortization of deferred revenue related to tenant-funded tenant improvements and expense reimbursement revenue. Additionally, the underlying leases contain various expense structures including full service gross, modified gross and triple net. Amounts represent percentage of total portfolio annualized contractual base rental revenue.

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### Lease Expiration Schedule Detail by Region <sup>(1)</sup>

(\$ in thousands)

| Year of Expiration      | Los Angeles/Ventura Counties |                   |                           |                                     |  |  | Orange County        |                   |                           |                                     |  |  |
|-------------------------|------------------------------|-------------------|---------------------------|-------------------------------------|--|--|----------------------|-------------------|---------------------------|-------------------------------------|--|--|
|                         | # of Expiring Leases         | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> | # of Expiring Leases | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> |
| <b>OFFICE:</b>          |                              |                   |                           |                                     |  |  |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | 41                           | 424,813           | 3.4%                      | \$7,993                             | 2.6%   | \$18.82                                    | 6                    | 20,490            | 0.2%                      | \$320                               | 0.1%   | \$15.62                                    |
| 2012                    | 38                           | 188,461           | 1.5%                      | 5,836                               | 1.9%   | 30.97                                      | 15                   | 58,166            | 0.5%                      | 1,420                               | 0.5%   | 24.41                                      |
| 2013                    | 37                           | 381,068           | 3.0%                      | 10,034                              | 3.3%   | 26.33                                      | 14                   | 55,206            | 0.4%                      | 1,543                               | 0.5%   | 27.95                                      |
| 2014                    | 36                           | 585,161           | 4.7%                      | 16,354                              | 5.3%   | 27.95                                      | 13                   | 55,303            | 0.4%                      | 1,682                               | 0.6%   | 30.41                                      |
| 2015                    | 31                           | 332,211           | 2.6%                      | 10,357                              | 3.4%   | 31.18                                      | 7                    | 56,652            | 0.5%                      | 1,427                               | 0.5%   | 25.19                                      |
| 2016                    | 17                           | 113,746           | 0.9%                      | 3,603                               | 1.2%   | 31.68                                      | 3                    | 11,741            | 0.1%                      | 408                                 | 0.1%   | 34.75                                      |
| 2017                    | 11                           | 152,473           | 1.2%                      | 5,382                               | 1.8%   | 35.30                                      | 3                    | 55,101            | 0.4%                      | 2,339                               | 0.8%   | 42.45                                      |
| 2018                    | 2                            | 33,363            | 0.3%                      | 1,149                               | 0.4%   | 34.44                                      | 2                    | 106,935           | 0.9%                      | 3,307                               | 1.1%   | 30.93                                      |
| 2019                    | 2                            | 170,596           | 1.4%                      | 6,348                               | 2.1%   | 37.21                                      | 1                    | 61,885            | 0.5%                      | 2,775                               | 0.9%   | 44.84                                      |
| 2020                    | 1                            | 34,362            | 0.3%                      | 806                                 | 0.3%   | 23.46                                      | 1                    | 13,397            | 0.1%                      | 438                                 | 0.1%   | 32.69                                      |
| 2021 and beyond         | 4                            | 195,174           | 1.6%                      | 5,330                               | 1.7%   | 27.31                                      | —                    | —                 | —                         | —                                   | —  | —  |
| Subtotal                | 220                          | 2,611,428         | 20.8%                     | \$73,192                            | 23.9%  | \$28.03                                    | 65                   | 494,876           | 3.9%                      | \$15,659                            | 5.1%   | \$31.64                                    |
| <b>INDUSTRIAL:</b>      |                              |                   |                           |                                     |  |  |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | —                            | —                 | —                         | —                                   | —  | —  | 1                    | 78,605            | 0.6%                      | \$733                               | 0.2%   | \$9.33                                     |
| 2012                    | —                            | —                 | —                         | —                                   | —  | —  | 11                   | 452,557           | 3.6%                      | 2,647                               | 0.9%   | 5.85                                       |
| 2013                    | —                            | —                 | —                         | —                                   | —  | —  | 9                    | 628,386           | 5.0%                      | 4,671                               | 1.5%   | 7.43                                       |
| 2014                    | —                            | —                 | —                         | —                                   | —  | —  | 16                   | 557,386           | 4.4%                      | 4,482                               | 1.5%   | 8.04                                       |
| 2015                    | —                            | —                 | —                         | —                                   | —  | —  | 10                   | 544,864           | 4.3%                      | 3,839                               | 1.3%   | 7.05                                       |
| 2016                    | 1                            | 192,053           | 1.5%                      | 2,960                               | 1.0%   | 15.41                                      | 4                    | 125,145           | 1.0%                      | 727                                 | 0.2%   | 5.81                                       |
| 2017                    | —                            | —                 | —                         | —                                   | —  | —  | 4                    | 149,482           | 1.2%                      | 888                                 | 0.3%   | 5.94                                       |
| 2018                    | —                            | —                 | —                         | —                                   | —  | —  | 2                    | 137,397           | 1.1%                      | 947                                 | 0.3%   | 6.89                                       |
| 2019                    | —                            | —                 | —                         | —                                   | —  | —  | 2                    | 168,200           | 1.3%                      | 1,467                               | 0.5%   | 8.72                                       |
| 2020                    | —                            | —                 | —                         | —                                   | —  | —  | 1                    | 50,842            | 0.4%                      | 577                                 | 0.2%   | 11.35                                      |
| 2021 and beyond         | —                            | —                 | —                         | —                                   | —  | —  | 3                    | 371,633           | 3.0%                      | 1,681                               | 0.5%   | 4.52                                       |
| Subtotal                | 1                            | 192,053           | 1.5%                      | \$2,960                             | 1.0%   | \$15.41                                    | 63                   | 3,264,497         | 26.0%                     | \$22,659                            | 7.4%   | \$6.94                                     |
| <b>TOTAL PORTFOLIO:</b> |                              |                   |                           |                                     |  |  |                      |                   |                           |                                     |  |  |
| Remainder of 2011       | 41                           | 424,813           | 3.4%                      | \$7,993                             | 2.6%   | \$18.82                                    | 7                    | 99,095            | 0.8%                      | \$1,053                             | 0.3%   | \$10.63                                    |
| 2012                    | 38                           | 188,461           | 1.5%                      | 5,836                               | 1.9%   | 30.97                                      | 26                   | 510,723           | 4.1%                      | 4,067                               | 1.3%   | 7.96                                       |
| 2013                    | 37                           | 381,068           | 3.0%                      | 10,034                              | 3.3%   | 26.33                                      | 23                   | 683,592           | 5.4%                      | 6,214                               | 2.0%   | 9.09                                       |
| 2014                    | 36                           | 585,161           | 4.7%                      | 16,354                              | 5.3%   | 27.95                                      | 29                   | 612,689           | 4.9%                      | 6,164                               | 2.0%   | 10.06                                      |
| 2015                    | 31                           | 332,211           | 2.6%                      | 10,357                              | 3.4%   | 31.18                                      | 17                   | 601,516           | 4.8%                      | 5,266                               | 1.7%   | 8.75                                       |
| 2016                    | 18                           | 305,799           | 2.4%                      | 6,563                               | 2.1%   | 21.46                                      | 7                    | 136,886           | 1.1%                      | 1,135                               | 0.4%   | 8.29                                       |
| 2017                    | 11                           | 152,473           | 1.2%                      | 5,382                               | 1.8%   | 35.30                                      | 7                    | 204,583           | 1.6%                      | 3,227                               | 1.1%   | 15.77                                      |
| 2018                    | 2                            | 33,363            | 0.3%                      | 1,149                               | 0.4%   | 34.44                                      | 4                    | 244,332           | 1.9%                      | 4,254                               | 1.4%   | 17.41                                      |
| 2019                    | 2                            | 170,596           | 1.4%                      | 6,348                               | 2.1%   | 37.21                                      | 3                    | 230,085           | 1.8%                      | 4,242                               | 1.4%   | 18.44                                      |
| 2020                    | 1                            | 34,362            | 0.3%                      | 806                                 | 0.3%   | 23.46                                      | 2                    | 64,239            | 0.5%                      | 1,015                               | 0.3%   | 15.80                                      |
| 2021 and beyond         | 4                            | 195,174           | 1.6%                      | 5,330                               | 1.7%   | 27.31                                      | 3                    | 371,633           | 3.0%                      | 1,681                               | 0.5%   | 4.52                                       |
| Total                   | 221                          | 2,803,481         | 22.3%                     | \$76,152                            | 24.9%  | \$27.16                                    | 128                  | 3,759,373         | 29.9%                     | \$38,318                            | 12.5%  | \$10.19                                    |

(1) The information presented for all lease expiration activity reflects leasing activity through March 31, 2011. For leases that have been renewed early or space that has been re-leased to a new tenant, the expiration date and annualized base rent information presented takes into consideration the renewed or re-leased lease terms. Excludes space leased under month-to-month leases and vacant space as of March 31, 2011.

(2) Reflects annualized contractual base rent calculated on a straight-line basis in accordance with GAAP excluding the amortization of deferred revenue related to tenant-funded tenant improvements and expense reimbursement revenue. Additionally, the underlying leases contain various expense structures including full service gross, modified gross and triple net. Amounts represent percentage of total portfolio annualized contractual base rental revenue.

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### Lease Expiration Schedule Detail by Region <sup>(1)</sup> (\$ in thousands)

| Year of Expiration   | San Diego            |                   |                           |                                     |  |  | San Francisco        |                   |                           |                                     |  |  |
|----------------------|----------------------|-------------------|---------------------------|-------------------------------------|--|--|----------------------|-------------------|---------------------------|-------------------------------------|--|--|
|                      | # of Expiring Leases | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> | # of Expiring Leases | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> |
| <b>OFFICE TOTAL:</b> |                      |                   |                           |                                     |  |  |                      |                   |                           |                                     |  |  |
| Remainder of 2011    | 4                    | 42,292            | 0.3%                      | \$1,176                             | 0.4%   | \$27.81                                    | 3                    | 24,200            | 0.2%                      | \$798                               | 0.3%   | \$32.98                                    |
| 2012                 | 13                   | 463,179           | 3.7%                      | 12,395                              | 4.1%   | 26.76                                      | 7                    | 80,333            | 0.6%                      | 2,589                               | 0.8%   | 32.23                                      |
| 2013                 | 8                    | 288,238           | 2.3%                      | 6,784                               | 2.2%   | 23.54                                      | 14                   | 209,973           | 1.7%                      | 7,963                               | 2.6%   | 37.92                                      |
| 2014                 | 10                   | 465,681           | 3.7%                      | 10,393                              | 3.4%   | 22.32                                      | 3                    | 75,278            | 0.6%                      | 2,796                               | 0.9%   | 37.14                                      |
| 2015                 | 19                   | 509,496           | 4.1%                      | 13,734                              | 4.5%   | 26.96                                      | 30                   | 496,243           | 3.9%                      | 21,375                              | 7.0%   | 43.07                                      |
| 2016                 | 12                   | 311,550           | 2.5%                      | 5,950                               | 1.9%   | 19.10                                      | 3                    | 31,619            | 0.3%                      | 1,457                               | 0.5%   | 46.08                                      |
| 2017                 | 17                   | 1,183,180         | 9.4%                      | 32,763                              | 10.7%  | 27.69                                      | 1                    | 3,281             | 0.0%                      | 117                                 | 0.0%   | 35.66                                      |
| 2018                 | 10                   | 617,155           | 4.9%                      | 28,771                              | 9.4%   | 46.62                                      | 1                    | 11,046            | 0.1%                      | 444                                 | 0.1%   | 40.20                                      |
| 2019                 | 4                    | 115,275           | 0.9%                      | 3,631                               | 1.2%   | 31.50                                      | 3                    | 47,595            | 0.4%                      | 1,983                               | 0.6%   | 41.66                                      |
| 2020                 | 7                    | 350,174           | 2.8%                      | 10,678                              | 3.5%   | 30.49                                      | 3                    | 97,203            | 0.8%                      | 3,391                               | 1.1%   | 34.89                                      |
| 2021 and beyond      | 6                    | 423,095           | 3.4%                      | 17,590                              | 5.8%   | 41.57                                      | 1                    | 36,620            | 0.3%                      | 1,315                               | 0.4%   | 35.91                                      |
| Total                | 110                  | 4,769,315         | 37.9%                     | \$143,865                           | 47.1%  | \$30.16                                    | 69                   | 1,113,391         | 8.9%                      | \$44,228                            | 14.5%  | \$39.72                                    |

  

| Year of Expiration   | Greater Seattle      |                   |                           |                                     |  |  |
|----------------------|----------------------|-------------------|---------------------------|-------------------------------------|--|--|
|                      | # of Expiring Leases | Total Square Feet | % of Total Leased Sq. Ft. | Annualized Base Rent <sup>(2)</sup> | % of Total Annualized Base Rent <sup>(2)</sup> | Annualized Rent per Sq. Ft. <sup>(2)</sup> |
| <b>OFFICE TOTAL:</b> |                      |                   |                           |                                     |  |  |
| Remainder of 2011    | —                    | —                 | —                         | —                                   | —  | —  |
| 2012                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2013                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2014                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2015                 | 1                    | 122,103           | 1.0%                      | 3,130                               | 1.0%   | 25.63                                      |
| 2016                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2017                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2018                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2019                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2020                 | —                    | —                 | —                         | —                                   | —  | —  |
| 2021 and beyond      | —                    | —                 | —                         | —                                   | —  | —  |
| Total                | 1                    | 122,103           | 1.0%                      | 3,130                               | 1.0%   | \$25.63                                    |

- (1) The information presented for all lease expiration activity reflects leasing activity through March 31, 2011. For leases that have been renewed early or space that has been re-leased to a new tenant, the expiration date and annualized base rent information presented takes into consideration the renewed or re-leased lease terms. Excludes space leased under month-to-month leases and vacant space as of March 31, 2011.
- (2) Reflects annualized contractual base rent calculated on a straight-line basis in accordance with GAAP excluding the amortization of deferred revenue related to tenant-funded tenant improvements and expense reimbursement revenue. Additionally, the underlying leases contain various expense structures including full service gross, modified gross and triple net. Amounts represent percentage of total portfolio annualized contractual base rental revenue.

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### Quarterly Lease Expirations for 2011<sup>(1)</sup> (\$ in thousands)

|                         | # of Expiring<br>Leases | Total Square<br>Feet | % of Total<br>Leased Sq. Ft. | Annualized<br>Base Rent <sup>(2)</sup> | % of Total<br>Annualized<br>Base Rent <sup>(2)</sup> | Annualized Rent<br>per Sq. Ft. <sup>(2)</sup> |
|-------------------------|-------------------------|----------------------|------------------------------|--|--|---|
| <b>OFFICE:</b>          |                         |                      |                              |  |  |   |
| Q2 2011                 | 24                      | 342,622              | 2.7%                         | \$5,713                                | 1.9%   | \$16.67                                       |
| Q3 2011                 | 19                      | 85,657               | 0.7%                         | 2,559                                  | 0.8%   | 29.87   |
| Q4 2011                 | 11                      | 83,516               | 0.7%                         | 2,015                                  | 0.7%   | 24.13   |
| Subtotal 2011           | 54                      | 511,795              | 4.1%                         | \$10,287                               | 3.4%   | \$20.10                                       |
| <b>INDUSTRIAL:</b>      |                         |                      |                              |  |  |   |
| Q2 2011                 | —                       | —                    | —%                           | —                                      | —%   | —   |
| Q3 2011                 | —                       | —                    | —%                           | —                                      | —%   | —   |
| Q4 2011                 | 1                       | 78,605               | 0.6%                         | 733                                    | 0.2%   | 9.33  |
| Subtotal 2011           | 1                       | 78,605               | 0.6%                         | \$733                                  | 0.2%   | \$9.33  |
| <b>TOTAL PORTFOLIO:</b> |                         |                      |                              |  |  |   |
| Q2 2011                 | 24                      | 342,622              | 2.7%                         | \$5,713                                | 1.9%   | \$16.67                                       |
| Q3 2011                 | 19                      | 85,657               | 0.7%                         | 2,559                                  | 0.8%   | 29.87   |
| Q4 2011                 | 12                      | 162,121              | 1.3%                         | 2,748                                  | 0.9%   | 16.95   |
| Total 2011              | 55                      | 590,400              | 4.7%                         | \$11,020                               | 3.6%   | \$18.67                                       |

(1) The information presented reflects leasing activity through March 31, 2011. For leases that have been renewed early or space that has been re-leased to a new tenant, the expiration date and annualized base rent information presented takes into consideration the renewed or re-leased lease terms. Excludes space leased under month-to-month leases and vacant space as of March 31, 2011.

(2) Reflects annualized contractual base rent calculated on a straight-line basis in accordance with GAAP excluding the amortization of deferred revenue related to tenant-funded tenant improvements and expense reimbursement revenue. Additionally, the underlying leases contain various expense structures including full service gross, modified gross and triple net. Amounts represent percentage of total portfolio annualized contractual base rental revenue.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Top Fifteen Tenants <sup>(1)</sup> (*\$ in thousands*)

| Tenant Name                           | Product Type | Annualized Base Rental Revenue <sup>(2)</sup> | Rentable Square Feet | Percentage of Total Annualized Base Rental Revenue <sup>(2)</sup> | Percentage of Total Rentable Square Feet |
|---------------------------------------|--------------|---|----------------------|---|--|
| Intuit, Inc.                          | Office       | \$ 15,126                                     | 536,812              | 5.0 %   | 3.8 %                                    |
| Bridgepoint Education, Inc.           | Office       | 15,099  | 317,678              | 4.9 %   | 2.3 %                                    |
| Scripps Health                        | Office       | 12,562  | 262,868              | 4.1 %   | 1.9 %                                    |
| Delta Dental of California            | Office       | 10,832  | 249,115              | 3.5 %   | 1.8 %                                    |
| CareFusion Corporation <sup>(3)</sup> | Office       | 10,087  | 459,709              | 3.3 %   | 3.3 %                                    |
| DIRECTV, Inc.                         | Office       | 8,540   | 314,207              | 2.8 %   | 2.2 %                                    |
| AMN Healthcare, Inc.                  | Office       | 8,192   | 175,672              | 2.7 %   | 1.2 %                                    |
| Fish & Richardson P.C.                | Office       | 6,071   | 139,538              | 2.0 %   | 1.0 %                                    |
| Hewlett-Packard Company               | Office       | 5,803   | 162,017              | 1.9 %   | 1.1 %                                    |
| Wells Fargo <sup>(3)</sup>            | Office       | 5,258   | 134,556              | 1.7 %   | 1.0 %                                    |
| BP Biofuels North America LLC         | Office       | 5,128   | 136,908              | 1.7 %   | 1.0 %                                    |
| Epson America, Inc.                   | Office       | 4,915   | 136,026              | 1.6 %   | 1.0 %                                    |
| Mitchell International, Inc.          | Office       | 3,775   | 141,214              | 1.2 %   | 1.0 %                                    |
| Avnet, Inc. <sup>(4)</sup>            | Office       | 3,768   | 114,780              | 1.2 %   | 0.8 %                                    |
| Scan Health Plan <sup>(3)</sup>       | Office       | 3,626   | 124,598              | 1.2 %   | 0.9 %                                    |
| <b>Total Top Fifteen Tenants</b>      |              | <b>\$ 118,782</b>                             | <b>3,405,698</b>     | <b>38.8%</b>  | <b>24.3%</b>                             |

(1) The information presented is as of the date of this filing.

(2) Based upon annualized contractual base rental revenue, which is calculated on a straight-line basis in accordance with GAAP, for leases for which rental revenue is being recognized by the Company as of March 31, 2011.

(3) The Company has entered into leases with various affiliates of the tenant name listed above.

(4) In March 2011, the Company executed a new lease with Avnet, Inc. ("Avnet") for an additional 18,149 rentable square feet at 15231 Avenue of Science in San Diego, CA. This lease will increase the Company's annualized base rental revenue from Avnet to approximately \$4.2 million and is expected to commence in the second quarter of 2011.



# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### 2011 Acquisitions (*\$ in millions*)

| <b>COMPLETED ACQUISITION</b>  |                          |             |                             |                             |                       |
|---|--------------------------|-------------|-----------------------------|-----------------------------|-----------------------|
| <b>Property</b>   | <b>Submarket</b>         | <b>Type</b> | <b>Month of Acquisition</b> | <b>Rentable Square Feet</b> | <b>Purchase Price</b> |
| <b>1st Quarter:</b><br>250 Brannan Street <sup>(1)</sup><br>San Francisco, CA | South Financial District | Office      | January                     | 90,742                      | \$ 33.0               |

| <b>ACQUISITIONS CLOSED SUBSEQUENT TO THE FIRST QUARTER</b>   |                  |             |                             |                             |                       |
|--|------------------|-------------|-----------------------------|-----------------------------|-----------------------|
| <b>Property</b>  | <b>Submarket</b> | <b>Type</b> | <b>Month of Acquisition</b> | <b>Rentable Square Feet</b> | <b>Purchase Price</b> |
| <b>2nd Quarter:</b><br>10210, 10220, and 10230 NE Points Drive; 3933 Lake<br>Washington Boulevard NE<br>Kirkland, WA | Eastside         | Office      | April                       | 279,924                     | \$ 100.1              |

*(1) Property was added to the Company's stabilized portfolio upon acquisition.*

**Kilroy Realty Corporation**  
**First Quarter 2011 Supplemental Financial Report**

**In-Process Redevelopment Project**  
*(\$ in millions)*

| Redevelopment Project    | Location   | Estimated Construction Period |             | Estimated Stabilization Date <sup>(1)</sup> | Estimated Rentable Square Feet | Existing Investment <sup>(2)</sup> | Estimated Redevelopment Costs | Total Estimated Investment | Total Costs as of 3/31/11 <sup>(3)</sup> | % Leased |
|--------------------------|------------|-------------------------------|-------------|---|--------------------------------|------------------------------------|-------------------------------|----------------------------|--|----------|
|                          |            | Start Date                    | Compl. Date |   |                                |                                    |                               |                            |  |          |
| 2260 E. Imperial Highway | El Segundo | 3Q 2010                       | 3Q 2011     | 3Q 2012                                     | 300,000                        | \$9.1                              | \$40.1                        | \$49.2                     | \$18.5                                   | 0%       |

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

(2) Represents the depreciated carrying value at the commencement of redevelopment for the space being redeveloped.

(3) Represents cash paid and costs incurred as of March 31, 2011. Includes existing investment at the commencement of redevelopment.

**Kilroy Realty Corporation**  
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**Future Development Pipeline**  
*(\$ in millions)*

| Project                                  | Location      | Type   | Gross Site Acreage | Estimated Rentable Square Feet | Total Costs as of 3/31/2011 <sup>(1)</sup> |
|--|---------------|--------|--------------------|--------------------------------|--|
| <b>SAN DIEGO, CALIFORNIA</b>             |               |        |                    |                                |  |
| Carlsbad Oaks - Lots 4, 5, 7 & 8         | Carlsbad      | Office | 32.0               | 288,000                        | \$ 18.2                                    |
| Pacific Corporate Center - Lot 8         | Sorrento Mesa | Office | 5.0                | 170,000                        | 11.3                                       |
| Rancho Bernardo Corporate Center         | I-15 Corridor | Office | 21.0               | 320,000 - 1,000,000            | 27.2                                       |
| One Paseo <sup>(2)</sup>                 | Del Mar       | Office | 23.0               | 500,000                        | 114.1                                      |
| Santa Fe Summit - Phase II and III       | 56 Corridor   | Office | 21.8               | 600,000                        | 77.3                                       |
| Sorrento Gateway - Lot 2                 | Sorrento Mesa | Office | 6.3                | 80,000                         | 11.1                                       |
| Sorrento Gateway - Lot 7                 | Sorrento Mesa | Office | 7.6                | 57,000                         | 10.0                                       |
| <b>TOTAL FUTURE DEVELOPMENT PIPELINE</b> |               |        | <u>116.7</u>       | <u>2,015,000 - 2,695,000</u>   | <u>\$ 269.2</u>                            |

(1) Represents cash paid and costs incurred as of March 31, 2011.

(2) Estimated rentable square feet reflects existing office entitlements. The Company is currently pursuing mixed-use entitlements for this project which if successfully obtained, would increase the estimated rentable square feet.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Capital Structure

*As of March 31, 2011*

*(\$ in thousands)*

|  | <u>Shares/Units As of<br/>March 31, 2011</u> | <u>Aggregate<br/>Principal<br/>Amount or<br/>\$ Value<br/>Equivalent</u> | <u>% of Total<br/>Market<br/>Capitalization</u> |
|--|--|--|---|
| <b>DEBT:</b>   |  |  |   |
| Unsecured Line of Credit   |  | \$ 57,000  | 1.5%  |
| Unsecured Exchangeable Senior Notes due 2012 <sup>(1)</sup>          |  | 148,000  | 3.9%  |
| Unsecured Exchangeable Senior Notes due 2014 <sup>(1)</sup>          |  | 172,500  | 4.6%  |
| Unsecured Senior Notes due 2014                                      |  | 83,000   | 2.2%  |
| Unsecured Senior Notes due 2015 <sup>(1)</sup>                       |  | 325,000  | 8.6%  |
| Unsecured Senior Notes due 2020 <sup>(1)</sup>                       |  | 250,000  | 6.6%  |
| Secured Debt <sup>(1)</sup>  |  | 447,053  | 11.8%   |
| Total Debt   |  | <u>\$ 1,482,553</u>  | <u>39.2%</u>                                    |
| <b>EQUITY AND NONCONTROLLING INTERESTS:</b>                          |  |  |   |
| 7.450% Series A Cumulative Redeemable Preferred units <sup>(2)</sup> | 1,500,000                                    | \$ 75,000  | 2.0%  |
| 7.800% Series E Cumulative Redeemable Preferred stock <sup>(3)</sup> | 1,610,000                                    | 40,250   | 1.1%  |
| 7.500% Series F Cumulative Redeemable Preferred stock <sup>(3)</sup> | 3,450,000                                    | 86,250   | 2.3%  |
| Common units outstanding <sup>(4)</sup>                              | 1,723,131                                    | 66,909   | 1.8%  |
| Common shares outstanding <sup>(4)(5)</sup>                          | 52,419,393                                   | 2,035,445  | 53.6%   |
| Total Equity and Noncontrolling Interests                            |  | <u>\$ 2,303,854</u>  | <u>60.8%</u>                                    |
| <b>TOTAL MARKET CAPITALIZATION</b>                                   |  | <u><u>\$ 3,786,407</u></u>   | <u><u>100.0%</u></u>                            |

(1) Represents gross aggregate principal amount due at maturity before the effect of the unamortized discounts as of March 31, 2011.

(2) Value based on \$50.00 per unit liquidation preference.

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

(4) Value based on closing share price of \$38.83 as of March 31, 2011.

(5) Does not include 6,037,500 shares of common stock the Company issued in an underwritten public offering in April 2011 at \$38.25 per share.

**Kilroy Realty Corporation**  
**First Quarter 2011 Supplemental Financial Report**

**Debt Analysis**  
*As of March 31, 2011*  
*(\$ in millions)*

| <b>TOTAL DEBT COMPOSITION</b>                                    |                             |                         |                 |  |
|--|-----------------------------|-------------------------|-----------------|--|
|  | <b>% of<br/>Total Debt</b>  | <b>Weighted Average</b> |                 |  |
|  | <u>                    </u> | <u>Interest Rate</u>    | <u>Maturity</u> |  |
| <b><i>Secured vs. Unsecured Debt:</i></b>                        |                             |                         |                 |  |
| Unsecured Debt <sup>(1)</sup>                                    | 69.8%                       | 5.0%                    | 4.8             |  |
| Secured Debt   | 30.2%                       | 5.5%                    | 3.8             |  |
| <b><i>Floating vs. Fixed-Rate Debt:</i></b>                      |                             |                         |                 |  |
| Floating-Rate Debt   | 3.8%                        | 2.9%                    | 2.4             |  |
| Fixed-Rate Debt <sup>(1)</sup>                                   | 96.2%                       | 5.2%                    | 4.6             |  |
| <b><i>Total</i></b> <sup>(1)</sup>                               |                             | <u>5.2%</u>             | <u>4.5</u>      |  |
| <b><i>Total Including Debt Issuance Costs</i></b> <sup>(1)</sup> |                             | <u>5.7%</u>             |                 |  |
| <b><i>Total GAAP Effective Rate</i></b> <sup>(2)</sup>           |                             | <u>6.3%</u>             |                 |  |

|  |
|--|
| <b>CAPITALIZED INTEREST, LOAN FEES, AND<br/>DEBT DISCOUNTS</b> |
| <b>Year-to-Date</b>  |
| \$2.0  |

- (1) Excludes the impact of the amortization of the noncash debt discounts related to the accounting required for the Company's Exchangeable Notes.  
(2) Includes the impact of the amortization of the noncash debt discounts related to the accounting required for the Company's Exchangeable Notes.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Debt Analysis As of March 31, 2011 (\$ in thousands)

| DEBT MATURITY SCHEDULE  |              |                  |                   |                   |                  |                   |                   |                   |                        |
|-------------------------|--------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------------|
| Floating/<br>Fixed Rate | Stated Rate  | Maturity<br>Date | Remaining<br>2011 | 2012              | 2013             | 2014              | 2015              | After 2015        | Total                  |
| <b>Unsecured Debt:</b>  |              |                  |                   |                   |                  |                   |                   |                   |                        |
| Floating                | 2.93 %       | 8/10/2013        |                   |                   | \$ 57,000        |                   |                   |                   | \$ 57,000              |
| Fixed                   | 3.25 %       | 4/15/2012        |                   | 148,000           |                  |                   |                   |                   | 148,000 <sup>(1)</sup> |
| Fixed                   | 4.25 %       | 11/15/2014       |                   |                   |                  | 172,500           |                   |                   | 172,500 <sup>(2)</sup> |
| Fixed                   | 6.45 %       | 8/4/2014         |                   |                   |                  | 83,000            |                   |                   | 83,000                 |
| Fixed                   | 5.00 %       | 11/3/2015        |                   |                   |                  |                   | 325,000           |                   | 325,000 <sup>(3)</sup> |
| Fixed                   | 6.63 %       | 6/1/2020         |                   |                   |                  |                   |                   | 250,000           | 250,000 <sup>(4)</sup> |
|                         |              |                  | —                 | 148,000           | 57,000           | 255,500           | 325,000           | 250,000           | 1,035,500              |
| <b>Secured Debt:</b>    |              |                  |                   |                   |                  |                   |                   |                   |                        |
| Fixed                   | 6.70 %       | 12/27/2011       | 69,601            |                   |                  |                   |                   |                   | 69,601                 |
| Fixed                   | 5.10 %       | 4/1/2012         |                   | 52,000            |                  |                   |                   |                   | 52,000 <sup>(5)</sup>  |
| Fixed                   | 5.57 %       | 8/1/2012         | 1,156             | 71,517            |                  |                   |                   |                   | 72,673                 |
| Fixed                   | 4.95 %       | 8/1/2012         | 518               | 29,754            |                  |                   |                   |                   | 30,272                 |
| Fixed                   | 6.51 %       | 2/1/2017         | 633               | 892               | 952              | 1,016             | 1,084             | 65,563            | 70,140                 |
| Fixed                   | 7.15 %       | 5/1/2017         | 1,468             | 2,084             | 2,238            | 2,404             | 2,581             | 3,988             | 14,763                 |
| Fixed                   | 4.27 %       | 2/1/2018         |                   |                   | 2,075            | 2,358             | 2,461             | 128,106           | 135,000                |
| Fixed                   | Various      | Various          | 42                | 45                | 46               | 49                | 51                | 2,371             | 2,604 <sup>(6)</sup>   |
|                         |              |                  | 73,418            | 156,292           | 5,311            | 5,827             | 6,177             | 200,028           | 447,053                |
| <b>Total</b>            | <b>5.15%</b> |                  | <b>\$ 73,418</b>  | <b>\$ 304,292</b> | <b>\$ 62,311</b> | <b>\$ 261,327</b> | <b>\$ 331,177</b> | <b>\$ 450,028</b> | <b>\$ 1,482,553</b>    |

(1) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$3.3 million as of March 31, 2011.

(2) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$15.6 million as of March 31, 2011.

(3) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$0.2 million as of March 31, 2011.

(4) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$2.0 million as of March 31, 2011.

(5) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$0.5 million as of March 31, 2011.

(6) Represents balance outstanding related to public facility bonds (the "Bonds") issued in February 2008 by the City of Carlsbad. The Bonds have annual maturities beginning on September 1, 2011 through September 1, 2038, with interest rates ranging from 4.40% to 6.20%.

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

### Debt Covenants

*As of March 31, 2011*

(\$ in millions)

| <b>KEY DEBT COVENANTS</b>   |                    |  |
|---|--------------------|--|
| <b><i>Credit Facility (as defined per Credit Agreement):</i></b>                    | <b>Covenant</b>    | <b>Actual Performance<br/>as of March 31, 2011</b> |
| Total debt to total asset value   | less than 60%      | 37%  |
| Fixed charge coverage ratio   | greater than 1.5x  | 2.5x   |
| Unsecured debt ratio  | greater than 1.67x | 2.6x   |
| Unencumbered asset pool debt service coverage                                       | greater than 2.0x  | 3.9x   |
| Unencumbered debt yield   | greater than 12%   | 17%  |
| <br>  |                    |  |
| <b><i>Unsecured Senior Notes due 2015 and 2020 (as defined per Indentures):</i></b> |                    |  |
| Total debt/total asset value  | less than 60%      | 44%  |
| Interest coverage   | greater than 1.5x  | 3.1x   |
| Secured debt/total asset value  | less than 40%      | 13%  |
| Unencumbered asset pool value to unsecured debt                                     | greater than 150%  | 254%   |

# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

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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 May 3, 2011 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, acquisition-related expenses, other nonproperty income and losses, and gains and losses from property dispositions, 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, acquisition-related expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, 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, acquisition-related expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, 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.



# Kilroy Realty Corporation

## First Quarter 2011 Supplemental Financial Report

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### Management Statements on Non-GAAP Supplemental Measures

#### **EBITDA:**

Management believes that earnings before interest expense, depreciation and amortization, gain/loss on early extinguishment of debt, net gains and losses on disposition of discontinued operations, net income attributable to noncontrolling interests, preferred dividends and distributions, and impairment losses (“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, including the impact of general and administrative expenses and acquisition-related expenses, 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:**

The Company calculates FFO in accordance with the White Paper on FFO approved by the Board of Governors of NAREIT. The White Paper defines FFO as net income or loss calculated 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.

Management believes that FFO is a useful supplemental measure of the Company's operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of the Company's activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly, the Company's FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, management believes that FFO along with the required GAAP presentations provides a more complete measurement of the Company's performance relative to its competitors and a more appropriate basis on which to make decisions involving operating, financing and investing activities than the required GAAP presentations alone would provide.

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 and could materially impact the Company's results from 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, debt discounts and share-based compensation awards, adjustment to GAAP gain/loss on early extinguishment of debt, amortization of above (below) market rents for acquisition properties and contractual cash rents received in advance of revenue recognition, then subtracting recurring tenant improvements, leasing commissions and capital expenditures, and eliminating the net effect of straight-line rents, amortization of deferred revenue related to tenant improvements and cash received prior to revenue recognition. FAD provides an additional perspective on the Company's ability to fund cash needs and make distributions to stockholders by adjusting FFO for the impact of certain cash and noncash items, as well as adjusting FFO for 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.

**Kilroy Realty Corporation**  
**First Quarter 2011 Supplemental Financial Report**

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

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2011</b>                         | <b>2010</b>      |
| <b>Same Store Cash Net Operating Income</b>   | <b>\$ 44,065</b>                    | <b>\$ 43,443</b> |
| Adjustments:  |                                     |                  |
| GAAP Operating Revenues Adjustments, net  | 5,879                               | 4,390            |
| GAAP Operating Expenses Adjustments, net  | (26)                                | (26)             |
| <b>Same Store GAAP Net Operating Income</b>   | <b>49,918</b>                       | <b>47,807</b>    |
| Non-Same Store GAAP Net Operating Income  | 11,984                              | 988              |
| <b>Net Operating Income, as defined<sup>(1)</sup></b>                               | <b>61,902</b>                       | <b>48,795</b>    |
| Adjustments:  |                                     |                  |
| General and administrative expenses   | (6,560)                             | (7,095)          |
| Acquisition-related expenses  | (472)                               | (313)            |
| Depreciation and amortization   | (29,311)                            | (20,938)         |
| Interest income and other net investment gains                                      | 184                                 | 384              |
| Interest expense  | (20,876)                            | (11,956)         |
| <b>Net Income</b>   | <b>4,867</b>                        | <b>8,877</b>     |
| Net income attributable to noncontrolling common units of the Operating Partnership | (34)                                | (192)            |
| Preferred distributions and dividends   | (3,799)                             | (3,799)          |
| <b>Net Income Available to Common Stockholders</b>                                  | <b>\$ 1,034</b>                     | <b>\$ 4,886</b>  |

(1) Please refer to page 30 for Management Statements on Net Operating Income and Same Store Net Operating Income.

**Kilroy Realty Corporation**  
**First Quarter 2011 Supplemental Financial Report**

**Reconciliation of EBITDA to Net Income Available to Common Stockholders**  
*(unaudited, \$ in thousands)*

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2011</b>                         | <b>2010</b>      |
| <b>Net Income Available to Common Stockholders</b>                                  | \$ 1,034                            | \$ 4,886         |
| Interest expense  | 20,876                              | 11,956           |
| Depreciation and amortization   | 29,311                              | 20,938           |
| Net income attributable to noncontrolling common units of the Operating Partnership | 34                                  | 192              |
| Preferred distributions and dividends   | 3,799                               | 3,799            |
| <b>EBITDA <sup>(1)</sup></b>  | <b>\$ 55,054</b>                    | <b>\$ 41,771</b> |

(1) Please refer to page 31 for a Management Statement on EBITDA.

**Kilroy Realty Corporation**  
**First Quarter 2011 Supplemental Financial Report**

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

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2011</b>                         | <b>2010</b>      |
| <b>Funds Available for Distribution <sup>(1)</sup></b>                      | \$ 19,843                           | \$ 13,791        |
| Adjustments:  |                                     |                  |
| Tenant improvements, leasing commissions and recurring capital expenditures | 7,971                               | 11,961           |
| Depreciation for furniture, fixtures and equipment                          | 252                                 | 210              |
| Preferred distributions and dividends                                       | 3,799                               | 3,799            |
| Provision for uncollectible tenant receivables                              | 26                                  | 26               |
| Changes in assets and liabilities and other adjustments, net <sup>(2)</sup> | 11,906                              | 3,781            |
| <b>GAAP Net Cash Provided by Operating Activities</b>                       | <b>\$ 43,797</b>                    | <b>\$ 33,568</b> |

(1) Please refer to page 31 for a Management Statement on Funds Available for Distribution.

(2) Primarily includes changes in the following assets and liabilities: marketable securities; current receivables; deferred leasing costs; prepaid expenses and other assets; accounts payable, accrued expenses and other liabilities; and rents received in advance and tenant security deposits.