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## Developer and real estate investor John Kilroy: Bay Area big spender

Spending spree pick up steam: \$1.5 billion in projects on the horizon

### Executive profile

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Morris Newman

#### JOHN KILROY

**Title:** President and CEO

**HQ:** Los Angeles

**Company:** Kilroy Realty Corp.

**First Job:** Sweeping out warehouses, at age 10. "My father got me the job. It was my first entrée to real estate."

**Education:** University of Southern California

**Residence:** San Francisco

*John Kilroy leads Kilroy Realty Corp., a Los Angeles-based REIT that buys and develops office buildings and mixed-use developments in major West Coast markets. The company initially focused on Southern California, including Los Angeles and San Diego. But starting in 2010, the company has expanded its reach into the Bay Area and Seattle with a quick succession of office purchases. Kilroy started with 303 Second St., then went on to purchase 301 Brannan, quickly following up that with 100 First St., 201 Third St., 360 Third St. and 250 Brannan St. in San Francisco. Kilroy also acquired a major stake of the historic Flower Mart and is now building about \$1.5 billion in new projects, primarily in the Bay Area.*

*Those projects include the Salesforce-leased building at 350 Mission St., the 341,000-square-foot 690 East Middlefield complex in Mountain View and the Crossing/900 project in Redwood City, which has been wholly leased to Box Inc.*

*One big spec project the company has proposed is Kilroy Mission Bay, near the Warriors planned arena.*

### BUSINESS STRATEGY

**What is your business strategy?** We're very much focused on the tech and entertainment hubs in the high-growth, best performing, coastal-gateway markets: the Bay Area, Seattle and Los Angeles. These are all knowledge-driven markets with highly educated work forces. They have a critical mass of world-leading companies and a great quality of life.

**Biggest challenge for your business?** The political environment. San Francisco is one of the most challenging cities in the globe to get projects approved in. In Seattle, the development rights are very well defined as to the kinds of uses that are allowed, the height limits, the density. You go through a design review and the normal sorts of things. You are not confronted with the possibility of having the project denied. You can build it, if the project is not "outside the box." Whereas in California, it's a more difficult environment. You have strong environmental groups and neighborhood activist groups, and it takes more time.

**You're involved in some controversial projects like the proposed rebuilding of the Flower Mart, What can you tell us about that?** I can't speak at length about the Flower Mart, because we are tied up by a lot of confidentiality agreements. What I can tell you is that the Flower Mart has been a world-class facility for the better part of 60 years and will remain so. Our goal is to keep the Flower Mart and to be sensitive, while providing the mart with public plazas and numerous retail amenities.

**What's going to change at your company next year?** We're starting on another \$1.5 billion in new construction, in addition to the projects we already have. The new projects will include Kilroy Mission Bay, a 680,000-square-foot, \$450 million project that starts in the first quarter of 2015.

### MANAGEMENT PHILOSOPHY

**Best way to keep a competitive edge?** We are designing our buildings to appeal to the millenials, the fastest-growing segment of the workforce. They want a collaborative workplace. They also want to be in an urban environment that's amenity-rich, with a diversity of housing. They want walkable, vibrant, transit-served communities. An



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increasing number prefer to bike rather than drive, so we build bicycle storage with adjacent shower rooms in all of our buildings.

**Why do people like working for you?** The company is really a meritocracy. It's all about the talent and the teamwork. Nothing is possible without that team.

## JUDGMENT CALLS

**Any regrets about projects you wish you had purchased or built?** I don't think it's particularly productive to go back and say, "I would have, could have." Keep in mind, we were the most aggressive buyer in the city during 2010-2012. We bought the first major office deal of 2010, which was 303 Second St., and it uncorked the market: Then we moved rapidly right after that and bought 100 First St., because we were among the first to see value in being near the new Transbay Terminal. We executed the best acquisition strategy in San Francisco. Soon after, it became the hottest market in the country.

**What do you like best about your job?** I love the buildings we've bought. In many cases, we're taking over older buildings and making them world-class. That's one form of sustainability: recycling older buildings.

**What do you like least about your job?** Spending time in airplanes and airports. They've lost track of what it is to provide good service to the consumer. Virgin America and some European carriers still do a good job, but the others don't. And airports are tough places, although the way they've renovated SFO has made it one of the better ones.

First choice of a new career? I'd be a professional kite boarder (laughs). It really connects you with nature.

## PREDELICIONS

**Most influential book?** "Unbroken," by [Laura Hillenbrand](#). It's a biography of [Louis Zamperini](#), a survivor of World War II POW camps.

**Favorite cause?** The Rozalia Project for a Clean Ocean.

**Favorite restaurant for deal-making in the Bay Area?** Stone's Throw in San Francisco.

**What's your favorite music?** "I've Got You under My Skin," by Frank Sinatra. Also, "Samba Pa Ti" by [Carlos Santana](#). All of my racing boats, the big ones and the small ones, are named Samba Pa Ti.

**Automobile?** Uber.