

KILROY
REALTY
CORPORATION

Q3 2013 Supplemental Financial Report



Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

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This Supplemental Financial Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include, among other things, information concerning lease expirations, debt maturity, potential investments, development and redevelopment activity, projected construction costs, dispositions and other forward-looking financial data. In some instances, forward-looking statements can be identified by the use of forward-looking terminology such as “expect,” “future,” “will,” “would,” “pursue,” or “project” and variations of such words and similar expressions that do not relate to historical matters. Forward-looking statements are based on Kilroy Realty Corporation’s current expectations, beliefs and assumptions, and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of Kilroy Realty Corporation’s control. Accordingly, actual performance, results and events may vary materially from those indicated in forward-looking statements, and you should not rely on forward-looking statements as predictions of future performance, results or events. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in forward-looking statements, including, among others, risks associated with: investment in real estate assets, which are illiquid; trends in the real estate industry; significant competition, which may decrease the occupancy and rental rates of properties; the ability to successfully complete acquisitions and dispositions on announced terms; the ability to successfully operate acquired properties; the availability of cash for distribution and debt service and exposure of risk of default under debt obligations; adverse changes to, or implementations of, applicable laws, regulations or legislation; and the ability to successfully complete development and redevelopment projects on schedule and within budgeted amounts. These factors are not exhaustive. For a discussion of additional factors that could materially adversely affect Kilroy Realty Corporation’s business and financial performance, see the factors included under the caption “Risk Factors” in Kilroy Realty Corporation’s annual report on Form 10-K for the year ended December 31, 2012, and its other filings with the Securities and Exchange Commission. All forward-looking statements are based on information that was available and speak only as of the date on which they are made. Kilroy Realty Corporation assumes no obligation to update any forward-looking statement made in this Supplemental Financial Report that becomes untrue because of subsequent events, new information or otherwise, except to the extent required in connection with ongoing requirements under U.S. securities laws.

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Company Background

Kilroy Realty Corporation (*NYSE: KRC*), a member of the S&P MidCap 400 Index, is a real estate investment trust active in premier office 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, the San Francisco Bay Area and greater Seattle. As of September 30, 2013, the Company's stabilized portfolio consisted of 103 office buildings, which encompassed an aggregate of 12.5 million rentable square feet and was 92.2% occupied.

Board of Directors

John Kilroy, Jr. *Chairman*
 Edward F. Brennan, Ph.D.
 William P. Dickey
 Scott S. Ingraham
 Dale F. Kinsella

Senior Management

John Kilroy, Jr. *President and CEO*
 Jeffrey C. Hawken *Executive VP and COO*
 Eli Khouri *Executive VP and CIO*
 Tyler H. Rose *Executive VP and CFO*
 David Simon *Executive VP*
 Justin W. Smart *Executive VP, Development and Construction Services*
 John T. Fucci *Sr. VP, Asset Management*
 Heidi R. Roth *Sr. VP, CAO and Controller*
 Steve Scott *Sr. VP, San Diego*

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

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Executive Summary

Quarterly Financial Highlights

- FFO per share of \$0.69, which includes the receipt of a net \$0.05 per share cash payment related to the default of a prior tenant
- Net income available to common stockholders per share of \$0.07
- Revenues from continuing operations of \$115.7 million
- Same-store GAAP net operating income (“NOI”) increased 1.1%; Same-store cash NOI increased 1.8% ⁽¹⁾

Quarterly Operating Highlights

- Quarter-end stabilized portfolio occupancy of 92.2% ⁽¹⁾
- 627,721 square feet of leases commenced during the quarter
- 509,851 square feet of leases executed during the quarter

Capital Markets Highlights

- Raised \$295.9 million of net proceeds through an underwritten public offering of 6,175,000 shares of common stock
- Raised \$11.4 million of equity through the at-the-market stock offering program
- No outstanding balance on the line of credit and \$197.2 million of unrestricted cash on hand

Strategic Highlights

- Acquired The Heights in the Del Mar submarket of San Diego, CA for \$126.4 million
- Currently under contract for the sale of 13 properties located in San Diego, CA in two separate transactions. These properties are held for sale as of September 30, 2013 and included in discontinued operations for all periods presented. The transactions are anticipated to close during the fourth quarter of 2013.
- In October, completed the sale of a property located in Anaheim, CA for \$9.6 million. This property was held for sale as of September 30, 2013 and included in discontinued operations for all periods presented.
- In October, stabilized 331 Fairchild Drive development project in Mountain View, CA

Note: Definitions for commonly used terms in this Supplemental Financial Report are on pages 30 through 31 “Definitions Included in Supplemental.”

(1) Excludes properties held for sale at September 30, 2013.

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Financial Highlights

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

	Three Months Ended				
	9/30/2013 ⁽¹⁾	6/30/2013 ⁽²⁾⁽³⁾	3/31/2013	12/31/2012 ⁽³⁾⁽⁴⁾	9/30/2012 ⁽⁵⁾
INCOME ITEMS (Including Discontinued Operations):					
Revenues	\$ 127,803	\$ 124,478	\$ 117,497	\$ 115,763	\$ 111,375
Lease Termination Fees	872	23	15	350	261
Net Operating Income	88,651	88,418	82,445	82,724	77,603
Acquisition-related Costs	568	164	655	1,040	556
Capitalized Interest and Debt Costs	9,089	8,480	7,732	6,638	4,989
Net Income (Loss) Available to Common Stockholders	5,584	6,633	(903)	185,838	(2,753)
EBITDA	78,530	78,418	72,513	72,387	68,650
Funds From Operations ⁽⁶⁾⁽⁷⁾	55,899	55,154	49,086	49,816	43,142
Funds Available for Distribution ⁽⁶⁾⁽⁷⁾	23,899	29,465	28,103	29,523	32,366
Net Income (Loss) Available to Common Stockholders per common share - diluted	\$ 0.07	\$ 0.08	\$ (0.02)	\$ 2.45	\$ (0.04)
Funds From Operations per common share - diluted	\$ 0.69	\$ 0.69	\$ 0.62	\$ 0.63	\$ 0.57
Dividends per common share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35
RATIOS (Including Discontinued Operations):					
Operating Margins	69.4%	71.0%	70.2%	71.5%	69.7%
Interest Coverage Ratio	3.0x	3.0x	2.8x	3.0x	3.0x
Fixed Charge Coverage Ratio	2.7x	2.7x	2.5x	2.7x	2.6x
FFO Payout Ratio	52.6%	49.2%	55.0%	53.9%	62.1%
FAD Payout Ratio	122.9%	92.1%	96.1%	91.0%	82.7%
ASSETS:					
Real Estate Held for Investment before Depreciation	\$ 5,048,531	\$ 5,096,910	\$ 5,016,590	\$ 4,757,394	\$ 4,399,353
Total Assets ⁽⁸⁾	5,089,276	4,775,522	4,755,287	4,616,084	4,215,841
CAPITALIZATION:					
Total Debt	\$ 2,153,758	\$ 2,157,828	\$ 2,158,386	\$ 2,044,419	\$ 1,847,439
Total Preferred Equity and Noncontrolling Interests	200,000	200,000	200,000	200,000	200,000
Total Common Equity and Noncontrolling Interests	4,192,553	4,109,993	4,044,034	3,635,812	3,426,541
Total Market Capitalization	6,546,311	6,467,821	6,402,420	5,880,231	5,473,980
Total Debt / Total Market Capitalization	32.9%	33.3%	33.7%	34.7%	33.7%
Total Debt and Preferred / Total Market Capitalization	36.0%	36.3%	36.9%	38.1%	37.3%

Note: Definitions for commonly used terms in this Supplemental Financial Report are on pages 30 through 31 "Definitions Included in Supplemental."

(1) Results for the three months ended September 30, 2013 include the receipt of a \$3.7 million net cash payment related to the default of a prior tenant.

(2) Results for the three months ended June 30, 2013 include the receipt of a \$5.2 million cash payment related to a property damage settlement.

(3) Net Income (Loss) Available to Common Stockholders includes a net gain on dispositions of discontinued operations of \$0.4 million and \$186.4 million for the three months ended June 30, 2013 and December 31, 2012, respectively.

(4) Results for the three months ended December 31, 2012 include the receipt of a \$0.9 million cash payment related to a 2009 tenant default.

(5) Results for the three months ended September 30, 2012 include a non-cash charge of \$2.1 million related to the original issuance costs of the Series A Preferred Units that were redeemed on August 15, 2012.

(6) Please refer to page 7 for a reconciliation of GAAP Net Income (Loss) Available to Common Stockholders to Funds From Operations and Funds Available for Distribution.

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

(8) Total assets as of September 30, 2013 and September 30, 2012 include "Real estate assets and other assets held for sale, net."

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Common Stock Data (NYSE: KRC)

	Three Months Ended				
	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
High Price	\$ 55.80	\$ 59.58	\$ 53.99	\$ 47.52	\$ 49.88
Low Price	\$ 47.73	\$ 50.11	\$ 47.86	\$ 42.47	\$ 44.78
Closing Price	\$ 49.95	\$ 53.01	\$ 52.40	\$ 47.37	\$ 44.78
Dividends per share – annualized	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
Closing common shares (in 000's) ⁽¹⁾⁽²⁾⁽³⁾	82,113	75,711	75,350	74,927	74,693
Closing common partnership units (in 000's) ⁽¹⁾	1,822	1,822	1,827	1,827	1,827
	<u>83,935</u>	<u>77,533</u>	<u>77,177</u>	<u>76,754</u>	<u>76,520</u>

(1) As of the end of the period.

(2) In September 2013, the Company completed an underwritten public offering of 6,175,000 shares of common stock at \$50.00 per share.

(3) In the third quarter of 2013, the Company issued 226,430 common shares under its at-the-market stock offering program at a weighted average price of \$51.12 per share before selling commissions.

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Consolidated Balance Sheets (unaudited, \$ in thousands)

	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
ASSETS:					
Land and improvements	\$ 612,843	\$ 635,874	\$ 637,854	\$ 612,714	\$ 562,071
Buildings and improvements	3,527,729	3,652,102	3,631,057	3,335,026	3,169,224
Undeveloped land and construction in progress	907,959	808,934	747,679	809,654	668,058
Total real estate held for investment	5,048,531	5,096,910	5,016,590	4,757,394	4,399,353
Accumulated depreciation and amortization	(781,580)	(815,961)	(790,878)	(756,515)	(725,728)
Total real estate held for investment, net	4,266,951	4,280,949	4,225,712	4,000,879	3,673,625
Real estate assets and other assets held for sale, net	239,411	—	—	—	166,019
Cash and cash equivalents	197,150	107,823	135,676	16,700	16,113
Restricted cash	17,931	19,241	19,465	247,544	5,884
Marketable securities	9,192	8,286	8,029	7,435	6,812
Current receivables, net	11,769	10,515	10,666	9,220	7,113
Deferred rent receivables, net	121,659	124,815	122,142	115,418	110,128
Deferred leasing costs and acquisition-related intangible assets, net	190,085	188,702	196,525	189,968	187,307
Deferred financing costs, net	17,809	19,115	20,501	18,971	18,442
Prepaid expenses and other assets, net	17,319	16,076	16,571	9,949	24,398
TOTAL ASSETS	\$ 5,089,276	\$ 4,775,522	\$ 4,755,287	\$ 4,616,084	\$ 4,215,841
LIABILITIES AND EQUITY:					
Liabilities:					
Secured debt	\$ 563,898	\$ 569,042	\$ 570,676	\$ 561,096	\$ 520,867
Exchangeable senior notes, net	167,236	166,119	165,022	163,944	162,885
Unsecured debt, net	1,431,048	1,430,964	1,430,880	1,130,895	1,130,814
Unsecured line of credit	—	—	—	185,000	27,000
Accounts payable, accrued expenses and other liabilities	210,111	184,821	171,694	154,734	127,472
Accrued distributions	31,479	29,236	29,106	28,924	28,845
Deferred revenue and acquisition-related intangible liabilities, net	102,991	117,301	118,118	117,904	120,407
Rents received in advance and tenant security deposits	41,668	39,660	37,251	37,654	31,728
Liabilities and deferred revenue of real estate assets held for sale	16,751	—	—	—	4,455
Total liabilities	2,565,182	2,537,143	2,522,747	2,380,151	2,154,473
Equity:					
<i>Stockholders' Equity</i>					
6.875% Series G Cumulative Redeemable Preferred stock	96,155	96,155	96,155	96,155	96,155
6.375% Series H Cumulative Redeemable Preferred stock	96,256	96,256	96,256	96,256	96,256
Common stock	821	757	753	749	747
Additional paid-in capital	2,476,424	2,170,667	2,149,052	2,126,005	2,114,774
Distributions in excess of earnings	(201,048)	(177,484)	(157,211)	(129,535)	(288,765)
Total stockholders' equity	2,468,608	2,186,351	2,185,005	2,189,630	2,019,167
<i>Noncontrolling Interests</i>					
Common units of the Operating Partnership	50,601	47,143	47,535	46,303	42,201
Noncontrolling interest in consolidated subsidiary	4,885	4,885	—	—	—
Total noncontrolling interests	55,486	52,028	47,535	46,303	42,201
Total equity	2,524,094	2,238,379	2,232,540	2,235,933	2,061,368
TOTAL LIABILITIES AND EQUITY	\$ 5,089,276	\$ 4,775,522	\$ 4,755,287	\$ 4,616,084	\$ 4,215,841

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Consolidated Statements of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES:				
Rental income	\$ 104,939	\$ 90,828	\$ 308,931	\$ 253,599
Tenant reimbursements	9,656	8,022	28,503	21,867
Other property income	1,102	135	7,062	961
Total revenues	<u>115,697</u>	<u>98,985</u>	<u>344,496</u>	<u>276,427</u>
EXPENSES:				
Property expenses	25,123	21,016	71,728	55,531
Real estate taxes	10,295	8,746	29,707	23,668
Provision for bad debts	124	—	219	2
Ground leases	929	859	2,665	2,276
General and administrative expenses	10,226	8,727	29,750	26,745
Acquisition-related expenses	568	556	1,387	3,897
Depreciation and amortization	47,569	41,724	141,814	109,780
Total expenses	<u>94,834</u>	<u>81,628</u>	<u>277,270</u>	<u>221,899</u>
OTHER (EXPENSES) INCOME:				
Interest income and other net investment gains	673	330	1,084	703
Interest expense	(18,853)	(19,854)	(58,021)	(60,172)
Total other (expenses) income	<u>(18,180)</u>	<u>(19,524)</u>	<u>(56,937)</u>	<u>(59,469)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>2,683</u>	<u>(2,167)</u>	<u>10,289</u>	<u>(4,941)</u>
DISCONTINUED OPERATIONS:				
Income from discontinued operations ⁽¹⁾	6,344	4,689	10,806	15,603
Net gain on dispositions of discontinued operations	—	—	423	72,809
Total income from discontinued operations	<u>6,344</u>	<u>4,689</u>	<u>11,229</u>	<u>88,412</u>
NET INCOME	<u>9,027</u>	<u>2,522</u>	<u>21,518</u>	<u>83,471</u>
Net (income) loss attributable to noncontrolling common units of the Operating Partnership	(131)	67	(266)	(1,708)
NET INCOME ATTRIBUTABLE TO KILROY REALTY CORPORATION	<u>8,896</u>	<u>2,589</u>	<u>21,252</u>	<u>81,763</u>
PREFERRED DISTRIBUTIONS AND DIVIDENDS:				
Distributions on noncontrolling cumulative redeemable preferred units of the Operating Partnership	—	(747)	—	(3,541)
Preferred dividends	(3,312)	(2,533)	(9,938)	(7,254)
Original issuance costs of redeemed preferred stock	—	(2,062)	—	(6,980)
Total preferred distributions and dividends	<u>(3,312)</u>	<u>(5,342)</u>	<u>(9,938)</u>	<u>(17,775)</u>
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 5,584</u>	<u>\$ (2,753)</u>	<u>\$ 11,314</u>	<u>\$ 63,988</u>
Weighted average common shares outstanding - basic	76,769	71,889	75,751	67,975
Weighted average common shares outstanding - diluted	76,769	71,889	75,751	67,975
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS PER SHARE				
Net income (loss) available to common stockholders per share - basic	<u>\$ 0.07</u>	<u>\$ (0.04)</u>	<u>\$ 0.13</u>	<u>\$ 0.92</u>
Net income (loss) available to common stockholders per share - diluted	<u>\$ 0.07</u>	<u>\$ (0.04)</u>	<u>\$ 0.13</u>	<u>\$ 0.92</u>

(1) Income from discontinued operations for the three and nine months ended September 30, 2013 includes the receipt of a \$3.7 million net cash settlement payment related to the default of a prior tenant at a property the Company sold in 2012.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
FUNDS FROM OPERATIONS: ⁽¹⁾				
Net income (loss) available to common stockholders	\$ 5,584	\$ (2,753)	\$ 11,314	\$ 63,988
Adjustments:				
Net income (loss) attributable to noncontrolling common units of the Operating Partnership	131	(67)	266	1,708
Depreciation and amortization of real estate assets	50,184	45,962	148,982	122,754
Net gain on dispositions of discontinued operations	—	—	(423)	(72,809)
Funds From Operations ⁽²⁾⁽³⁾	<u>\$ 55,899</u>	<u>\$ 43,142</u>	<u>\$ 160,139</u>	<u>\$ 115,641</u>
Weighted average common shares/units outstanding - basic ⁽⁴⁾	79,806	74,850	78,795	70,830
Weighted average common shares/units outstanding - diluted ⁽⁴⁾	81,527	76,185	80,586	71,953
FFO per common share/unit - basic ⁽²⁾	<u>\$ 0.70</u>	<u>\$ 0.58</u>	<u>\$ 2.03</u>	<u>\$ 1.63</u>
FFO per common share/unit - diluted ⁽²⁾	<u>\$ 0.69</u>	<u>\$ 0.57</u>	<u>\$ 1.99</u>	<u>\$ 1.61</u>
FUNDS AVAILABLE FOR DISTRIBUTION: ⁽¹⁾				
Funds From Operations ⁽²⁾	\$ 55,899	\$ 43,142	\$ 160,139	\$ 115,641
Adjustments:				
Tenant improvements, leasing commissions and recurring capital expenditures ⁽⁵⁾	(24,684)	(6,394)	(58,163)	(26,581)
Amortization of deferred revenue related to tenant-funded tenant improvements ⁽³⁾⁽⁶⁾	(2,626)	(2,386)	(7,585)	(6,851)
Net effect of straight-line rents	(6,103)	(6,052)	(18,188)	(16,627)
Amortization of other deferred revenue, net ⁽⁷⁾	225	602	2,011	1,146
Amortization of net below market rents ⁽⁸⁾	(1,938)	(2,027)	(6,015)	(4,616)
Noncash amortization of exchangeable debt discount, net ⁽⁹⁾	691	781	2,124	3,069
Amortization of deferred financing costs and net debt discounts/(premiums)	260	513	690	2,579
Noncash amortization of share-based compensation awards	2,175	2,125	6,454	5,544
Original issuance costs of redeemed preferred stock	—	2,062	—	6,980
Funds Available for Distribution ⁽¹⁾	<u>\$ 23,899</u>	<u>\$ 32,366</u>	<u>\$ 81,467</u>	<u>\$ 80,284</u>

(1) See pages 28 and 29 for Management Statements on Funds From Operation and Funds Available for Distribution.

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

(3) FFO includes amortization of deferred revenue related to tenant-funded tenant improvements of \$2.6 million and \$2.4 million for the three months ended September 30, 2013 and 2012, respectively, and \$7.6 million and \$6.9 million for the nine months ended September 30, 2013 and 2012, respectively. These amounts are adjusted out of FFO in our calculation of FAD.

(4) Calculated based on weighted average shares outstanding including participating share-based awards (i.e. nonvested stock and time based restricted stock units), dilutive impact of stock options and contingently issuable shares and assuming the exchange of all common limited partnership units outstanding.

(5) In the current year the Company renewed several large leases that were scheduled to expire in 2014 and 2015 as part of its effort to manage its lease expiration profile. The early renewals have resulted in increased capital costs, including higher lease commissions and tenant improvement costs. In addition, an existing tenant that had received a significant improvement allowance as part of a prior year's lease elected to start the capital project in the current year.

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

(7) 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.

(8) Represents the non-cash adjustment related to the acquisition of buildings with above and/or below market rents.

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

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Same Store Analysis ⁽¹⁾ (unaudited, \$ in thousands)

Same Store Analysis (GAAP Basis) ⁽²⁾						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	% Change	2013	2012	% Change
Total Same Store Portfolio						
Number of properties	84	84		84	84	
Square Feet	9,938,826	9,938,826		9,938,826	9,938,826	
Percent of Stabilized Portfolio	79.3%	78.8%		79.3%	78.8%	
Average Occupancy	91.7%	93.2%		91.8%	93.2%	
Operating Revenues:						
Rental income	\$ 80,036	\$ 77,837	2.8 %	\$ 237,518	\$ 233,353	1.8 %
Tenant reimbursements	6,890	6,346	8.6 %	20,552	18,992	8.2 %
Other property income ⁽³⁾	735	111	562.2 %	6,376	703	807.0 %
Total operating revenues	87,661	84,294	4.0 %	264,446	253,048	4.5 %
Operating Expenses:						
Property expenses	20,068	17,811	12.7 %	56,159	50,464	11.3 %
Real estate taxes	7,543	7,174	5.1 %	22,056	20,924	5.4 %
Provision for bad debts	129	—	— %	224	2	11,100.0 %
Ground leases	396	417	(5.0)%	1,231	1,252	(1.7)%
Total operating expenses	28,136	25,402	10.8 %	79,670	72,642	9.7 %
GAAP Net Operating Income	\$ 59,525	\$ 58,892	1.1 %	\$ 184,776	\$ 180,406	2.4 %

Same Store Analysis (Cash Basis) ⁽²⁾						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	% Change	2013	2012	% Change
Total operating revenues	\$ 82,582	\$ 79,009	4.5 %	\$ 250,907	\$ 234,396	7.0 %
Total operating expenses	28,022	25,402	10.3 %	79,494	72,640	9.4 %
Cash Net Operating Income	\$ 54,560	\$ 53,607	1.8 %	\$ 171,413	\$ 161,756	6.0 %

(1) Same store is defined as all properties owned and included in our stabilized portfolio as of January 1, 2012 and still owned and included in the stabilized portfolio as of September 30, 2013. Same store excludes properties held for sale at September 30, 2013. Additionally, amounts presented do not include the receipt of a \$3.7 million net cash settlement payment related to the default of a prior tenant at a property the Company sold in 2012.

(2) Please refer to page 32 for a reconciliation of the Same Store measures on this page to Net Income (Loss) Available to Common Stockholders.

(3) Other property income for the nine months ended September 30, 2013 includes a \$5.2 million cash receipt related to a property damage settlement.

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Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview by Region

	Buildings ⁽¹⁾	Portfolio Breakdown		Total SF ⁽¹⁾	Occupied at		Leased at
		YTD NOI % ⁽¹⁾	SF % ⁽¹⁾		9/30/2013 ⁽¹⁾	6/30/2013	9/30/2013 ⁽¹⁾
<i>Los Angeles and Ventura Counties</i>							
101 Corridor	4	1.7%	2.4%	295,712	93.3%	90.7%	94.1%
El Segundo	5	8.5%	8.7%	1,090,525	99.6%	97.8%	99.6%
Hollywood	1	2.0%	2.6%	321,883	82.9%	79.9%	86.3%
Long Beach	6	5.0%	6.8%	850,822	96.4%	96.0%	96.7%
West Los Angeles	10	6.6%	6.7%	838,731	85.7%	85.0%	86.1%
Total Los Angeles and Ventura Counties	26	23.8%	27.2%	3,397,673	93.2%	91.9%	93.8%
Total Orange County	3	3.1%	3.5%	437,603	93.3%	89.3%	94.8%
<i>San Diego County</i>							
Del Mar	17	16.5%	13.9%	1,742,852	92.8%	88.7%	93.8%
I-15 Corridor	5	5.1%	4.3%	540,851	82.2%	75.6%	94.1%
Mission Valley	4	1.3%	2.3%	285,409	93.5%	77.0%	95.5%
Point Loma	1	1.0%	0.8%	103,900	100.0%	100.0%	100.0%
Sorrento Mesa	16	8.6%	10.4%	1,303,583	89.7%	95.3%	92.8%
University Towne Center	5	1.7%	3.1%	387,933	79.6%	81.1%	79.6%
Total San Diego County	48	34.2%	34.8%	4,364,528	89.6%	87.6%	92.5%
<i>San Francisco Bay Area</i>							
Menlo Park	7	3.5%	3.0%	374,139	85.0%	83.4%	86.2%
San Francisco	5	15.9%	13.6%	1,708,868	93.6%	92.8%	94.6%
San Rafael	1	0.8%	1.0%	130,237	98.1%	98.1%	98.1%
Sunnyvale	1	0.5%	0.6%	75,810	100.0%	100.0%	100.0%
Total San Francisco Bay Area	14	20.7%	18.2%	2,289,054	92.7%	91.8%	93.6%
<i>Greater Seattle</i>							
Bellevue	2	7.5%	7.2%	905,225	89.9%	90.8%	92.0%
Kirkland	4	2.3%	2.2%	279,924	97.3%	99.3%	97.3%
Lake Union	5	7.4%	5.9%	740,385	100.0%	99.7%	100.0%
Redmond	1	1.0%	1.0%	122,103	100.0%	100.0%	100.0%
Total Greater Seattle	12	18.2%	16.3%	2,047,637	95.2%	95.7%	96.1%
TOTAL STABILIZED PORTFOLIO	103	100.0%	100.0%	12,536,495	92.2%	90.7%	93.7%

Average Occupancy	
Quarter-to-Date	Year-to-Date
91.4%	90.9%

(1) Excludes properties held for sale at September 30, 2013. See page 21, "2013 Dispositions and Properties Held for Sale."

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview by Region, continued

	Submarket	Square Feet	Occupied
Los Angeles and Ventura, California			
23925 Park Sorrento	101 Corridor	11,789	100.0 %
23975 Park Sorrento	101 Corridor	100,592	94.3 %
24025 Park Sorrento	101 Corridor	102,264	90.3 %
2829 Townsgate Road	101 Corridor	81,067	94.7 %
2240 E. Imperial Highway	El Segundo	122,870	100.0 %
2250 E. Imperial Highway	El Segundo	298,728	100.0 %
2260 E. Imperial Highway	El Segundo	298,728	100.0 %
909 N. Sepulveda Boulevard	El Segundo	241,607	99.1 %
999 N. Sepulveda Boulevard	El Segundo	128,592	98.2 %
6255 W. Sunset Blvd.	Hollywood	321,883	82.9 %
3750 Kilroy Airport Way	Long Beach	10,457	86.1 %
3760 Kilroy Airport Way	Long Beach	165,278	100.0 %
3780 Kilroy Airport Way	Long Beach	219,745	92.2 %
3800 Kilroy Airport Way	Long Beach	192,476	98.5 %
3840 Kilroy Airport Way	Long Beach	136,026	100.0 %
3900 Kilroy Airport Way	Long Beach	126,840	93.0 %
12100 W. Olympic Boulevard	West Los Angeles	150,167	94.4 %
12200 W. Olympic Boulevard	West Los Angeles	150,302	95.3 %
12233 W. Olympic Boulevard	West Los Angeles	151,029	93.4 %
12312 W. Olympic Boulevard	West Los Angeles	78,000	0.0 %
1633 26th Street	West Los Angeles	44,915	100.0 %
2100/2110 Colorado Avenue	West Los Angeles	102,864	100.0 %
3130 Wilshire Boulevard	West Los Angeles	88,339	93.8 %
501 Santa Monica Boulevard	West Los Angeles	73,115	84.3 %
Total Los Angeles and Ventura Counties		3,397,673	93.2%
Orange County, California			
2211 Michelson Drive	Irvine	271,556	92.6 %
111 Pacifica	Irvine Spectrum	67,496	86.4 %
999 Town & Country	Orange	98,551	100.0 %
Total Orange County		437,603	93.3%

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Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview by Region, continued

San Diego, California	Submarket	Square Feet	Occupied
12225 El Camino Real	Del Mar	58,401	100.0%
12235 El Camino Real	Del Mar	54,673	81.0%
12340 El Camino Real	Del Mar	87,405	86.9%
12390 El Camino Real	Del Mar	72,332	100.0%
12348 High Bluff Drive	Del Mar	38,710	41.7%
12400 High Bluff Drive	Del Mar	208,464	100.0%
3579 Valley Center Drive	Del Mar	51,167	92.7%
3611 Valley Center Drive	Del Mar	130,349	85.5%
3661 Valley Center Drive	Del Mar	129,752	72.5%
3721 Valley Center Drive	Del Mar	114,780	79.9%
3811 Valley Center Drive	Del Mar	112,067	100.0%
7525 Torrey Santa Fe	Del Mar	103,979	100.0%
7535 Torrey Santa Fe	Del Mar	130,243	100.0%
7545 Torrey Santa Fe	Del Mar	130,354	100.0%
7555 Torrey Santa Fe	Del Mar	101,236	100.0%
12780 El Camino Real	Del Mar	140,591	100.0%
12790 El Camino Real	Del Mar	78,349	100.0%
13280 Evening Creek Drive South	I-15 Corridor	41,197	25.9%
13290 Evening Creek Drive South	I-15 Corridor	61,176	0.0%
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	141,128	96.6%
2355 Northside Drive	Mission Valley	53,610	87.4%
2365 Northside Drive	Mission Valley	91,260	97.8%
2375 Northside Drive	Mission Valley	51,516	91.9%
2385 Northside Drive	Mission Valley	89,023	93.5%

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Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview by Region, continued

	Submarket	Square Feet	Occupied
San Diego, California (Continued)			
2305 Historic Decatur Road	Point Loma	103,900	100.0 %
4921 Directors Place	Sorrento Mesa	56,136	100.0 %
4939 Directors Place	Sorrento Mesa	60,662	100.0 %
4955 Directors Place	Sorrento Mesa	76,246	100.0 %
10770 Wateridge Circle	Sorrento Mesa	174,310	97.5 %
6260 Sequence Drive	Sorrento Mesa	130,536	0.0 %
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	75,899	100.0 %
10445 Pacific Center Court	Sorrento Mesa	48,709	100.0 %
10455 Pacific Center Court	Sorrento Mesa	90,000	100.0 %
5717 Pacific Center Boulevard	Sorrento Mesa	67,995	100.0 %
4690 Executive Drive	University Towne Center	47,212	88.3 %
6200 Greenwich Drive	University Towne Center	73,507	0.0 %
6220 Greenwich Drive	University Towne Center	141,214	100.0 %
9785 Towne Center Drive	University Towne Center	75,534	100.0 %
9791 Towne Center Drive	University Towne Center	50,466	100.0 %
Total San Diego County		4,364,528	89.6%

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Occupancy Overview by Region, continued

	Submarket	Square Feet	Occupancy
San Francisco Bay Area, California			
4100 Bohannon Drive	Menlo Park	46,614	100.0 %
4200 Bohannon Drive	Menlo Park	46,255	85.5 %
4300 Bohannon Drive	Menlo Park	62,920	48.4 %
4400 Bohannon Drive	Menlo Park	46,255	91.8 %
4500 Bohannon Drive	Menlo Park	62,920	100.0 %
4600 Bohannon Drive	Menlo Park	46,255	71.2 %
4700 Bohannon Drive	Menlo Park	62,920	100.0 %
303 Second Street	San Francisco	740,047	88.9 %
100 First Street	San Francisco	466,490	96.7 %
250 Brannan Street	San Francisco	95,008	100.0 %
201 Third Street	San Francisco	332,893	96.6 %
301 Brannan Street	San Francisco	74,430	100.0 %
4040 Civic Center	San Rafael	130,237	98.1 %
599 Mathilda	Sunnyvale	75,810	100.0 %
Total San Francisco Bay Area		2,289,054	92.7%
Greater Seattle, Washington			
601 108th Avenue NE	Bellevue	488,470	93.9 %
10900 NE 4th Street	Bellevue	416,755	85.3 %
10220 NE Points Drive	Kirkland	49,851	96.3 %
10230 NE Points Drive	Kirkland	98,982	94.2 %
10210 NE Points Drive	Kirkland	84,641	100.0 %
3933 Lake Washington Blvd NE	Kirkland	46,450	100.0 %
837 N. 34th Street	Lake Union	111,580	100.0 %
701 N. 34th Street	Lake Union	138,995	100.0 %
801 N. 34th Street	Lake Union	169,412	100.0 %
320 Westlake Terry Ave. N.	Lake Union	184,643	100.0 %
321 Terry Ave. N.	Lake Union	135,755	100.0 %
15050 NE 36th Street	Redmond	122,103	100.0 %
Total Greater Seattle, Washington		2,047,637	95.2%
TOTAL		12,536,495	92.2%

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Third Quarter 2013 Supplemental Financial Report

Information on Leases Commenced ⁽¹⁾

	1st & 2nd Generation				2nd Generation				
	# of Leases ⁽²⁾		Square Feet ⁽²⁾		TI/LC Per Sq.Ft.	Changes in Rents	Changes in Cash Rents	Retention Rates	Weighted Average Lease Term (Mo.)
	New	Renewal	New	Renewal					
Quarter-to-Date	34	27	358,367	269,354	\$ 45.76	24.8%	5.2%	58.3%	84
Year-to-Date	76	66	736,934	855,596	36.53	19.7%	8.9%	52.1%	72

Information on Leases Executed ⁽¹⁾

	1st & 2nd Generation				2nd Generation				
	# of Leases ⁽³⁾		Square Feet ⁽³⁾		TI/LC Per Sq.Ft.	Changes in Rents	Changes in Cash Rents	Weighted Average Lease Term (Mo.)	
	New	Renewal	New	Renewal					
Quarter to Date ⁽⁴⁾	36	27	240,497	269,354	\$ 32.84	21.4%	6.7%	69	
Year to Date ⁽⁵⁾	89	60	675,753	793,902	26.59	18.1%	9.8%	60	

(1) Includes leases commenced and executed for properties held for sale at September 30, 2013.

(2) Represents leasing activity for leases that commenced during the three and nine months ended September 30, 2013, including first and second generation space, net of month-to-month leases.

(3) Represents leasing activity for leases signed during the three and nine months ended September 30, 2013, including first and second generation space, net of month-to-month leases.

(4) During the three months ended September 30, 2013, 17 new leases totaling 134,000 square feet were signed but not commenced as of September 30, 2013.

(5) During the nine months ended September 30, 2013, 26 new leases totaling 331,000 square feet were signed but not commenced as of September 30, 2013.

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Stabilized Portfolio Capital Expenditures ⁽¹⁾ (*\$ in thousands*)

	Q1 2013	Q2 2013	Q3 2013	Total 2013
1st Generation (Nonrecurring) Capital Expenditures:				
Capital Improvements	\$ 6,983	\$ 12,580	\$ 8,816	\$ 28,379
Tenant Improvements & Leasing Commissions ⁽²⁾	1,229	2,084	9	3,322
Total	\$ 8,212	\$ 14,664	\$ 8,825	\$ 31,701

	Q1 2013	Q2 2013	Q3 2013	Total 2013
2nd Generation (Recurring) Capital Expenditures:				
Capital Improvements	\$ 1,773	\$ 2,169	\$ 2,599	\$ 6,541
Tenant Improvements & Leasing Commissions ⁽²⁾	12,677	16,860	22,085	51,622
Total ⁽³⁾	\$ 14,450	\$ 19,029	\$ 24,684	\$ 58,163

(1) Reported amounts include expenditures for the properties held for sale as of September 30, 2013.

(2) Represents costs incurred for leasing activity during the periods shown. Amounts exclude tenant-funded tenant improvements.

(3) In the current year the Company renewed several large leases that were scheduled to expire in 2014 and 2015 as part of its effort to manage its lease expiration profile. The early renewals have resulted in increased capital costs, including higher lease commissions and tenant improvement costs. In addition, an existing tenant that had received a significant improvement allowance as part of a prior year's lease elected to start the capital project in the current year.

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Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Lease Expiration Summary Schedule ⁽¹⁾ (\$ in thousands, except for annualized rent per sq. ft.)

Year of Expiration	# of Expiring Leases	Total Square Feet	% of Total Leased Sq. Ft.	Annualized Base Rent	% of Total Annualized Base Rent	Annualized Rent per Sq. Ft.
2013	15	44,269	0.4%	\$ 1,690	0.5%	\$ 38.17
2014	106	1,142,743	10.1%	32,193	8.6%	28.17
2015	107	1,710,566	15.1%	50,029	13.4%	29.25
2016	82	841,732	7.4%	23,143	6.2%	27.49
2017	88	1,692,186	15.0%	55,074	14.8%	32.55
2018	53	1,521,971	13.5%	62,368	16.8%	40.98
2019	40	1,167,205	10.3%	42,501	11.4%	36.41
2020	32	1,312,859	11.6%	38,545	10.4%	29.36
2021	11	338,060	3.0%	13,041	3.5%	38.58
2022	11	258,519	2.3%	8,753	2.3%	33.86
2023 and beyond	21	1,276,994	11.3%	44,950	12.1%	35.20
Total ⁽²⁾	566	11,307,104	100.0%	\$ 372,287	100.0%	\$ 32.93

(1) Excludes lease expirations for properties held for sale at September 30, 2013.

(2) The information presented for all lease expiration activity reflects leasing activity through September 30, 2013 for our stabilized portfolio. 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, vacant space, and lease renewal options not executed as of September 30, 2013.

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Stabilized Portfolio Lease Expiration Schedule by Region (*\$ in thousands, except for annualized rent per sq. ft.*)

Year	Region	# of Expirations	Total Square Feet	% of Total Leased Sq. Ft.	Annualized Base Rent	% of Total Annualized Base Rent	Annualized Rent per Sq. Ft.
2013	Los Angeles	14	39,793	0.4%	\$ 1,598	0.5%	\$ 40.16
	Orange County	1	4,476		92		20.55
	Total	15	44,269	0.4%	\$ 1,690	0.5%	\$ 38.17
2014	Los Angeles	61	372,534	3.3%	\$ 11,630	3.1%	\$ 31.22
	Orange County	7	33,206	0.3%	894	0.3%	26.92
	San Diego	14	472,164	4.1%	10,486	2.8%	22.21
	San Francisco Bay Area	14	167,048	1.5%	6,120	1.6%	36.64
	Greater Seattle	10	97,791	0.9%	3,063	0.8%	31.32
	Total	106	1,142,743	10.1%	\$ 32,193	8.6%	\$ 28.17
2015	Los Angeles	46	425,597	3.8%	\$ 12,980	3.5%	\$ 30.50
	Orange County	7	37,630	0.3%	1,033	0.3%	27.45
	San Diego	23	459,312	4.0%	11,625	3.0%	25.31
	San Francisco Bay Area	15	360,226	3.2%	12,897	3.5%	35.80
	Greater Seattle	16	427,801	3.8%	11,494	3.1%	26.87
	Total	107	1,710,566	15.1%	\$ 50,029	13.4%	\$ 29.25
2016	Los Angeles	41	264,142	2.3%	\$ 8,810	2.4%	\$ 33.35
	Orange County	6	38,169	0.3%	1,192	0.3%	31.23
	San Diego	18	335,545	3.0%	6,912	1.9%	20.60
	San Francisco Bay Area	6	70,454	0.6%	3,052	0.8%	43.32
	Greater Seattle	11	133,422	1.2%	3,177	0.8%	23.81
	Total	82	841,732	7.4%	\$ 23,143	6.2%	\$ 27.49
2017	Los Angeles	39	396,060	3.5%	\$ 12,413	3.3%	\$ 31.34
	Orange County	10	86,675	0.8%	3,198	0.9%	36.90
	San Diego	14	691,154	6.1%	21,999	5.9%	31.83
	San Francisco Bay Area	13	206,825	1.8%	8,525	2.3%	41.22
	Greater Seattle	12	311,472	2.8%	8,939	2.4%	28.70
	Total	88	1,692,186	15.0%	\$ 55,074	14.8%	\$ 32.55
2018 and Beyond	Los Angeles	54	1,502,013	13.3%	\$ 51,367	13.8%	\$ 34.20
	Orange County	8	200,818	1.8%	6,995	1.9%	34.83
	San Diego	32	1,935,502	17.2%	69,434	18.7%	35.87
	San Francisco Bay Area	35	1,271,654	11.2%	52,963	14.2%	41.65
	Greater Seattle	39	965,621	8.5%	29,399	7.9%	30.45
	Total	168	5,875,608	52.0%	\$ 210,158	56.5%	\$ 35.77

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Third Quarter 2013 Supplemental Financial Report

Stabilized Portfolio Quarterly Lease Expirations for 2013 and 2014
(\$ in thousands, except for annualized rent per sq. ft.)

	# of Expiring Leases	Total Square Feet	% of Total Leased Sq. Ft.	Annualized Base Rent	% of Total Annualized Base Rent	Annualized Rent per Sq. Ft.
2013:						
Q4 2013	15	44,269	0.4%	\$ 1,690	0.5%	\$ 38.17
Total 2013	15	44,269	0.4%	1,690	0.5%	38.17
2014:						
Q1 2014	24	360,880	3.2%	8,339	2.2%	23.11
Q2 2014	17	154,260	1.4%	4,315	1.2%	27.97
Q3 2014	27	334,835	3.0%	9,267	2.5%	27.68
Q4 2014	38	292,768	2.5%	10,272	2.7%	35.09
Total 2014	106	1,142,743	10.1%	\$ 32,193	8.6%	\$ 28.17

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Top Fifteen Tenants ⁽¹⁾⁽²⁾ (*\$ in thousands*)

Tenant Name	Annualized Base Rental Revenue	Rentable Square Feet	Percentage of Total Annualized Base Rental Revenue	Percentage of Total Rentable Square Feet
DIRECTV, LLC	\$ 23,683	663,262	6.4 %	5.3 %
Bridgepoint Education, Inc.	15,066	322,994	4.1 %	2.6 %
Intuit, Inc.	13,489	465,812	3.6 %	3.7 %
Delta Dental of California	10,960	217,629	2.9 %	1.7 %
AMN Healthcare, Inc.	8,341	175,672	2.2 %	1.4 %
Group Health Cooperative	6,372	183,422	1.7 %	1.5 %
Microsoft Corporation	6,256	215,997	1.7 %	1.7 %
Fish & Richardson P.C.	6,071	139,538	1.6 %	1.1 %
Splunk, Inc.	5,413	95,008	1.5 %	0.8 %
Wells Fargo ⁽³⁾	5,302	127,014	1.4 %	1.0 %
Scripps Health	5,199	112,067	1.4 %	0.9 %
BP Biofuels	5,158	136,908	1.4 %	1.1 %
Lucile Salter Packard Children's Hospital at Stanford	5,111	137,807	1.4 %	1.1 %
Adobe Systems, Inc.	4,989	189,131	1.3 %	1.5 %
Epson America, Inc.	4,915	136,026	1.3 %	1.1 %
Total Top Fifteen Tenants	\$ 126,325	3,318,287	33.9%	26.5%

(1) The information presented is as of September 30, 2013.

(2) Excludes tenants from properties held for sale at September 30, 2013.

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

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

2013 Operating Property Acquisitions (*\$ in millions*)

Property	Submarket	Month of Acquisition	Number of Buildings	Rentable Square Feet	Purchase Price
<u>1st Quarter</u>					
320 Westlake Ave. N. and 321 Terry Ave. N., Seattle, WA	Lake Union	January	2	320,398	\$ 170.0
<u>2nd Quarter</u>					
None					
<u>3rd Quarter</u>					
12780 and 12790 El Camino Real, San Diego, CA	Del Mar	September	2	218,940	126.4 ⁽¹⁾
TOTAL			<u>4</u>	<u>539,338</u>	<u>\$ 296.4</u>

(1) The \$126.4 million purchase price includes \$9.4 million for 4.2 acres of undeveloped land the Company acquired in connection with this acquisition. For more information about the undeveloped land please refer to the Heights of Del Mar project on page 23 "In-Process and Future Development Pipeline."

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Third Quarter 2013 Supplemental Financial Report

2013 Dispositions and Properties Held for Sale (*\$ in millions*)

COMPLETED DISPOSITIONS					
Property	Submarket	Month of Disposition	No. of Buildings	Rentable Square Feet	Sales Price ⁽¹⁾
<u>1st Quarter</u>					
None					
<u>2nd Quarter</u>					
26541 Agoura Road, Calabasas, CA	101 Corridor	June	1	90,156	\$ 14.7
<u>3rd Quarter</u>					
None					
TOTAL DISPOSITIONS			1	90,156	\$ 14.7

(1) Represents gross sales price before the impact of commissions and closing costs.

PROPERTIES HELD FOR SALE AS OF SEPTEMBER 30, 2013			
Property	Submarket	No. of Buildings	Rentable Square Feet
San Diego Properties, San Diego, CA ⁽¹⁾	I-15 Corridor/Sorrento Mesa	13	1,099,395
8101 Kaiser Boulevard, Anaheim, CA ⁽²⁾	Anaheim	1	59,790
TOTAL PROPERTIES HELD FOR SALE		14	1,159,185

(1) The San Diego Properties included the following: 4910 Directors Place, 10020 Pacific Mesa Boulevard, 6055 Lusk Avenue, 5010 and 5005 Wateridge Vista Drive, 15435 and 15445 Innovation Drive, and 15051, 15073, 15231, 15253, 15333 and 15378 Avenue of Science.

(2) The Company disposed of this property on October 2, 2013. The sales price was \$9.6 million before the impact of commissions and closing costs.

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In-Process Redevelopment Projects and Other Land Holdings (\$ in millions)

In-Process Redevelopment Projects	Location	Estimated Construction Period		Estimated Stabilization Date	Estimated Rentable Square Feet	Existing Investment ⁽¹⁾	Estimated Redevelopment Costs	Total Estimated Investment	Total Costs as of 9/30/2013 ⁽²⁾	% Leased
		Start Date	Compl. Date							
PROJECTS IN LEASE-UP:										
3880 Kilroy Airport Way ⁽³⁾	Long Beach	3Q 2011	4Q 2012	4Q 2013	98,000	\$ 6.3	\$ 13.8	\$ 20.1	\$ 16.5	50%
360 Third Street ⁽⁴⁾⁽⁵⁾	San Francisco	4Q 2011	1Q 2013	1Q 2014	410,000	88.5	97.3	185.8	146.5	85%
TOTAL IN-PROCESS REDEVELOPMENT PROJECTS:					508,000	\$ 94.8	\$ 111.1	\$ 205.9	\$ 163.0	78%

Other Land Holdings Project	Gross Site Acreage	Estimated Rentable Square Feet	Total Costs as of 9/30/2013 ⁽²⁾
IRVINE, CALIFORNIA			
17150 Von Karman	8.5	N/A	\$ 8.1

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

(2) Represents cash paid and costs incurred as of September 30, 2013. Includes existing investment at the commencement of redevelopment.

(3) This property was 50% leased prior to any redevelopment activity, which occurred in two phases. Redevelopment on the first half was completed during the second quarter of 2012 and the tenant has taken occupancy of this space. Redevelopment on the second half was completed in the fourth quarter of 2012.

(4) As of March 31, 2013, the building improvements were substantially complete. As of September 30, 2013, the building occupancy was 78%.

(5) During the fourth quarter of 2012, the Company exercised its option to acquire the land underlying the current ground lease for \$27.5 million. The transaction is expected to close in 4Q 2013.

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In-Process and Future Development Pipeline (*\$ in millions*)

	Location	Estimated Construction Period		Estimated Stabilization Date	Estimated Rentable Square Feet	Total Estimated Investment	Total Costs as of 9/30/2013 ⁽¹⁾	% Leased
		Start Date	Compl. Date					
UNDER CONSTRUCTION:								
San Francisco Bay Area								
690 E. Middlefield Road	Mountain View	2Q 2012	1Q 2015	1Q 2015	341,000	\$ 197.6	\$ 139.5	100%
331 Fairchild Drive ⁽²⁾	Mountain View	4Q 2012	4Q 2013	4Q 2013	88,000	45.2	41.4	100%
350 Mission Street ⁽³⁾	San Francisco	4Q 2012	1Q 2015	4Q 2015	400,000	254.4	82.9	100%
555 N. Mathilda Avenue	Sunnyvale	4Q 2012	3Q 2014	3Q 2014	587,000	314.5	193.6	100%
Los Angeles								
Columbia Square - Historical Buildings ⁽⁴⁾	Hollywood	2Q 2013	3Q 2014	3Q 2015	100,000	50.0	27.5	—%
SUBTOTAL:					1,516,000	\$ 861.7	\$ 484.9	93%
FUTURE DEVELOPMENT PIPELINE:								
Los Angeles								
Columbia Square Phase II ⁽⁴⁾	Hollywood	4Q 2013	2Q 2016	2Q 2017	575,000	\$ 330 - 340	\$ 57.7	N/A
San Diego								
9455 Towne Centre Drive ⁽⁵⁾	San Diego	TBD	TBD	TBD	150,000	TBD	\$ 3.8	N/A
Carlsbad Oaks - Lots 4, 5, 7 & 8	Carlsbad	TBD	TBD	TBD	288,000	TBD	18.4	N/A
The Heights at Del Mar ⁽⁶⁾	Del Mar	TBD	TBD	TBD	75,000 - 90,000	TBD	9.4	N/A
One Paseo ⁽⁷⁾	Del Mar	TBD	TBD	TBD	500,000	TBD	144.2	N/A
Pacific Corporate Center - Lot 8	Sorrento Mesa	TBD	TBD	TBD	170,000	TBD	12.0	N/A
Rancho Bernardo Corporate Center	I-15 Corridor	TBD	TBD	TBD	320,000 - 1,000,000	TBD	27.2	N/A
Santa Fe Summit - Phase II and III	56 Corridor	TBD	TBD	TBD	600,000	TBD	77.5	N/A
Sorrento Gateway - Lot 2	Sorrento Mesa	TBD	TBD	TBD	80,000	TBD	12.1	N/A
SUBTOTAL:					2,183,000 - 2,878,000	TBD	\$ 304.6	N/A
San Francisco Bay Area								
333 Brannan Street	San Francisco	4Q 2013	1Q 2015	1Q 2016	170,000	\$ 95 - 100	\$ 21.9	N/A
Crossing 900 ⁽⁸⁾	Redwood City	4Q 2013	3Q 2015	3Q 2016	300,000	175 - 180	14.4	N/A
SUBTOTAL:					470,000	\$ 270 - 280	\$ 36.3	N/A

(1) Represents cash paid and costs incurred as of September 30, 2013.

(2) In October 2013, this project was substantially complete and the tenant took possession of the building.

(3) Estimated rentable square feet and total estimated investment reflects existing entitlements for 27-story office tower. The Company is currently pursuing entitlements to increase this project to a 30-story office tower, which would increase the estimated rentable square feet and total estimated investment.

(4) The Company has commenced redevelopment of the historical buildings encompassing approximately 100,000 rentable square feet and is planning to develop a mixed-use project on the undeveloped land encompassing approximately 575,000 rentable square feet, which will include office, multi-family and retail components.

(5) The Company is planning to demolish the existing 2-story 45,195 rentable square foot office building and is currently pursuing entitlements to build a new 5-story 150,000 rentable square foot building.

(6) This undeveloped land was acquired by the Company during the third quarter of 2013 and added to the Company's future development and redevelopment pipeline upon acquisition.

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

(8) In October 2013, the Company acquired a 2.0 acre undeveloped land parcel for \$17.0 million, completing the final phase of the land assemblage for this project.

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Capital Structure As of September 30, 2013 (*\$ in thousands*)

	Shares/Units September 30, 2013	Aggregate Principal Amount or \$ Value Equivalent	% of Total Market Capitalization
DEBT:			
Unsecured Revolving Credit Facility		\$ —	—%
Unsecured Term Loan Facility		150,000	2.3%
Unsecured Exchangeable Senior Notes due 2014 ⁽¹⁾		172,500	2.6%
Unsecured Senior Notes due 2014 ⁽¹⁾		83,000	1.2%
Unsecured Senior Notes due 2015 ⁽¹⁾		325,000	5.0%
Unsecured Senior Notes due 2018 ⁽¹⁾		325,000	5.0%
Unsecured Senior Notes due 2020 ⁽¹⁾		250,000	3.8%
Unsecured Senior Notes due 2023 ⁽¹⁾		300,000	4.6%
Secured Debt ⁽¹⁾		548,258	8.4%
Total Debt		\$ 2,153,758	32.9%
EQUITY AND NONCONTROLLING INTERESTS:			
6.875% Series G Cumulative Redeemable Preferred stock ⁽²⁾	4,000,000	100,000	1.5%
6.375% Series H Cumulative Redeemable Preferred stock ⁽²⁾	4,000,000	100,000	1.5%
Common limited partnership units outstanding ⁽³⁾	1,821,503	90,984	1.4%
Common shares outstanding ⁽³⁾	82,113,491	4,101,569	62.7%
Total Equity and Noncontrolling Interests		\$ 4,392,553	67.1%
TOTAL MARKET CAPITALIZATION		\$ 6,546,311	100.0%

(1) Represents gross aggregate principal amount due at maturity before the effect of net unamortized premiums as of September 30, 2013.

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

(3) Value based on closing share price of \$49.95 as of September 30, 2013.

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Debt Analysis

As of September 30, 2013 (\$ in millions)

TOTAL DEBT COMPOSITION			
	Percent of Total Debt	Weighted Average	
		Interest Rate	Maturity
<i>Secured vs. Unsecured Debt</i>			
Unsecured Debt	74.5%	4.7%	4.6
Secured Debt	25.5%	5.2%	5.5
<i>Floating vs. Fixed-Rate Debt</i>			
Floating-Rate Debt	7.0%	1.9%	2.5
Fixed-Rate Debt	93.0%	5.0%	5.0
<i>Stated Rate</i>		4.8%	4.8
<i>GAAP Effective Rate</i>		4.8%	
<i>GAAP Effective Rate Including Debt Issuance Costs</i>		5.2%	

KEY DEBT COVENANTS		
	Covenant	Actual Performance as of September 30, 2013
<i>Unsecured Credit Facility and Term Loan Facility (as defined in the Credit Agreements):</i>		
Total debt to total asset value	less than 60%	35%
Fixed charge coverage ratio	greater than 1.5x	2.4x
Unsecured debt ratio	greater than 1.67x	2.55x
Unencumbered asset pool debt service coverage	greater than 2.0x	3.4x
<i>Unsecured Senior Notes due 2015, 2018, 2020 and 2023 (as defined in the Indentures):</i>		
Total debt to total asset value	less than 60%	39%
Interest coverage	greater than 1.5x	4.1x
Secured debt to total asset value	less than 40%	10%
Unencumbered asset pool value to unsecured debt	greater than 150%	271%

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

Debt Analysis (*\$ in thousands*)

DEBT MATURITY SCHEDULE										
Floating/ Fixed Rate	Stated Rate	GAAP Effective Rate	Maturity Date	2013	2014	2015	2016	2017	After 2017	Total ⁽¹⁾
Unsecured Debt:										
Floating ⁽²⁾	1.93%	1.93%	3/29/2016				\$ 150,000			\$ 150,000
Fixed	4.25%	7.13%	11/15/2014		172,500					172,500
Fixed	6.45%	6.45%	8/4/2014		83,000					83,000
Fixed	5.00%	5.01%	11/3/2015			325,000				325,000
Fixed	4.80%	4.83%	7/15/2018						325,000	325,000
Fixed	6.63%	6.74%	6/1/2020						250,000	250,000
Fixed	3.80%	3.80%	1/15/2023						300,000	300,000
				—	255,500	325,000	150,000	—	875,000	1,605,500
Secured Debt:										
Fixed ⁽³⁾	4.94%	4.00%	4/15/2015	270	1,116	26,206				27,592
Fixed ⁽³⁾	5.09%	3.50%	8/7/2015			34,000				34,000
Fixed ⁽³⁾	5.23%	3.50%	1/1/2016	209	861	908	50,969			52,947
Fixed ⁽³⁾	5.57%	3.25%	2/11/2016	148	609	645	38,694			40,096
Fixed	6.51%	6.51%	2/1/2017	244	1,016	1,084	1,157	64,406		67,907
Fixed	7.15%	7.15%	5/1/2017	574	2,404	2,581	2,772	1,215		9,546
Fixed	4.27%	4.27%	2/1/2018	572	2,350	2,452	2,559	2,671	123,085	133,689
Fixed ⁽³⁾	6.05%	3.50%	6/1/2019	347	1,441	1,531	1,626	1,727	76,314	82,986
Fixed	4.48%	4.48%	7/1/2027			646	1,600	1,673	93,081	97,000
Fixed	Various	Various	Various	23	49	51	54	56	2,262	2,495
				2,387	9,846	70,104	99,431	71,748	294,742	548,258
Total	4.82%	4.83%		\$ 2,387	\$ 265,346	\$ 395,104	\$ 249,431	\$ 71,748	\$ 1,169,742	\$ 2,153,758

(1) Amounts presented reflect the gross principal balances before the effect of any unamortized discounts/premiums as of September 30, 2013. The aggregate net unamortized premiums totaled approximately \$8.4 million as of September 30, 2013.

(2) Interest for this loan is calculated at an annual rate of LIBOR plus 1.750% at September 30, 2013.

(3) Represents secured debt assumed in connection with an operating property acquisition.

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Third Quarter 2013 Supplemental Financial Report

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 October 28, 2013 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 all of the properties that were owned and included in our stabilized portfolio for two comparable reporting periods. Because Same Store NOI excludes the change in NOI from developed, redeveloped, acquired and disposed of and held for sale properties that were operational for two comparable periods, it highlights operating trends such as occupancy levels, rental rates and operating costs on properties. 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.

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Third Quarter 2013 Supplemental Financial Report

Management Statements on Non-GAAP Supplemental Measures, continued

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, original issuance costs of redeemed preferred stock and preferred units, 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, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, 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. Our calculation of FFO includes the amortization of deferred revenue related to tenant-funded tenant improvements and excludes the depreciation of the related tenant improvement assets.

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.

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Third Quarter 2013 Supplemental Financial Report

Management Statements on Non-GAAP Supplemental Measures, continued

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 premiums, share-based compensation awards and original issuance costs on redeemed preferred stock and preferred units, 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.

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Definitions Included in Supplemental

Annualized Base Rent:

Includes the impact of straight-lining rent escalations and the amortization of free rent periods and excludes the impact of the following: amortization of deferred revenue related tenant-funded tenant improvements, amortization of above/below market rents, amortization for lease incentives due under existing leases, 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.

Change in GAAP/ Cash Rents (Leases Commenced):

Calculated as the change between GAAP/cash rents for new/renewed leases and the expiring GAAP/cash 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.

Change in GAAP/Cash Rents (Leases Executed):

Calculated as the change between GAAP/cash rents for signed leases and the expiring GAAP/cash 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.

Estimated Stabilization Date (Development):

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

FAD Payout Ratio:

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.

First Generation Capital Expenditures:

Capital expenditures for newly acquired space, newly developed or redeveloped space, or change in use. These costs are not subtracted in our calculation of Funds Available for Distribution.

Fixed Charge Coverage Ratio:

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

FFO Payout Ratio:

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.

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

Definitions Included in Supplemental, continued

GAAP Effective Rate:

The rate at which interest expense is recorded for financial reporting purposes, which reflects the amortization of any discounts/premiums, excluding debt issuance costs.

Interest Coverage Ratio:

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

Lease-up Properties:

Properties recently redeveloped that have not reached 95% occupancy and are within one year following cessation of major construction activities.

Net Effect of Straight-Line Rents:

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.

Operating Margins:

Calculated as Net Operating Income divided by total revenues, including discontinued operations.

Retention Rates (Leases Commenced):

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

Same Store Portfolio:

Our same store portfolio includes all of our properties owned and included in our stabilized portfolio as of January 1, 2012 and still owned and included in the stabilized portfolio as of September 30, 2013. It does not include undeveloped land, development and redevelopment properties currently under construction or committed for construction, "lease-up" properties and properties held-for-sale. We define lease-up properties as properties recently developed or redeveloped that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. We define redevelopment properties as those projects for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property.

Stated Interest Rate:

The rate at which interest expense is recorded per the respective loan documents, excluding the impact of the amortization of any debt discounts/premiums.

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Third Quarter 2013 Supplemental Financial Report

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Same Store Cash Net Operating Income	\$ 54,560	\$ 53,607	\$ 171,413	\$ 161,756
Cash to GAAP Adjustments:				
GAAP Operating Revenues Adjustments, net	5,079	5,285	13,539	18,652
GAAP Operating Expenses Adjustments, net	(114)	—	(176)	(2)
Same Store GAAP Net Operating Income	59,525	58,892	184,776	180,406
Non-Same Store GAAP Net Operating Income	19,701	9,472	55,401	14,544
Net Operating Income excluding discontinued operations	79,226	68,364	240,177	194,950
Net Operating Income from discontinued operations	9,425	9,239	19,337	29,473
Net Operating Income, as defined ⁽¹⁾	88,651	77,603	259,514	224,423
Adjustments:				
General and administrative expenses	(10,226)	(8,727)	(29,750)	(26,745)
Acquisition-related expenses	(568)	(556)	(1,387)	(3,897)
Depreciation and amortization (including discontinued operations)	(50,650)	(46,274)	(150,345)	(123,650)
Interest income and other net investment gains	673	330	1,084	703
Interest expense	(18,853)	(19,854)	(58,021)	(60,172)
Net gain on dispositions of discontinued operations	—	—	423	72,809
Net Income	9,027	2,522	21,518	83,471
Net (income) loss attributable to noncontrolling common units of the Operating Partnership	(131)	67	(266)	(1,708)
Preferred distributions and dividends	(3,312)	(5,342)	(9,938)	(17,775)
Net Income (Loss) Available to Common Stockholders	\$ 5,584	\$ (2,753)	\$ 11,314	\$ 63,988

(1) Please refer to page 27 for Management Statements on Net Operating Income and Same Store Net Operating Income.

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

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

	Three Months Ended September 30,	
	2013	2012
Net Income (Loss) Available to Common Stockholders	\$ 5,584	\$ (2,753)
Interest expense	18,853	19,854
Depreciation and amortization (including discontinued operations)	50,650	46,274
Net income (loss) attributable to noncontrolling common units of the Operating Partnership	131	(67)
Preferred distributions and dividends	3,312	5,342
EBITDA ⁽¹⁾	\$ 78,530	\$ 68,650

(1) Please refer to page 28 for a Management Statement on EBITDA.

Kilroy Realty Corporation

Third Quarter 2013 Supplemental Financial Report

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Funds Available for Distribution ⁽¹⁾	\$ 23,899	\$ 32,366	\$ 81,467	\$ 80,284
Adjustments:				
Tenant improvements, leasing commissions and recurring capital expenditures	24,684	6,394	58,163	26,581
Depreciation for furniture, fixtures and equipment	466	312	1,363	896
Preferred distributions and dividends	3,312	3,280	9,938	10,795
Provision for uncollectible tenant receivables	101	(194)	196	(192)
Net changes in operating assets and liabilities and other adjustments ⁽²⁾	26,844	26,536	35,183	28,963
GAAP Net Cash Provided by Operating Activities	\$ 79,306	\$ 68,694	\$ 186,310	\$ 147,327

(1) Please refer to page 29 for a Management Statement on Funds Available for Distribution.

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