Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-12675 (Kilroy Realty Corporation)

Commission File Number: 000-54005 (Kilroy Realty, L.P.)

KILROY REALTY CORPORATION
KILROY REALTY, L.P.

(Exact name of registrant as specified in its charter)

Kilroy Realty Corporation	**Maryland**	**95-4598246**
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Kilroy Realty, L.P.	**Delaware**	**95-4612685**
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12200 W. Olympic Boulevard, Suite 200, Los Angeles, California, 90064
(Address of principal executive offices) (Zip Code)

(310) 481-8400

(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of each exchange on which registered	Ticker Symbol
Kilroy Realty Corporation	Common Stock, $.01 par value	New York Stock Exchange	KRC

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of each class
Kilroy Realty, L.P.	Common Units Representing Limited Partnership Interests

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Kilroy Realty Corporation Yes ☑ No ☐

Kilroy Realty, L.P. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Kilroy Realty Corporation Yes ☑ No ☐

Kilroy Realty, L.P. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Kilroy Realty Corporation

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Kilroy Realty, L.P.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☑ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Kilroy Realty Corporation Yes ☐ No ☑

Kilroy Realty, L.P. Yes ☐ No ☑

As of July 24, 2020, 115,179,550 shares of Kilroy Realty Corporation common stock, par value $.01 per share, were outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2020 of Kilroy Realty Corporation and Kilroy Realty, L.P. Unless stated otherwise or the context otherwise requires, references to “Kilroy Realty Corporation” or the “Company,” “we,” “our,” and “us” mean Kilroy Realty Corporation, a Maryland corporation, and its controlled and consolidated subsidiaries, and references to “Kilroy Realty, L.P.” or the “Operating Partnership” mean Kilroy Realty, L.P., a Delaware limited partnership and its controlled and consolidated subsidiaries.

The Company is a real estate investment trust, or REIT, and the general partner of the Operating Partnership. As of June 30, 2020, the Company owned an approximate 98.3% common general partnership interest in the Operating Partnership. The remaining approximate 1.7% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of the Company. As the sole general partner of the Operating Partnership, the Company exercises exclusive and complete discretion over the Operating Partnership’s day-to-day management and control and can cause it to enter into certain major transactions, including acquisitions, dispositions, and refinancings and cause changes in its line of business, capital structure and distribution policies.

There are a few differences between the Company and the Operating Partnership that are reflected in the disclosures in this Form 10-Q. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated, consolidated company. The Company is a REIT, the only material asset of which is the partnership interests it holds in the Operating Partnership. As a result, the Company generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. The Company itself is not directly obligated under any indebtedness, but generally guarantees all of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company either directly or through its subsidiaries, conducts the operations of the Company’s business and is structured as a limited partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Company, which the Company generally contributes to the Operating Partnership in exchange for units of partnership interest, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of units of partnership interest.

Noncontrolling interests, stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership are accounted for as partners’ capital in the Operating Partnership’s financial statements and, to the extent not held by the Company, as noncontrolling interests in the Company’s financial statements. The Operating Partnership’s financial statements reflect the noncontrolling interest in Kilroy Realty Finance Partnership, L.P., a Delaware limited partnership (the “Finance Partnership”). This noncontrolling interest represents the Company’s 1% indirect general partnership interest in the Finance Partnership, which is directly held by Kilroy Realty Finance, Inc., a wholly owned subsidiary of the Company. The differences between stockholders’ equity, partners’ capital and noncontrolling interest result from the differences in the equity issued by the Company and the Operating Partnership, and in the Operating Partnership’s noncontrolling interest in the Finance Partnership.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports better reflect how management and the analyst community view the business as a single operating unit;
- Combined reports enhance investors’ understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;
- Combined reports are more efficient for the Company and the Operating Partnership and result in savings in time, effort and expense; and
- Combined reports are more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
    - Note 4, Stockholders’ Equity of the Company;
    - Note 6, Partners’ Capital of the Operating Partnership;

- ◦ Note 11, Net Income Available to Common Stockholders Per Share of the Company;
  - Note 12, Net Income Available to Common Unitholders Per Unit of the Operating Partnership;
  - Note 13, Supplemental Cash Flow Information of the Company; and
  - Note 14, Supplemental Cash Flow Information of the Operating Partnership;
- "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
  - —Liquidity and Capital Resources of the Company;" and
  - —Liquidity and Capital Resources of the Operating Partnership."

This report also includes separate sections under "Part I – Financial Information, Item 4. Controls and Procedures" and separate Exhibit 31 and Exhibit 32 certifications for the Company and the Operating Partnership to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. §1350.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED) OF KILROY REALTY CORPORATION

KILROY REALTY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share data)

	June 30, 2020	December 31, 2019
ASSETS		
REAL ESTATE ASSETS:		
Land and improvements	$ 1,546,209	$ 1,466,166
Buildings and improvements	6,289,816	5,866,477
Undeveloped land and construction in progress	2,109,196	2,296,130
Total real estate assets held for investment	9,945,221	9,628,773
Accumulated depreciation and amortization	(1,684,837)	(1,561,361)
Total real estate assets held for investment, net	8,260,384	8,067,412
CASH AND CASH EQUIVALENTS (Note 4)	605,012	60,044
RESTRICTED CASH	16,300	16,300
MARKETABLE SECURITIES (Note 10)	23,175	27,098
CURRENT RECEIVABLES, NET	20,925	26,489
DEFERRED RENT RECEIVABLES, NET	358,914	337,937
DEFERRED LEASING COSTS AND ACQUISITION-RELATED INTANGIBLE ASSETS, NET	209,637	212,805
RIGHT OF USE GROUND LEASE ASSETS (Note 9)	95,940	96,348
PREPAID EXPENSES AND OTHER ASSETS, NET (Note 2)	68,378	55,661
TOTAL ASSETS	$ 9,658,665	$ 8,900,094
LIABILITIES AND EQUITY		
LIABILITIES:		
Secured debt, net (Notes 3 and 10)	$ 256,113	$ 258,593
Unsecured debt, net (Notes 3, and 10)	3,399,105	3,049,185
Unsecured line of credit (Notes 3 and 10)	—	245,000
Accounts payable, accrued expenses and other liabilities	401,378	418,848
Ground lease liabilities (Note 9)	98,093	98,400
Accrued dividends and distributions (Note 15)	57,600	53,219
Deferred revenue and acquisition-related intangible liabilities, net	129,264	139,488
Rents received in advance and tenant security deposits	63,523	66,503
Total liabilities	4,405,076	4,329,236
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Stockholders’ Equity (Note 4):		
Common stock, $.01 par value, 280,000,000 and 150,000,000 shares authorized, respectively, 115,176,538 and 106,016,287 shares issued and outstanding, respectively	1,152	1,060
Additional paid-in capital	5,084,362	4,350,917
Distributions in excess of earnings	(113,223)	(58,467)
Total stockholders’ equity	4,972,291	4,293,510
Noncontrolling Interests (Notes 1 and 5):		
Common units of the Operating Partnership	83,502	81,917
Noncontrolling interests in consolidated property partnerships	197,796	195,431
Total noncontrolling interests	281,298	277,348
Total equity	5,253,589	4,570,858
TOTAL LIABILITIES AND EQUITY	$ 9,658,665	$ 8,900,094

See accompanying notes to consolidated financial statements.

KILROY REALTY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES				
Rental income (Note 8)	$ 218,356	$ 197,629	$ 436,989	$ 397,011
Other property income	1,067	2,863	3,762	4,683
Total revenues	219,423	200,492	440,751	401,694
EXPENSES				
Property expenses	37,829	38,536	76,812	76,685
Real estate taxes	21,854	17,926	44,056	36,565
Ground leases (Note 9)	2,330	2,114	4,647	4,086
General and administrative expenses (Notes 7 and 10)	38,597	19,857	57,607	43,198
Leasing costs	1,330	2,650	2,786	4,407
Depreciation and amortization	80,085	68,252	154,455	134,387
Total expenses	182,025	149,335	340,363	299,328
OTHER (EXPENSES) INCOME				
Interest income and other net investment gain (loss) (Note 10)	2,838	616	(290)	2,444
Interest expense (Note 3)	(15,884)	(11,727)	(30,328)	(22,970)
Gains on sales of depreciable operating properties	—	7,169	—	7,169
Total other (expenses) income	(13,046)	(3,942)	(30,618)	(13,357)
NET INCOME	24,352	47,215	69,770	89,009
Net income attributable to noncontrolling common units of the Operating Partnership	(367)	(871)	(1,072)	(1,571)
Net income attributable to noncontrolling interests in consolidated property partnerships	(4,367)	(4,150)	(9,263)	(8,341)
Total income attributable to noncontrolling interests	(4,734)	(5,021)	(10,335)	(9,912)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 19,618	$ 42,194	$ 59,435	$ 79,097
Net income available to common stockholders per share – basic (Note 11)	$ 0.17	$ 0.41	$ 0.53	$ 0.77
Net income available to common stockholders per share – diluted (Note 11)	$ 0.17	$ 0.41	$ 0.52	$ 0.77
Weighted average common shares outstanding – basic (Note 11)	115,084,897	100,972,355	110,980,066	100,937,069
Weighted average common shares outstanding – diluted (Note 11)	115,539,725	101,809,541	111,464,647	101,618,953

See accompanying notes to consolidated financial statements.

KILROY REALTY CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited; in thousands, except share and per share/unit data)

	Common Stock						
	Number of Shares	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Total Stock-holders' Equity	Noncontrolling Interests	Total Equity
BALANCE AS OF DECEMBER 31, 2019	106,016,287	$ 1,060	$ 4,350,917	$ (58,467)	$ 4,293,510	$ 277,348	$ 4,570,858
Net income				39,817	39,817	5,601	45,418
Issuance of common stock (Note 4)	8,897,110	89	721,705		721,794		721,794
Issuance of share-based compensation awards			1,720		1,720		1,720
Non-cash amortization of share-based compensation (Note 7)			8,653		8,653		8,653
Settlement of restricted stock units for shares of common stock	269,972	3	(3)		—		—
Repurchase of common stock, stock options and restricted stock units	(117,445)	(1)	(9,798)		(9,799)		(9,799)
Exchange of common units of the Operating Partnership	2,000	—	81		81	(81)	—
Distributions to noncontrolling interests in consolidated property partnerships					—	(2,617)	(2,617)
Adjustment for noncontrolling interest			(6,094)		(6,094)	6,094	—
Dividends declared per common share and common unit ($0.485 per share/unit)				(57,532)	(57,532)	(980)	(58,512)
BALANCE AS OF MARCH 31, 2020	115,067,924	1,151	5,067,181	(76,182)	4,992,150	285,365	5,277,515
Net income				19,618	19,618	4,734	24,352
Issuance of common stock	—	—	(45)		(45)		(45)
Issuance of share-based compensation awards			805		805		805
Non-cash amortization of share-based compensation (Note 7)			13,576		13,576		13,576
Settlement of restricted stock units for shares of common stock	33,581	—	—		—		—
Repurchase of common stock, stock options and restricted stock units	(11,668)	—	(735)		(735)		(735)
Exchange of common units of the Operating Partnership	86,701	1	3,761		3,762	(3,762)	—
Distributions to noncontrolling interests in consolidated property partnerships					—	(4,281)	(4,281)
Adjustment for noncontrolling interest			(181)		(181)	181	—
Dividends declared per common share and common unit ($0.485 per share/unit)				(56,659)	(56,659)	(939)	(57,598)
BALANCE AS OF JUNE 30, 2020	115,176,538	$ 1,152	$ 5,084,362	$ (113,223)	$ 4,972,291	$ 281,298	$ 5,253,589

	Common Stock				Total Stock-holders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings			
BALANCE AS OF DECEMBER 31, 2018	100,746,988	$ 1,007	$ 3,976,953	$ (48,053)	$ 3,929,907	$ 271,354	$ 4,201,261
Net income				36,903	36,903	4,891	41,794
Opening adjustment to Distributions in Excess of Earnings upon adoption of ASC 842				(3,146)	(3,146)		(3,146)
Issuance of share-based compensation awards			2,210		2,210		2,210
Non-cash amortization of share-based compensation			8,817		8,817		8,817
Settlement of restricted stock units for shares of common stock	393,240	4	(4)		—		—
Repurchase of common stock, stock options and restricted stock units	(175,204)	(1)	(12,129)		(12,130)		(12,130)
Exchange of common units of the Operating Partnership	2,000	—	78		78	(78)	—
Distributions to noncontrolling interests in consolidated property partnerships					—	(6,309)	(6,309)
Adjustment for noncontrolling interest			279		279	(279)	—
Dividends declared per common share and common unit ($0.455 per share/unit)				(48,394)	(48,394)	(921)	(49,315)
BALANCE AS OF MARCH 31, 2019	100,967,024	1,010	3,976,204	(62,690)	3,914,524	268,658	4,183,182
Net income				42,194	42,194	5,021	47,215
Issuance of share-based compensation awards			820		820		820
Non-cash amortization of share-based compensation			8,732		8,732		8,732
Exercise of stock options	1,500	—	64		64		64
Settlement of restricted stock units for shares of common stock	16,270	—	—		—		—
Repurchase and cancellation of common stock, stock options, and restricted stock units	(12,759)	—	(793)		(793)		(793)
Distributions to noncontrolling interests in consolidated property partnerships					—	(1,487)	(1,487)
Adjustment for noncontrolling interest			(160)		(160)	160	—
Dividends declared per common share and common unit ($0.485 per share/unit)				(49,849)	(49,849)	(981)	(50,830)
BALANCE AS OF JUNE 30, 2019	100,972,035	$ 1,010	$ 3,984,867	$ (70,345)	$ 3,915,532	$ 271,371	$ 4,186,903

See accompanying notes to consolidated financial statements.

KILROY REALTY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 69,770	$ 89,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of real estate assets and leasing costs	148,419	131,982
Depreciation of non-real estate furniture, fixtures and equipment	6,036	2,405
Revenue reversals (recoveries) for doubtful accounts (Note 8)	12,381	(3,091)
Non-cash amortization of share-based compensation awards	18,311	14,082
Non-cash amortization of deferred financing costs and debt discounts and premiums	1,076	717
Non-cash amortization of net below market rents	(4,500)	(4,415)
Gain on sale of depreciable operating properties	—	(7,169)
Non-cash amortization of deferred revenue related to tenant-funded tenant improvements	(8,793)	(8,181)
Straight-line rents	(33,514)	(29,937)
Amortization of right of use ground lease assets	408	291
Net change in other operating assets	13,991	(15,540)
Net change in other operating liabilities	437	(4,493)
Net cash provided by operating activities	224,022	165,660
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for development properties and undeveloped land	(293,711)	(372,750)
Expenditures for operating properties and other capital assets	(80,630)	(61,557)
Net proceeds received from dispositions	—	17,271
Net cash used in investing activities	(374,341)	(417,036)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock (Note 4)	721,749	—
Proceeds from the issuance of unsecured debt (Note 3)	350,000	—
Borrowings on unsecured revolving credit facility (Note 3)	190,000	425,000
Repayments on unsecured revolving credit facility (Note 3)	(435,000)	(95,000)
Principal payments and repayments of secured debt (Note 3)	(2,543)	(75,384)
Financing costs	(2,283)	(1,335)
Repurchase of common stock and restricted stock units	(10,534)	(12,618)
Proceeds from exercise of stock options	—	64
Distributions to noncontrolling interests in consolidated property partnerships	(6,915)	(7,812)
Dividends and distributions paid to common stockholders and common unitholders	(109,187)	(93,858)
Net cash provided by financing activities	695,287	139,057
Net increase (decrease) in cash and cash equivalents and restricted cash	544,968	(112,319)
Cash and cash equivalents and restricted cash, beginning of period	76,344	171,034
Cash and cash equivalents and restricted cash, end of period	$ 621,312	$ 58,715

See accompanying notes to consolidated financial statements.

ITEM 1: FINANCIAL STATEMENTS (UNAUDITED) OF KILROY REALTY, L.P.

KILROY REALTY, L.P.
CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except unit data)

	June 30, 2020	December 31, 2019
ASSETS		
REAL ESTATE ASSETS:		
Land and improvements	$ 1,546,209	$ 1,466,166
Buildings and improvements	6,289,816	5,866,477
Undeveloped land and construction in progress	2,109,196	2,296,130
Total real estate assets held for investment	9,945,221	9,628,773
Accumulated depreciation and amortization	(1,684,837)	(1,561,361)
Total real estate assets held for investment, net	8,260,384	8,067,412
CASH AND CASH EQUIVALENTS (Note 4)	605,012	60,044
RESTRICTED CASH	16,300	16,300
MARKETABLE SECURITIES (Note 10)	23,175	27,098
CURRENT RECEIVABLES, NET	20,925	26,489
DEFERRED RENT RECEIVABLES, NET	358,914	337,937
DEFERRED LEASING COSTS AND ACQUISITION-RELATED INTANGIBLE ASSETS, NET	209,637	212,805
RIGHT OF USE GROUND LEASE ASSETS (Note 9)	95,940	96,348
PREPAID EXPENSES AND OTHER ASSETS, NET (Note 2)	68,378	55,661
TOTAL ASSETS	$ 9,658,665	$ 8,900,094
LIABILITIES AND CAPITAL		
LIABILITIES:		
Secured debt, net (Notes 3 and 10)	$ 256,113	$ 258,593
Unsecured debt, net (Notes 3, 10)	3,399,105	3,049,185
Unsecured line of credit (Notes 3 and 10)	—	245,000
Accounts payable, accrued expenses and other liabilities	401,378	418,848
Ground lease liabilities (Note 9)	98,093	98,400
Accrued distributions (Note 15)	57,600	53,219
Deferred revenue and acquisition-related intangible liabilities, net	129,264	139,488
Rents received in advance and tenant security deposits	63,523	66,503
Total liabilities	4,405,076	4,329,236
COMMITMENTS AND CONTINGENCIES (Note 9)		
CAPITAL:		
Common units, 115,176,538 and 106,016,287 held by the general partner and 1,934,586 and 2,023,287 held by common limited partners issued and outstanding, respectively (Note 6)	5,049,844	4,369,758
Noncontrolling interests in consolidated property partnerships and subsidiaries (Note 1)	203,745	201,100
Total capital	5,253,589	4,570,858
TOTAL LIABILITIES AND CAPITAL	$ 9,658,665	$ 8,900,094

See accompanying notes to consolidated financial statements.

KILROY REALTY, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES				
Rental income (Note 8)	$ 218,356	$ 197,629	$ 436,989	$ 397,011
Other property income	1,067	2,863	3,762	4,683
Total revenues	219,423	200,492	440,751	401,694
EXPENSES				
Property expenses	37,829	38,536	76,812	76,685
Real estate taxes	21,854	17,926	44,056	36,565
Ground leases (Note 9)	2,330	2,114	4,647	4,086
General and administrative expenses (Notes 7 and 10)	38,597	19,857	57,607	43,198
Leasing costs	1,330	2,650	2,786	4,407
Depreciation and amortization	80,085	68,252	154,455	134,387
Total expenses	182,025	149,335	340,363	299,328
OTHER (EXPENSES) INCOME				
Interest income and other net investment gain (loss) (Note 10)	2,838	616	(290)	2,444
Interest expense (Note 3)	(15,884)	(11,727)	(30,328)	(22,970)
Gains on sales of depreciable operating properties	—	7,169	—	7,169
Total other (expenses) income	(13,046)	(3,942)	(30,618)	(13,357)
NET INCOME	24,352	47,215	69,770	89,009
Net income attributable to noncontrolling interests in consolidated property partnerships and subsidiaries	(4,514)	(4,314)	(9,543)	(8,600)
NET INCOME AVAILABLE TO COMMON UNITHOLDERS	$ 19,838	$ 42,901	$ 60,227	$ 80,409
Net income available to common unitholders per unit – basic (Note 12)	$ 0.16	$ 0.41	$ 0.52	$ 0.77
Net income available to common unitholders per unit – diluted (Note 12)	$ 0.16	$ 0.41	$ 0.52	$ 0.77
Weighted average common units outstanding – basic (Note 12)	117,098,562	102,995,642	112,997,795	102,960,599
Weighted average common units outstanding – diluted (Note 12)	117,553,390	103,832,828	113,482,376	103,642,483

See accompanying notes to consolidated financial statements.

KILROY REALTY, L.P.
CONSOLIDATED STATEMENTS OF CAPITAL
(Unaudited; in thousands, except unit and per unit data)

	Partners' Capital		Noncontrolling Interests in Consolidated Property Partnerships and Subsidiaries	Total Capital
	Number of Common Units	Common Units		
BALANCE AS OF DECEMBER 31, 2019	108,039,574	$ 4,369,758	$ 201,100	$ 4,570,858
Net income		40,389	5,029	45,418
Issuance of common units (Note 4)	8,897,110	721,794		721,794
Issuance of share-based compensation awards		1,720		1,720
Non-cash amortization of share-based compensation (Note 7)		8,653		8,653
Settlement of restricted stock units	269,972	—		—
Repurchase of common units, stock options and restricted stock units	(117,445)	(9,799)		(9,799)
Distributions to noncontrolling interests in consolidated property partnerships			(2,617)	(2,617)
Distributions declared per common unit ($0.485 per unit)		(58,512)		(58,512)
BALANCE AS OF MARCH 31, 2020	117,089,211	5,074,003	203,512	5,277,515
Net income		19,838	4,514	24,352
Issuance of common units	—	(45)		(45)
Issuance of share-based compensation awards		805		805
Non-cash amortization of share-based compensation (Note 7)		13,576		13,576
Settlement of restricted stock units	33,581	—		—
Repurchase of common units, stock options and restricted stock units	(11,668)	(735)		(735)
Distributions to noncontrolling interests in consolidated property partnerships			(4,281)	(4,281)
Distributions declared per common unit ($0.485 per unit)		(57,598)		(57,598)
BALANCE AS OF JUNE 30, 2020	117,111,124	$ 5,049,844	$ 203,745	$ 5,253,589

	Partners' Capital		Noncontrolling Interests in Consolidated Property Partnerships and Subsidiaries	Total Capital
	Number of Common Units	Common Units		
BALANCE AS OF DECEMBER 31, 2018	102,772,275	$ 4,003,700	$ 197,561	$ 4,201,261
Net income		37,508	4,286	41,794
Opening adjustment to Partners' Capital upon adoption of ASC 842		(3,146)		(3,146)
Issuance of share-based compensation awards		2,210		2,210
Non-cash amortization of share-based compensation		8,817		8,817
Settlement of restricted stock units	393,240	—		—
Repurchase of common units, stock options and restricted stock units	(175,204)	(12,130)		(12,130)
Distributions to noncontrolling interests in consolidated property partnerships			(6,309)	(6,309)
Distributions declared per common unit ($0.455 per unit)		(49,315)		(49,315)
BALANCE AS OF MARCH 31, 2019	102,990,311	3,987,644	195,538	4,183,182
Net income		42,901	4,314	47,215
Issuance of share-based compensation awards		820		820
Non-cash amortization of share-based compensation		8,732		8,732
Exercise of stock options	1,500	64		64
Settlement of restricted stock units	16,270	—		—
Repurchase and cancellation of common units, stock options, and restricted stock units	(12,759)	(793)		(793)
Distributions to noncontrolling interests in consolidated property partnerships			(1,487)	(1,487)
Distributions declared per common unit ($0.485 per unit)		(50,830)		(50,830)
BALANCE AS OF JUNE 30, 2019	102,995,322	$ 3,988,538	$ 198,365	$ 4,186,903

See accompanying notes to consolidated financial statements.

KILROY REALTY, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 69,770	$ 89,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of real estate assets and leasing costs	148,419	131,982
Depreciation of non-real estate furniture, fixtures and equipment	6,036	2,405
Revenue reversals (recoveries) for doubtful accounts (Note 8)	12,381	(3,091)
Non-cash amortization of share-based compensation awards	18,311	14,082
Non-cash amortization of deferred financing costs and debt discounts and premiums	1,076	717
Non-cash amortization of net below market rents	(4,500)	(4,415)
Gain on sale of depreciable operating properties	—	(7,169)
Non-cash amortization of deferred revenue related to tenant-funded tenant improvements	(8,793)	(8,181)
Straight-line rents	(33,514)	(29,937)
Amortization of right of use ground lease assets	408	291
Net change in other operating assets	13,991	(15,540)
Net change in other operating liabilities	437	(4,493)
Net cash provided by operating activities	224,022	165,660
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for development properties and undeveloped land	(293,711)	(372,750)
Expenditures for operating properties and other capital assets	(80,630)	(61,557)
Net proceeds received from dispositions	—	17,271
Net cash used in investing activities	(374,341)	(417,036)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common units (Note 4)	721,749	—
Proceeds from the issuance of unsecured debt (Note 3)	350,000	—
Borrowings on unsecured revolving credit facility (Note 3)	190,000	425,000
Repayments on unsecured revolving credit facility (Note 3)	(435,000)	(95,000)
Principal payments and repayments of secured debt (Note 3)	(2,543)	(75,384)
Financing costs	(2,283)	(1,335)
Repurchase of common units and restricted stock units	(10,534)	(12,618)
Proceeds from exercise of stock options	—	64
Distributions to noncontrolling interests in consolidated property partnerships	(6,915)	(7,812)
Distributions paid to common unitholders	(109,187)	(93,858)
Net cash provided by financing activities	695,287	139,057
Net increase (decrease) in cash and cash equivalents and restricted cash	544,968	(112,319)
Cash and cash equivalents and restricted cash, beginning of period	76,344	171,034
Cash and cash equivalents and restricted cash, end of period	$ 621,312	$ 58,715

See accompanying notes to consolidated financial statements.

1. Organization, Ownership and Basis of Presentation

Organization and Ownership

Kilroy Realty Corporation (the "Company") is a self-administered real estate investment trust ("REIT") active in premier office and mixed-use submarkets along the West Coast. We own, develop, acquire and manage real estate assets, consisting primarily of Class A properties in the coastal regions of Greater Los Angeles, San Diego County, the San Francisco Bay Area and Greater Seattle, which we believe have strategic advantages and strong barriers to entry. Class A real estate encompasses attractive and efficient buildings of high quality that are attractive to tenants, are well-designed and constructed with above-average material, workmanship and finishes and are well-maintained and managed. We qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). The Company's common stock is publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "KRC".

We own our interests in all of our real estate assets through Kilroy Realty, L.P. (the "Operating Partnership") and Kilroy Realty Finance Partnership, L.P. (the "Finance Partnership"). We generally conduct substantially all of our operations through the Operating Partnership. Unless stated otherwise or the context indicates otherwise, the terms "Kilroy Realty Corporation" or the "Company," "we," "our," and "us" refer to Kilroy Realty Corporation and its consolidated subsidiaries and the term "Operating Partnership" refers to Kilroy Realty, L.P. and its consolidated subsidiaries. The descriptions of our business, employees and properties apply to both the Company and the Operating Partnership.

Our stabilized portfolio of operating properties was comprised of the following properties at June 30, 2020:

	Number of Buildings	Rentable Square Feet	Number of Tenants	Percentage Occupied	Percentage Leased
Stabilized Office Properties (1)	114	14,327,872	473	92.3%	96.0%

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(1) Includes stabilized retail space.

	Number of Buildings	Number of Units	2020 Average Occupancy
Stabilized Residential Property	1	200	89.3%

Our stabilized portfolio includes all of our properties with the exception of development and redevelopment properties currently committed for construction, under construction, or in the tenant improvement phase, undeveloped land, recently completed residential properties not yet stabilized and real estate assets held for sale. We define redevelopment properties as those properties for which we expect to spend significant development and construction costs on the existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. We define properties in the tenant improvement phase as office properties that we are developing or redeveloping where the project has reached cold shell condition and is ready for tenant improvements, which may require additional major base building construction before being placed in service. Projects in the tenant improvement phase are added to our stabilized portfolio once the project reaches the earlier of 95% occupancy or one year from the date of the cessation of major base building construction activities. Costs capitalized to construction in progress for development and redevelopment properties are transferred to land and improvements, buildings and improvements, and deferred leasing costs on our consolidated balance sheets at the historical cost of the property as the projects are placed in service.

During the six months ended June 30, 2020, we added two development projects to our stabilized portfolio consisting of 750,370 square feet of office space in San Francisco, California and 95,871 square feet of retail space in San Diego, California. As of June 30, 2020, the following properties were excluded from our stabilized portfolio. We did not have any redevelopment properties or properties held for sale at June 30, 2020.

	Number of Properties/Projects	Estimated Rentable Square Feet (1) / Units
In-process development projects - tenant improvement	3	1,275,000
In-process development projects - under construction (2)	5	1,016,000
Completed residential development project (3)	2	462 units

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(1) Estimated rentable square feet upon completion.
(2) In addition to the estimated office and life science rentable square feet noted above, development projects under construction also include 339 residential units.
(3) Represents recently completed residential phases I and II at our mixed-use development in San Diego, California that are not yet stabilized.

Our stabilized portfolio also excludes our future development pipeline, which as of June 30, 2020 was comprised of five future development sites, representing approximately 61 gross acres of undeveloped land.

As of June 30, 2020, all of our properties and development projects were owned and all of our business was conducted in the state of California with the exception of eight office properties, one development project in the tenant improvement phase and one future development project located in the state of Washington. All of our properties and development projects are 100% owned, excluding four office properties owned by three consolidated property partnerships and two development projects held by consolidated variable interest entities established to facilitate potential transactions intended to qualify as like kind exchanges pursuant to Section 1031 of the Code (“Section 1031 Exchange”). Two of the three consolidated property partnerships, 100 First Street Member, LLC (“100 First LLC”) and 303 Second Street Member, LLC (“303 Second LLC”), each owned one office property in San Francisco, California through subsidiary REITs. As of June 30, 2020, the Company owned a 56% common equity interest in both 100 First LLC and 303 Second LLC. The third consolidated property partnership, Redwood City Partners, LLC (“Redwood LLC”) owned two office properties in Redwood City, California. As of June 30, 2020, the Company owned an approximate 93% common equity interest in Redwood LLC. The remaining interests in all three property partnerships were owned by unrelated third parties.

Ownership and Basis of Presentation

The consolidated financial statements of the Company include the consolidated financial position and results of operations of the Company, the Operating Partnership, the Finance Partnership, 303 Second LLC, 100 First LLC, Redwood LLC and all of our wholly-owned and controlled subsidiaries. The consolidated financial statements of the Operating Partnership include the consolidated financial position and results of operations of the Operating Partnership, the Finance Partnership, 303 Second LLC, 100 First LLC, Redwood LLC and all of our wholly-owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

As of June 30, 2020, the Company owned an approximate 98.3% common general partnership interest in the Operating Partnership. The remaining approximate 1.7% common limited partnership interest in the Operating Partnership as of June 30, 2020 was owned by non-affiliated investors and certain of our executive officers and directors. Both the general and limited common partnership interests in the Operating Partnership are denominated in common units. Generally, the number of common units held by the Company is equivalent to the number of outstanding shares of the Company’s common stock, and the rights of all the common units to quarterly distributions and payments in liquidation mirror those of the Company’s common stockholders. The common limited partners have certain redemption rights as provided in the Operating Partnership’s Seventh Amended and Restated Agreement of Limited Partnership, as amended, the “Partnership Agreement”.

Kilroy Realty Finance, Inc., which is a wholly-owned subsidiary of the Company, is the sole general partner of the Finance Partnership and owns a 1.0% common general partnership interest in the Finance Partnership. The Operating Partnership owns the remaining 99.0% common limited partnership interest. With the exception of the Operating Partnership and our consolidated property partnerships, all of our subsidiaries are wholly-owned.

The accompanying interim financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented. However, the results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. The interim financial statements for the Company and the Operating Partnership should be read in conjunction with the audited consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2019.

Variable Interest Entities

The Operating Partnership is a variable interest entity (“VIE”) that is consolidated by the Company as the primary beneficiary as the Operating Partnership is a limited partnership in which the common limited partners do not have substantive kick-out or participating rights. At June 30, 2020, the consolidated financial statements of the Company included four VIEs in addition to the Operating Partnership: two of the consolidated property partnerships, 100 First LLC and 303 Second LLC, and two entities established during the fourth quarter of 2019 to facilitate potential future Section 1031 Exchanges. At June 30, 2020, the Company and the Operating Partnership were determined to be the primary beneficiaries of these four VIEs since we had the ability to control the activities that most significantly impact each of the VIEs' economic performance. As of June 30, 2020, the four VIEs' total assets, liabilities and noncontrolling interests included on our consolidated balance sheet were approximately $686.4 million (of which $598.0 million related to real estate held for investment), approximately $42.7 million and approximately $192.1 million, respectively. Revenues, income and net assets generated by 100 First LLC and 303 Second LLC may only be used to settle their contractual obligations, which primarily consist of operating expenses, capital expenditures and required distributions.

At December 31, 2019, the consolidated financial statements of the Company included four VIEs in which we were deemed to be the primary beneficiary (in addition to the Operating Partnership): two of the consolidated property partnerships, 100 First LLC and 303 Second LLC, and two entities established during the fourth quarter of 2019 to facilitate a Section 1031 Exchange. At December 31, 2019, the Company and the Operating Partnership were determined to be the primary beneficiaries of these four VIEs since we had the ability to control the activities that most significantly impact each of the VIEs' economic performance. At December 31, 2019, the impact of consolidating the VIEs increased the Company's total assets, liabilities and noncontrolling interests on our consolidated balance sheet by approximately $676.7 million (of which $598.0 million related to real estate held for investment), approximately $40.1 million and approximately $189.6 million, respectively.

Accounting Pronouncements Adopted January 1, 2020

ASU No. 2016-13 "Financial Instruments - Credit Losses (Topic 326)"

Effective January 1, 2020, we adopted Financial Accounting Standards Board ("FASB") FASB Accounting Standards Update ("ASU") No. 2016-13 ("ASU 2016-13"), which amends the accounting for credit losses for certain financial instruments. Under the new guidance, an entity recognizes its estimate of expected credit losses as an allowance, which the FASB believes will result in more timely recognition of such losses. In November 2018, the FASB released ASU No. 2018-19 *"Codification Improvements to Topic 326, Financial Instruments - Credit Losses."* This ASU clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20 "Financial Instruments – Credit Losses." Instead, impairment of receivables arising from operating leases should be accounted for under Subtopic 842-30 "Leases – Lessor." The adoption did not have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

ASU No. 2018-13 "Fair Value Measurement (Topic 820)"

Effective January 1, 2020, we adopted FASB ASU No. 2018-13 ("ASU 2018-13"), which amends the disclosure requirements for fair value measurements. The amendments in ASU 2018-13 include new, modified and eliminated disclosure requirements and are the result of a broader disclosure project called FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements* (the "Concepts Statement"), which the FASB finalized on August 28, 2018. The FASB used the guidance in the Concepts Statement to improve the effectiveness of Topic 820's disclosure requirements. The adoption did not have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

ASU No. 2018-15 "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)"

Effective January 1, 2020, we adopted FASB ASU No. 2018-15 ("ASU 2018-15"), which amends a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The adoption did not have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

COVID-19 Pandemic

The global impact of the COVID-19 pandemic has been rapidly evolving and, as cases of the illness caused by the virus have continued to be identified in additional countries, many countries, including the United States, have reacted by instituting quarantines and restrictions on travel. In addition, all the states where we own properties and/or have development projects (i.e., California and Washington), have reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue.

COVID-19 Lease Modification Accounting Relief

Due to the business disruptions and challenges severely affecting the global economy caused by the COVID-19 pandemic, many lessors may be required to provide rent deferrals and other lease concessions to lessees. While the lease modification guidance in Accounting Standards Codification ("ASC") Topic 842 ("Topic 842") addresses routine changes to lease terms resulting from negotiations between the lessee and the lessor, this guidance did not contemplate concessions being so rapidly executed to address the sudden liquidity constraints of some lessees arising from the COVID-19 pandemic and restrictions intended to prevent its spread.

In April 2020, the FASB staff issued a question and answer document (the "Lease Modification Q&A") focused on the application of lease accounting guidance to lease concessions provided as a result of the COVID-19 pandemic. Under existing lease guidance, the Company would have to determine, on a lease by lease basis, if a lease concession was the result of a new arrangement reached with the tenant (treated within the lease modification accounting framework) or if a lease concession was under the enforceable rights and obligations within the existing lease agreement (precluded from applying the lease modification accounting framework). The Lease Modification Q&A allows the Company, if certain criteria have been met, to bypass the lease by lease analysis, and instead elect to either apply the lease modification accounting framework or not, with such election applied consistently to leases with similar characteristics and similar circumstances. The Company has elected to apply such relief and availed itself of the election to avoid performing a lease by lease analysis. In addition, the Company has elected to apply the lease modification accounting framework consistently to leases within the property types in which it invests, specifically office, residential and retail properties.

2. Prepaid Expenses and Other Assets, Net

Prepaid expenses and other assets, net consisted of the following at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Furniture, fixtures and other long-lived assets, net	$ 53,060	$ 35,286
Prepaid expenses	15,318	18,724
Note receivable [(1)]	—	1,651
Total prepaid expenses and other assets, net	$ 68,378	$ 55,661

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(1) During the six months ended June 30, 2020, the balance of the note receivable was written-off and the note receivable was placed on non-accrual status. We do not recognize interest income on non-accrual financing receivables. As of December 31, 2019 the note receivable was shown net of a valuation allowance of approximately $3.6 million.

3. Secured and Unsecured Debt of the Operating Partnership

The Company generally guarantees all of the Operating Partnership's unsecured debt obligations including the unsecured revolving credit facility, the unsecured term loan facility and all of the unsecured senior notes.

Unsecured Senior Notes - Private Placement

On April 28, 2020, the Operating Partnership entered into a Note Purchase Agreement in connection with the issuance and sale of $350.0 million principal amount of the Operating Partnership's 4.27% Senior Notes due January 31, 2031 (the "Notes"), pursuant to a private placement. The Notes mature on their due date, unless earlier redeemed or prepaid pursuant to the terms of the Note Purchase Agreement. Interest on the Notes is payable semi-annually in arrears on April 18 and October 18 of each year beginning October 18, 2020.

The Operating Partnership may, at its option and upon notice to the purchasers of the Notes, prepay at any time all, or from time to time, any part of the principal amount then outstanding (in an amount not less than 5% of the aggregate principal amount then outstanding in the case of a partial prepayment), at 100% of the principal amount so prepaid, plus the make-whole amount determined for the prepayment date with respect to such principal amount as set forth in the Note Purchase Agreement.

In connection with the issuance of the Notes, the Company entered into an agreement whereby it will guarantee the payment by the Operating Partnership of all amounts due with respect to the Notes and the performance by the Operating Partnership of its obligations under the Note Purchase Agreement.

Unsecured Revolving Credit Facility and Term Loan Facility

The following table summarizes the balance and terms of our unsecured revolving credit facility as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Outstanding borrowings	$ —	$ 245,000
Remaining borrowing capacity	750,000	505,000
Total borrowing capacity (1)	$ 750,000	$ 750,000
Interest rate (2)	1.16%	2.76%
Facility fee-annual rate (3)	0.200%	
Maturity date	July 2022	

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(1) We may elect to borrow, subject to bank approval and obtaining commitments for any additional borrowing capacity, up to an additional $600.0 million under an accordion feature under the terms of the unsecured revolving credit facility and unsecured term loan facility.

(2) Our unsecured revolving credit facility interest rate was calculated based on the contractual rate of LIBOR plus 1.000% as of June 30, 2020 and December 31, 2019.

(3) Our facility fee is paid on a quarterly basis and is calculated based on the total borrowing capacity. In addition to the facility fee, we incurred debt origination and legal costs. As of June 30, 2020 and December 31, 2019, $2.7 million and $3.4 million of unamortized deferred financing costs, respectively, which are included in prepaid expenses and other assets, net on our consolidated balance sheets, remained to be amortized through the maturity date of our unsecured revolving credit facility.

The Company intends to borrow under the unsecured revolving credit facility from time to time for general corporate purposes, to finance development and redevelopment expenditures, to fund potential acquisitions, to potentially repay long-term debt and to supplement cash balances given uncertainties and volatility in market conditions.

The following table summarizes the balance and terms of our unsecured term loan facility as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Outstanding borrowings	$ 150,000	$ 150,000
Remaining borrowing capacity	—	—
Total borrowing capacity (1)	$ 150,000	$ 150,000
Interest rate (2)	1.28%	2.85%
Undrawn facility fee-annual rate	0.200%	
Maturity date	July 2022	

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(1) As of June 30, 2020 and December 31, 2019, $0.5 million and $0.7 million of unamortized deferred financing costs, respectively, remained to be amortized through the maturity date of our unsecured term loan facility.
(2) Our unsecured term loan facility interest rate was calculated based on the contractual rate of LIBOR plus 1.100% as of June 30, 2020 and December 31, 2019.

Debt Covenants and Restrictions

The unsecured revolving credit facility, the unsecured term loan facility, the unsecured senior notes, the Series A and B Notes due 2026, Series A and B Notes due 2027 and 2029, and Notes due 2031 and certain other secured debt arrangements contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Some of the more restrictive financial covenants include a maximum ratio of total debt to total asset value, a minimum fixed-charge coverage ratio, a minimum unsecured debt ratio and a minimum unencumbered asset pool debt service coverage ratio. Noncompliance with one or more of the covenants and restrictions could result in the full principal balance of the associated debt becoming immediately due and payable. We believe we were in compliance with all of our debt covenants as of June 30, 2020.

Debt Maturities

The following table summarizes the stated debt maturities and scheduled amortization payments as of June 30, 2020:

Year	**(in thousands)**
Remaining 2020	$ 2,594
2021	5,342
2022	155,554
2023	305,775
2024	431,006
2025	406,245
Thereafter	2,375,442
Total aggregate principal value [(1)]	$ 3,681,958

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(1) Includes gross principal balance of outstanding debt before the effect of the following at June 30, 2020: $20.7 million of unamortized deferred financing costs for the unsecured term loan facility, unsecured senior notes and secured debt and $6.0 million of unamortized discounts for the unsecured senior notes.

Capitalized Interest and Loan Fees

The following table sets forth gross interest expense, including debt discount/premium and deferred financing cost amortization, net of capitalized interest, for the three and six months ended June 30, 2020 and 2019. The interest expense capitalized was recorded as a cost of development and increased the carrying value of undeveloped land and construction in progress.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2020	**2019**	**2020**	**2019**
	(in thousands)			
Gross interest expense	$ 36,400	$ 32,607	$ 72,262	$ 63,287
Capitalized interest and deferred financing costs	(20,516)	(20,880)	(41,934)	(40,317)
Interest expense	$ 15,884	$ 11,727	$ 30,328	$ 22,970

4. Stockholders' Equity of the Company

Increase in Authorized Shares

On May 19, 2020, the Company's stockholders approved a proposal to amend and restate the Company's charter to increase the number of authorized shares of common stock that the Company has the authority to issue from 150,000,000 shares to 280,000,000 shares.

Forward Equity Offering and Settlement

On February 18, 2020, the Company entered into forward equity sale agreements with certain financial institutions acting as forward purchasers in connection with an offering of 5,750,000 shares of common stock at an initial gross offering price of $494.5 million, or $86.00 per share, before underwriting discounts, commissions and offering expenses. The forward purchasers borrowed and sold an aggregate of 5,750,000 shares of common stock in the offering. The Company did not receive any proceeds from the sale of its shares of common stock by the forward purchasers at the time of the offering.

On March 25, 2020, the Company physically settled these forward equity sale agreements. Upon settlement, the Company issued 5,750,000 shares of common stock for net proceeds of $474.9 million and contributed the net proceeds to the Operating Partnership in exchange for an equal number of units in the Operating Partnership.

At-The-Market Stock Offering Program

Under our at-the-market stock offering program, which commenced in June 2018, we may offer and sell shares of our common stock having an aggregate gross sales price up to $500.0 million from time to time in "at-the-market" offerings. In connection with our at-the-market program, the Company may enter into forward equity sale agreements with certain financial institutions acting as forward purchasers whereby, at our discretion, the forward purchasers may borrow and sell shares of our common stock under our at-the-market program. The use of a forward equity sale agreement allows the Company to lock in a share price on the sale of shares of our common stock at the time the agreement is executed but defer settling the forward equity sale agreements and receiving the proceeds from the sale of shares until a later date.

During the year ended December 31, 2019, the Company executed various 12-month forward equity sale agreements under our at-the-market program with financial institutions acting as forward purchasers to sell an aggregate of 3,147,110 shares of common stock at a weighted average sales price of $80.08 per share before commissions and offering expenses. The Company did not receive any proceeds from the sale of its shares of common stock by the forward purchasers at the time of sale.

In March 2020, the Company physically settled all forward equity sale agreements entered into in 2019. Upon settlement, the Company issued 3,147,110 shares of common stock for net proceeds of $247.3 million and contributed the net proceeds to the Operating Partnership in exchange for an equal number of units in the Operating Partnership. We did not enter into any forward equity sale agreements under our at-the-market program during the six months ended June 30, 2020.

Since commencement of our current at-the-market program, we have completed sales of 3,594,576 shares of common stock through June 30, 2020. As of June 30, 2020, we may offer and sell shares of our common stock having an aggregate gross sales price up to approximately $214.2 million under our current at-the-market program.

The Company did not complete any direct sales of common stock under the program during the three or six months ended June 30, 2020. The following table sets forth information regarding settlements of forward equity sale agreements under our at-the-market offering program for the six months ended June 30, 2020:

	Six Months Ended June 30, 2020	
	(in millions, except share and per share data)	
Shares of common stock settled during the period		3,147,110
Weighted average price per share of common stock	$	80.08
Aggregate gross proceeds	$	252.0
Aggregate net proceeds after selling commissions	$	247.3

The proceeds from sales will be used to fund development expenditures and general corporate purposes. Actual future sales will depend upon a variety of factors, including but not limited to, market conditions, the trading price of the Company's common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under this program.

5. Noncontrolling Interests on the Company's Consolidated Financial Statements

Common Units of the Operating Partnership

The Company owned an approximate 98.3%, 98.1%, and 98.0% common general partnership interest in the Operating Partnership as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. The remaining approximate 1.7%, 1.9%, and 2.0% common limited partnership interest as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively, was owned by non-affiliated investors and certain of our executive officers and directors in the form of noncontrolling common units. There were 1,934,586, 2,023,287 and 2,023,287 common units outstanding held by these investors, executive officers and directors as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

The noncontrolling common units may be redeemed by unitholders for cash. Except under certain circumstances, we, at our option, may satisfy the cash redemption obligation with shares of the Company's common stock on a one-for-one basis. If satisfied in cash, the value for each noncontrolling common unit upon redemption is the amount equal to the average of the closing quoted price per share of the Company's common stock, par value $.01 per share, as reported on the NYSE for the ten trading days immediately preceding the applicable redemption date. The aggregate value upon redemption of the then-outstanding noncontrolling common units was $118.0 million and $167.7 million as of June 30, 2020 and December 31, 2019, respectively. This redemption value does not necessarily represent the amount that would be distributed with respect to each noncontrolling common unit in the event of our termination or liquidation. In the event of our termination or liquidation, it is expected in most cases that each common unit would be entitled to a liquidating distribution equal to the liquidating distribution payable in respect of each share of the Company's common stock.

6. Partners' Capital of the Operating Partnership

Common Units Outstanding

The following table sets forth the number of common units held by the Company and the number of common units held by non-affiliated investors and certain of our executive officers and directors in the form of noncontrolling common units as well as the ownership interest held on each respective date:

	June 30, 2020	December 31, 2019	June 30, 2019
Company owned common units in the Operating Partnership	115,176,538	106,016,287	100,972,035
Company owned general partnership interest	98.3%	98.1%	98.0%
Noncontrolling common units of the Operating Partnership	1,934,586	2,023,287	2,023,287
Ownership interest of noncontrolling interest	1.7%	1.9%	2.0%

For further discussion of the noncontrolling common units as of June 30, 2020 and December 31, 2019, refer to Note 5.

7. Share-Based Compensation

Stockholder Approved Share-Based Incentive Compensation Plan

As of June 30, 2020, we maintained one share-based incentive compensation plan, the Kilroy Realty 2006 Incentive Award Plan, as amended (the "2006 Plan"). The Company has a currently effective registration statement registering 10.7 million shares of our common stock for possible issuance under our 2006 Plan and approximately 1.6 million shares are available for grant under the 2006 Plan. The calculation of shares available for grant is presented after taking into account a reserve for a sufficient number of shares to cover the vesting and payment of 2006 Plan awards that were outstanding on that date, including performance-based vesting awards at (i) levels actually achieved for the performance conditions (as defined below) for which the performance period has been completed and (ii) at maximum levels for the other performance and market conditions (as defined below) for awards still in a performance period.

2020 Share-Based Compensation Grants

In January 2020, the Executive Compensation Committee of the Company's Board of Directors awarded 263,626 restricted stock units ("RSUs") to certain officers of the Company under the 2006 Plan, which included 154,267 RSUs (at the target level of performance) that are subject to market and/or performance-based vesting requirements (the "2020 Performance-Based RSUs") and 109,359 RSUs that are subject to time-based vesting requirements (the "2020 Time-Based RSUs"). During the three months ended June 30, 2020, 1,514 of the 2020 Time-Based RSUs were forfeited and in July 2020, 12,263 of the 2020 Performance-Based RSUs were forfeited.

2020 Performance-Based RSU Grant

The 2020 Performance-Based RSUs are scheduled to vest at the end of a three year period (consisting of calendar years 2020-2022). A target number of 2020 Performance-Based RSUs were awarded, and the final number of 2020 Performance-Based RSUs that vest (which may be more or less than the target number) will be based upon (1) the achievement of pre-set FFO per share goals for the year ending December 31, 2020 that applies to 100% of the Performance-Based RSUs awarded (the "FFO performance condition") and (2) a performance measure that applies to 50% of the award based upon a measure of the Company's average debt to EBITDA ratio for the three year performance period (the "debt to EBITDA ratio performance condition") and a market measure that applies to the other 50% of the award based upon the relative ranking of the Company's total stockholder return for the three year performance period compared to the total stockholder returns of an established comparison group of companies over the same period (the "market condition"). The 2020 Performance-Based RSUs are also subject to a three year service vesting provision (the "service vesting condition") and are scheduled to cliff vest on the date the final vesting percentage is determined following the end of the three year performance period under the awards. The number of 2020 Performance-Based RSUs ultimately earned could fluctuate from the target number of 2020 Performance-Based RSUs granted based upon the levels of achievement for the FFO performance condition, the debt to EBITDA ratio performance condition, the market condition, and the extent to which the service vesting condition is satisfied. The estimate of the number of 2020 Performance-Based RSUs earned is evaluated quarterly during the performance period based on our estimate for each of the performance conditions measured against the applicable goals. During the six months ended June 30, 2020, we recognized $2.0 million of compensation expense for the 2020 Performance-Based RSU grant. In the event we achieve a lower level of performance or fail to meet the FFO performance condition, we would reverse a portion or all of the $2.0 million of compensation expense in the second half of 2020. Compensation expense for the 2020 Performance-Based RSU grant is recognized on a straight-line basis over the requisite service period for each participant, which is generally the three year service vesting period.

Each 2020 Performance-Based RSU represents the right, subject to the applicable vesting conditions, to receive one share of our common stock in the future. The determination of the grant date fair value of the portion of the 2020 Performance-Based RSU grants covered by the debt to EBITDA ratio performance condition was based on the $82.57 share price on the January 31, 2020 grant date. The determination of the grant date fair value of the portion of the 2020 Performance-Based RSU grants covered by the market condition was calculated using a Monte Carlo simulation pricing model based on the assumptions in the table below, which resulted in a $84.54 grant date fair value per share.

	Fair Value Assumptions
Valuation date	January 31, 2020
Expected share price volatility	17.0%
Risk-free interest rate	1.35%
Fair value per share on valuation date (1)	$84.54

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(1) Using the same Monte Carlo methodology and assumptions, the grant date fair value of one participant's 2020 Performance-Based RSU grants was calculated as $85.52 per share.

The computation of expected volatility is based on a blend of the historical volatility of our shares of common stock over approximately 5.8 years, as that is expected to be most consistent with future volatility and equates to a time period twice as long as the approximate 2.9-year performance period of the RSUs, and implied volatility data based on the observed pricing of six month publicly-traded options on our shares of common stock. The risk-free interest rate is based on the yield curve on zero-coupon U.S. Treasury STRIP securities in effect at January 31, 2020.

The total grant date fair value of the 2020 Performance-Based RSU awards was $12.9 million on the January 31, 2020 grant date of the awards. For the three and six months ended June 30, 2020, we recorded compensation expense based upon the grant date fair value per share for each component multiplied by the estimated number of RSUs to be earned.

2020 Time-Based RSU Grant

The 2020 Time-Based RSUs are scheduled to vest in three equal annual installments beginning on January 5, 2021 through January 5, 2023. Compensation expense for the 2020 Time-Based RSUs is recognized on a straight-line basis over the requisite service period for each participant, which is generally the three year service vesting period. Each 2020 Time-Based RSU represents the right to receive one share of our common stock in the future. The total grant date fair value of the 2020 Time-Based RSU awards was $9.0 million, which was based on the $82.57 closing share price of the Company's common stock on the NYSE on the January 31, 2020 grant date of the awards.

2019 and 2018 Performance-Based RSUs

Total compensation cost for 2019 and 2018 performance-based RSUs for the three and six months ended June 30, 2020 assumes the 2019 and 2018 debt to EBITDA ratio performance conditions are met at the maximum level of achievement.

Share-Based Compensation Cost Recorded During the Period

Share-based compensation costs for the three and six months ended June 30, 2020 include $4.1 million and $4.3 million, respectively, of accelerated share-based compensation costs related to severance packages, including for the previously announced executive officer departure. The total compensation cost for all share-based compensation programs was $13.6 million and $8.7 million for the three months ended June 30, 2020 and 2019, respectively, and $22.2 million and $17.5 million for the six months ended June 30, 2020 and 2019, respectively. Of the total share-based compensation costs, $2.0 million and $3.9 million was capitalized as part of real estate assets for the three and six months ended June 30, 2020 and $1.9 million and $3.5 million was capitalized as part of real estate assets for the three and six months ended June 30, 2019, respectively. As of June 30, 2020, there was approximately $52.1 million of total unrecognized compensation cost related to nonvested incentive awards granted under share-based compensation arrangements that is expected to be recognized over a weighted-average period of 1.9 years. The remaining compensation cost related to these nonvested incentive awards had been recognized in periods prior to June 30, 2020.

Severance Compensation

For the three and six months ended June 30, 2020, compensation costs included in general and administrative expenses on our consolidated statements of operations include $14.1 million of cash severance costs related to the previously announced executive officer departure, in addition to the accelerated share-based compensation costs noted in the paragraph above.

8. Rental Income and Future Minimum Rent

Our rental income is primarily comprised of payments defined under leases and are either subject to scheduled fixed increases or adjustments in rent based on the Consumer Price Index. Additionally, rental income includes variable payments for tenant reimbursements of property-related expenses and payments based on a percentage of tenant's sales.

Under ASC Topic 842, we must perform a binary assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. Such assessment involves using a methodology that incorporates a specific identification analysis and an aging analysis and considers the current economic and business environment. This determination requires significant judgment and estimates about matters that are uncertain at the time the estimates are made, including the creditworthiness of specific tenants, specific industry trends and conditions, and general economic trends and conditions. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the tenant, with any tenant and deferred rent receivable balances charged as a direct write-off against rental income in the period of the change in the collectability determination.

For tenant and deferred rent receivables associated with leases whose rents are deemed probable of collection under Topic 842, we may record an allowance under other authoritative GAAP using a methodology that incorporates a specific identification analysis and an aging analysis and considers the current economic and business environment. This determination requires significant judgment and estimates about matters that are uncertain at the time the estimates are made, including the creditworthiness of specific tenants, specific industry trends and conditions, and general economic trends and conditions. Tenant and deferred rent receivables deemed probable of collection are carried net of allowances for uncollectible accounts, with increases or decreases in the allowances recorded through rental income on our consolidated statements of operations.

The table below sets forth the allocation of rental income between fixed and variable payments and collectability reversals or recoveries for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Fixed lease payments	$ 194,486	$ 173,230	$ 387,961	$ 342,180
Variable lease payments	29,764	24,616	61,409	52,184
Collectability (reversals) recoveries	(5,894)	(217)	(12,381)	2,647
Total rental income	$ 218,356	$ 197,629	$ 436,989	$ 397,011

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(1) Represents adjustments to rental income related to our assessment of the collectability of amounts due under leases with our tenants. For the three and six months ended June 30, 2020, includes a reduction in revenue of $5.9 million and $12.4 million, respectively, primarily as a result of the COVID-19 pandemic.

We have operating leases with tenants that expire at various dates through 2044. Generally, the leases grant tenants renewal options. Future contractual minimum rent under operating leases as of June 30, 2020 for future periods is summarized as follows:

Year Ending	(in thousands)
Remaining 2020	$ 348,479
2021	727,344
2022	802,787
2023	788,673
2024	746,047
2025	714,321
Thereafter	3,420,018
Total [(1)]	$ 7,547,669

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(1) Excludes residential leases and leases with a term of one year or less.

9. Commitments and Contingencies

General

As of June 30, 2020, we had commitments of approximately $814.8 million, excluding our ground lease commitments, for contracts and executed leases directly related to our operating and development properties.

Ground Leases

The following table summarizes our properties that are held subject to long-term noncancellable ground lease obligations and the respective contractual expiration dates:

Property	Contractual Expiration Date [1]
601 108th Ave NE, Bellevue, WA	November 2093
701, 801 and 837 N. 34th Street, Seattle, WA [2]	December 2041
1701 Page Mill Road and 3150 Porter Drive, Palo Alto, CA	December 2067
Kilroy Airport Center Phases I, II, and III, Long Beach, CA	July 2084
3243 S. La Cienega Boulevard, Los Angeles, CA	October 2106

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(1) Reflects the contractual expiration date prior to the impact of any extension or purchase options held by the Company.
(2) The Company has three 10-year and one 45-year extension options for this ground lease, which if exercised would extend the expiration date to December 2116. These extension options are not assumed to be exercised in our calculation of the present value of the future minimum lease payments for this lease.

To determine the discount rates used to calculate the present value of the minimum future lease payments for our ground leases, we used a hypothetical curve derived from unsecured corporate borrowing rates over the lease term. The weighted average discount rate used to determine the present value of our minimum lease payments was 5.11%. As of June 30, 2020, the weighted average remaining lease term of our ground leases is 55 years. For the three months ended June 30, 2020 and 2019, variable lease costs totaling $0.9 million and $0.8 million, respectively, were recorded to ground lease expense on our consolidated statements of operations. For the six months ended June 30, 2020 and 2019, variable lease costs totaling $1.7 million and $1.5 million, respectively, were recorded to ground leases expense on our consolidated statements of operations.

The minimum commitment under our ground leases as of June 30, 2020 for future periods is summarized as follows:

Year Ending	(in thousands)
Remaining 2020	$ 2,821
2021	5,641
2022	5,642
2023	5,662
2024	5,662
2025	5,662
Thereafter	280,723
Total undiscounted cash flows [1][2][3][4][5][6]	311,813
Present value discount	(213,720)
Ground lease liabilities	$ 98,093

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(1) Excludes contingent future rent payments based on gross income or adjusted gross income and reflects the minimum ground lease obligations before the impact of ground lease extension options.
(2) One of our ground lease obligations is subject to a fair market value adjustment every five years; however, the lease includes ground rent subprotection and infrastructure rent credits which currently limit our annual rental obligations to $1.0 million. The contractual obligations for that ground lease included above assumes the lesser of $1.0 million or annual lease rental obligation in effect as of June 30, 2020.
(3) One of our ground lease obligations includes a component which is based on the percentage of gross income that exceeds the minimum ground rent. The minimum rent is subject to increases every five years based on 50% of the average annual percentage rent for the previous five years. The contractual obligations for that lease included above assume the current annual ground lease obligation in effect at June 30, 2020 for the remainder of the lease term since we cannot predict future adjustments.
(4) One of our ground lease obligations is subject to a fair market value adjustment every five years based on a combination of CPI adjustments and third-party appraisals limited to maximum increases annually. The contractual obligations for that lease included above assume the current annual ground lease obligation in effect at June 30, 2020 for the remainder of the lease term since we cannot predict future adjustments.
(5) One of our ground lease obligations includes a component which is based on the percentage of adjusted gross income that exceeds the minimum ground rent. The minimum rent is subject to increases every ten years by an amount equal to 60% of the average annual percentage rent for the previous three years. The contractual obligations for this lease included above assume the current annual ground lease obligation in effect at June 30, 2020 for the remainder of the lease term since we cannot predict future adjustments.
(6) One of our ground lease obligations is subject to fixed 5% ground rent increases every five years, with the next increase occurring on December 1, 2022.

Environmental Matters

We follow the policy of monitoring all of our properties, including acquisition, development and existing stabilized portfolio properties, for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to our stabilized portfolio properties that would have a material adverse effect on our financial condition, results of operations and cash flow, or that we believe would require additional disclosure or the recording of a loss contingency.

As of June 30, 2020, we had accrued environmental remediation liabilities of approximately $61.9 million recorded on our consolidated balance sheets in connection with certain of our in-process and future development projects. The accrued environmental remediation liabilities represent the remaining costs we estimate we will incur prior to and during the development process at various development acquisition sites. These estimates, which we developed with the assistance of third party experts, consist primarily of the removal of contaminated soil, performing environmental closure activities, constructing remedial systems and other related costs since we are required to dispose of any existing contaminated soil and sometimes perform other environmental closure or remedial activities when we develop new buildings at these sites.

We record estimated environmental remediation obligations for acquired properties at the acquisition date when we are aware of such costs and when such costs are probable of being incurred and can be reasonably estimated. Estimated costs related to development environmental remediation liabilities are recorded as an increase to the cost of the development project. Actual costs are recorded as a decrease to the liability when incurred. These accruals are adjusted as an increase or decrease to the development project costs and as an increase or decrease to the accrued environmental remediation liability if we obtain further information or circumstances change. The environmental remediation obligations recorded at June 30, 2020 were not discounted to their present values since the amount and timing of cash payments are not fixed. It is possible that we could incur additional environmental remediation costs in connection with these development projects. However, potential additional environmental costs for these development projects cannot be reasonably estimated at this time and certain changes in estimates could occur as the site conditions, final project timing, design elements, actual soil conditions and other aspects of the projects, which may depend upon municipal and other approvals beyond the control of the Company, are determined.

Other than the accrued environmental liabilities discussed above, we are not aware of any unasserted claims and assessments with respect to an environmental liability that we believe would require additional disclosure or the recording of an additional loss contingency.

10. Fair Value Measurements and Disclosures

Assets and Liabilities Reported at Fair Value

The only assets we record at fair value on our consolidated financial statements are the marketable securities related to our Deferred Compensation Plan. The following table sets forth the fair value of our marketable securities as of June 30, 2020 and December 31, 2019:

Description	Fair Value (Level 1) (1) June 30, 2020	Fair Value (Level 1) (1) December 31, 2019
	(in thousands)	
Marketable securities (2)	$ 23,175	$ 27,098

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(1) Based on quoted prices in active markets for identical securities.
(2) The marketable securities are held in a limited rabbi trust.

We report the change in the fair value of the marketable securities at the end of each accounting period in interest income and other net investment gain (loss) in the consolidated statements of operations.

We also adjust the related Deferred Compensation Plan liability to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each participant, which results in a corresponding increase or decrease to compensation cost for the period.

The following table sets forth the net gain (loss) on marketable securities recorded during the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
Description	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Net gain (loss) on marketable securities	$ 2,662	$ 544	$ (564)	$ 2,225

Financial Instruments Disclosed at Fair Value

The following table sets forth the carrying value and the fair value of our other financial instruments as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value (1)
	(in thousands)			
Liabilities				
Secured debt, net	$ 256,113	$ 269,707	$ 258,593	$ 272,997
Unsecured debt, net	$ 3,399,105	$ 3,591,247	$ 3,049,185	$ 3,252,217
Unsecured line of credit	$ —	$ —	$ 245,000	$ 245,195

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(1) Fair value calculated using Level II inputs, which are based on model-derived valuations in which significant inputs and significant value drivers are observable in active markets.

11. Net Income Available to Common Stockholders Per Share of the Company

The following table reconciles the numerator and denominator in computing the Company's basic and diluted per-share computations for net income available to common stockholders for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except share and per share amounts)			
Numerator:				
Net income available to common stockholders	$ 19,618	$ 42,194	$ 59,435	$ 79,097
Allocation to participating securities [(1)]	(542)	(543)	(1,085)	(1,052)
Numerator for basic and diluted net income available to common stockholders	$ 19,076	$ 41,651	$ 58,350	$ 78,045
Denominator:				
Basic weighted average vested shares outstanding	115,084,897	100,972,355	110,980,066	100,937,069
Effect of dilutive securities	454,828	837,186	484,581	681,884
Diluted weighted average vested shares and common stock equivalents outstanding	115,539,725	101,809,541	111,464,647	101,618,953
Basic earnings per share:				
Net income available to common stockholders per share	$ 0.17	$ 0.41	$ 0.53	$ 0.77
Diluted earnings per share:				
Net income available to common stockholders per share	$ 0.17	$ 0.41	$ 0.52	$ 0.77

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(1) Participating securities include nonvested shares, certain time-based RSUs and vested market measure-based RSUs.

Share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities. The impact of potentially dilutive common shares, including stock options, RSUs and other securities are considered in our diluted earnings per share calculation for the three and six months ended June 30, 2020 and 2019. Certain market measure-based RSUs are not included in dilutive securities for the three and six months ended June 30, 2020 and 2019, as not all performance metrics had been met by the end of the applicable reporting periods. See Note 7 "Share-Based Compensation" for additional information regarding share-based compensation.

12. Net Income Available to Common Unitholders Per Unit of the Operating Partnership

The following table reconciles the numerator and denominator in computing the Operating Partnership's basic and diluted per-unit computations for net income available to common unitholders for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except unit and per unit amounts)			
Numerator:				
Net income available to common unitholders	$ 19,838	$ 42,901	$ 60,227	$ 80,409
Allocation to participating securities [1]	(542)	(543)	(1,085)	(1,052)
Numerator for basic and diluted net income available to common unitholders	$ 19,296	$ 42,358	$ 59,142	$ 79,357
Denominator:				
Basic weighted average vested units outstanding	117,098,562	102,995,642	112,997,795	102,960,599
Effect of dilutive securities	454,828	837,186	484,581	681,884
Diluted weighted average vested units and common unit equivalents outstanding	117,553,390	103,832,828	113,482,376	103,642,483
Basic earnings per unit:				
Net income available to common unitholders per unit	$ 0.16	$ 0.41	$ 0.52	$ 0.77
Diluted earnings per unit:				
Net income available to common unitholders per unit	$ 0.16	$ 0.41	$ 0.52	$ 0.77

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(1) Participating securities include nonvested shares, certain time-based RSUs and vested market measure-based RSUs.

Share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities. The impact of potentially dilutive common units, including stock options, RSUs and other securities are considered in our diluted earnings per share calculation for the three and six months ended June 30, 2020 and 2019. Certain market measure-based RSUs are not included in dilutive securities for the three and six months ended June 30, 2020 and 2019, as not all performance metrics had been met by the end of the applicable reporting periods. See Note 7 "Share-Based Compensation" for additional information regarding share-based compensation.

13. Supplemental Cash Flow Information of the Company

Supplemental cash flow information follows (in thousands):

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest, net of capitalized interest of $39,952 and $38,780 as of June 30, 2020 and 2019, respectively	$ 25,494	$ 23,009
Cash paid for amounts included in the measurement of ground lease liabilities	$ 2,905	$ 2,699
NON-CASH INVESTING TRANSACTIONS:		
Accrual for expenditures for operating properties and development properties	$ 131,892	$ 129,500
Tenant improvements funded directly by tenants	$ 7,210	$ 7,017
Initial measurement of operating right of use ground lease assets	$ —	$ 82,938
Initial measurement of operating ground lease liabilities	$ —	$ 87,409
NON-CASH FINANCING TRANSACTIONS:		
Accrual of dividends and distributions payable to common stockholders and common unitholders (Note 15)	$ 57,600	$ 50,800
Exchange of common units of the Operating Partnership into shares of the Company’s common stock	$ 3,843	$ 78

The following is a reconciliation of our cash and cash equivalents and restricted cash at the beginning and end of the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30, 2020 (in thousands)	Six Months Ended June 30, 2019 (in thousands)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents at beginning of period	$ 60,044	$ 51,604
Restricted cash at beginning of period	16,300	119,430
Cash and cash equivalents and restricted cash at beginning of period	$ 76,344	$ 171,034
Cash and cash equivalents at end of period	$ 605,012	$ 52,415
Restricted cash at end of period	16,300	6,300
Cash and cash equivalents and restricted cash at end of period	$ 621,312	$ 58,715

14. Supplemental Cash Flow Information of the Operating Partnership:

Supplemental cash flow information follows (in thousands):

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest, net of capitalized interest of $39,952 and $38,780 as of June 30, 2020 and 2019, respectively	$ 25,494	$ 23,009
Cash paid for amounts included in the measurement of ground lease liabilities	$ 2,905	$ 2,699
NON-CASH INVESTING TRANSACTIONS:		
Accrual for expenditures for operating properties and development properties	$ 131,892	$ 129,500
Tenant improvements funded directly by tenants	$ 7,210	$ 7,017
Initial measurement of operating right of use ground lease assets	$ —	$ 82,938
Initial measurement of operating ground lease liabilities	$ —	$ 87,409
NON-CASH FINANCING TRANSACTIONS:		
Accrual of distributions payable to common unitholders (Note 15)	$ 57,600	$ 50,800

The following is a reconciliation of our cash and cash equivalents and restricted cash at the beginning and end of the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30,	
	2020	2019
	(in thousands)	
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents at beginning of period	$ 60,044	$ 51,604
Restricted cash at beginning of period	16,300	119,430
Cash and cash equivalents and restricted cash at beginning of period	$ 76,344	$ 171,034
Cash and cash equivalents at end of period	$ 605,012	$ 52,415
Restricted cash at end of period	16,300	6,300
Cash and cash equivalents and restricted cash at end of period	$ 621,312	$ 58,715

15. Subsequent Events

On July 15, 2020, aggregate dividends, distributions and dividend equivalents of $57.6 million were paid to common stockholders, common unitholders and RSU holders of record on June 30, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to our consolidated financial statements and should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. The results of operations discussion is combined for the Company and the Operating Partnership because there are no material differences in the results of operations between the two reporting entities.

Forward-Looking Statements

Statements contained in this “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” that are not historical facts may be forward-looking statements. Forward-looking statements include, among other things, statements or information concerning our plans, objectives, capital resources, portfolio performance, results of operations, projected future occupancy and rental rates, lease expirations, debt maturities, potential investments, strategies such as capital recycling, development and redevelopment activity, projected construction costs, projected construction commencement and completion dates, projected square footage of space that could be constructed on undeveloped land that we own, projected rentable square footage of or number of units in properties under construction or in the development pipeline, anticipated proceeds from capital recycling activity or other dispositions and anticipated dates of those activities or dispositions, projected increases in the value of properties, dispositions, future executive incentive compensation, pending, potential or proposed acquisitions, plans to grow our Net Operating Income and FFO, our ability to re-lease properties at or above current market rates, anticipated market conditions and demographics and other forward-looking financial data, as well as the discussion in “—Factors That May Influence Future Results of Operations,” “—Liquidity and Capital Resource of the Company,” and “—Liquidity and Capital Resources of the Operating Partnership.” Forward-looking statements can be identified by the use of words such as “believes,” “expects,” “projects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or “anticipates” and the negative of these words and phrases and similar expressions that do not relate to historical matters. Forward-looking statements are based on our 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 our control. Accordingly, actual performance, results and events may vary materially from those indicated or implied in the forward-looking statements, and you should not rely on the 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 the forward-looking statements, including, among others: global market and general economic conditions and their effect on our liquidity and financial conditions and those of our tenants; adverse economic or real estate conditions generally, and specifically, in the States of California and Washington; risks associated with our investment in real estate assets, which are illiquid and with trends in the real estate industry; defaults on or non-renewal of leases by tenants; any significant downturn in tenants' businesses; our ability to re-lease property at or above current market rates; costs to comply with government regulations, including environmental remediation; the availability of cash for distribution and debt service and exposure to risk of default under debt obligations; increases in interest rates and our ability to manage interest rate exposure; the availability of financing on attractive terms or at all, which may adversely impact our future interest expense and our ability to pursue development, redevelopment and acquisition opportunities and refinance existing debt; a decline in real estate asset valuations, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing, and which may result in write-offs or impairment charges; significant competition, which may decrease the occupancy and rental rates of properties; potential losses that may not be covered by insurance; the ability to successfully complete acquisitions and dispositions on announced terms; the ability to successfully operate acquired, developed and redeveloped properties; the ability to successfully complete development and redevelopment projects on schedule and within budgeted amounts; delays or refusals in obtaining all necessary zoning, land use and other required entitlements, governmental permits and authorizations for our development and redevelopment properties; increases in anticipated capital expenditures, tenant improvement and/or leasing costs; defaults on leases for land on which some of our properties are located; adverse changes to, or enactment or implementations of, tax laws or other applicable laws, regulations or legislation, as well as business and consumer reactions to such changes; risks associated with joint venture investments, including our lack of sole decision-making authority, our reliance on co-venturers’ financial condition and disputes between us and our co-venturers; environmental uncertainties and risks related to natural disasters; our ability to maintain our status as a REIT; and uncertainties regarding the impact of the COVID-19 pandemic, and restrictions intended to prevent its spread, on our business and the economy generally. The factors included in this report are not exhaustive and additional factors could adversely affect our business and financial performance. For a discussion of additional factors that could materially adversely affect the Company’s and the Operating Partnership’s business and financial performance, see the discussion below and in “Part II – Other Information, Item 1A. Risk Factors” of this report, as well as in “Part I, Item 1A. Risk Factors” and “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s and the Operating Partnership’s annual report on Form 10-K for the year ended December 31, 2019 and their respective other filings with the SEC. All forward-looking statements are based on information that was available and speak only as of the dates on which they were made. We assume no obligation to update any forward-looking statement that becomes untrue because of subsequent events, new information or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws.

Overview and Background

We are a self-administered REIT active in premier office and mixed-use submarkets along the West Coast. We own, develop, acquire and manage real estate assets, consisting primarily of Class A properties in the coastal regions of Greater Los Angeles, San Diego County, the San Francisco Bay Area and Greater Seattle, which we believe have strategic advantages and strong barriers to entry. We own our interests in all of our real properties through the Operating Partnership and the Finance Partnership and generally conduct substantially all of our operations through the Operating Partnership. We owned an approximate 98.3%, 98.1%, and 98.0% general partnership interest in the Operating Partnership as of June 30, 2020, December 31, 2019 and June 30, 2019. All of our properties are held in fee except for the fourteen office buildings that are held subject to long-term ground leases for the land.

COVID-19 Response

In accordance with local and state government guidance and social distancing recommendations, the majority of our employees have worked remotely since March 2020. Our robust technology infrastructure was capable of supporting this model. We implemented rigorous protocols for remote work across the Company, including increased frequency of team update calls and frequent communication across leadership and working levels. We are leveraging technology to ensure our teams stay connected and productive, and that our culture remains strong even in these unusual circumstances.

During the three months ended June 30, 2020, we were highly focused on planning for the health and safety of our tenants and employees and preparing our buildings in accordance with the policies, protocols and applicable legal requirements in our regions. We engaged a hygienist to assist us in designing new standard operating procedures for our buildings that include, but are not limited to, air filtration, water quality, janitorial products and procedures, social separation and screening during building access and elevator use, the use of personal protective equipment, signage, and management of construction activities.

During the three months ended June 30, 2020, we implemented a rent relief program for the majority of our retail tenants whereby we deferred rent for the months of April to July 2020 in exchange for a four-month extension of their current lease term at future rental rates. We expect that we will continue to offer deferrals to the majority of our retail tenants, given that most cannot resume operations in certain of our markets where strong state and local government restrictions remain or were put back into effect. We did not create such a program for our office tenants and we evaluate office rent relief requests on a specific case by case basis. Our top 15 tenants represent 47.4% of our total annualized base rental revenues and as of June 30, 2020 we had collected 100% of the rent due from our top 15 tenants since the beginning of the COVID-19 pandemic. For residential tenants, deferrals of gross rent billings have been extended in accordance with the applicable local orders, which often require repayment within 12 months if such local ordinances are not extended.

We analyze our total lease receivable balances, tenant creditworthiness, specific industry trends and conditions, and current economic trends and conditions in order to evaluate whether we believe substantially all of the amounts due under a tenant's lease agreement are deemed probable of collection over the term of the lease. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the tenant, with any tenant and deferred rent receivable balances charged as a direct write-off against rental income in the period of the change in the collectability determination.

The following table sets forth information regarding the percent of contractual base rent and common area maintenance ("CAM") billings ("gross rent billings") billed, collected, forgiven, and deferred for the three months ended June 30, 2020:

			COVID-19 Modifications [3]			Non-COVID-19 Modifications [4]		
				Rent Deferred		Rent Deferred		
Property Type	Gross Rent Billings [1] (in thousands)	Rent Collected [2]	Rent Forgiven [5]	Collected [6]	Outstanding [7]	Collected [6]	Outstanding [7]	Rent Outstanding [8]
Office	$ 190,245	97.7%	—	—	0.4%	—	—	1.9%
Residential	4,226	88.0%	—	—	7.6%	—	—	4.4%
Retail	7,521	32.3%	3.5%	—	34.5%	—	—	29.7%
Total	$ 201,992	95.1%	0.1%	—	1.8%	—	—	3.0%

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(1) Gross rent billings represents the total contractual base rent (including tenant direct-billed parking) and CAM billings before any COVID-19 related rent concessions for the three months ended June 30, 2020.

(2) Cash collections through June 30, 2020 as a percentage of gross rent billings.

(3) Rent concessions that qualify for the accounting relief provided by the FASB (as described in Note 1 " Organization and Basis of Presentation" to our consolidated financial statements included in this report), as total amounts due under the lease agreement are substantially the same or less than those that existed in the contract before modification.

(4) Rent concessions that do not qualify for the accounting relief provided by the FASB (as described in Note 1 " Organization and Basis of Presentation" to our consolidated financial statements included in this report), as total amounts due under the lease agreement are not substantially the same as those that existed in the contract before modification, or other modifications unrelated to the COVID-19 pandemic have been included.

(5) Amounts permanently forgiven as a percentage of gross rent billings.

(6) Collections of amounts deferred under repayment plans (as described above) and through lease term extensions as a percentage of gross rent billings.

(7) Remaining amounts deferred under repayment plans and through lease term extensions as a percentage of gross rent billings.

(8) Uncollected gross rent billings that have not been forgiven and are not subject to deferral arrangements as a percentage of gross rent billings. Such amounts are subject to the Company's allowance for uncollectible accounts.

Deferrals of gross rent billings that have been extended to office and retail tenants during the period have been formalized by the execution of lease amendments that generally provide for repayment of deferred amounts through an extension of the lease term by an equivalent period of months to the deferral period.

As of the date of this report, across all property types, we have collected approximately 95% of our July 2020 gross rent billings, including 100% from all of our top 15 tenants. Excluding rent relief provided to certain tenants, across all property types, we collected 96% of our July 2020 gross rent billings. We are continuing to monitor the potential impact of the COVID-19 pandemic, and restrictions intended to prevent its spread, on occupancy, rental rates and rent collections. Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent for such period, as well as working with certain tenants who have requested rent deferrals, we can provide no assurance that such efforts or our efforts in future periods will be successful, particularly in the event that the COVID-19 pandemic, and restrictions intended to prevent its spread, continue for a prolonged period. Refer to "Part II – Other Information, Item IA. Risk Factors" included in this report for additional information about the potential impact of the COVID-19 pandemic, and restrictions intended to prevent its spread, on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.

Factors That May Influence Future Results of Operations

Development Program

We believe that a portion of our long-term future growth will continue to come from the completion of our in-process development projects and, subject to market conditions, executing on our future development pipeline, including expanding entitlements. Over the past several years, we increased our focus on development opportunities and expanded our future development pipeline through targeted acquisitions of development opportunities on the West Coast.

We have a proactive planning process by which we continually evaluate the size, timing, costs and scope of our development program and, as necessary, scale activity to reflect the economic conditions and the real estate fundamentals that exist in our submarkets. We expect to execute on our development program with prudence and will be pursuing opportunities with attractive economic returns in strategic locations with proximity to public transportation or transportation access and retail amenities and in markets with strong fundamentals and visible demand. We plan to develop in phases as appropriate and we generally favor starting projects with pre-leasing activity, as appropriate.

The global impact of the COVID-19 pandemic has been rapidly evolving and, as cases of the illness caused by the virus have continued to be identified in additional countries, many countries, including the United States, have reacted by instituting quarantines and restrictions on travel. In addition, all the states where we own properties and/or have development projects (i.e., California and Washington), have reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, density limitations, social distancing measures, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue, although, in certain cases, exceptions are available for essential retail, research and laboratory activities, essential building services, such as cleaning and maintenance, and certain essential construction projects. Our development portfolio was largely unaffected during the six months ended June 30, 2020; however, the COVID-19 pandemic, and restrictions intended to prevent its spread, may cause delays or increase costs associated with building materials or construction services necessary for construction which could adversely impact our ability to continue or complete construction as planned, on budget or at all for our development projects. Refer to "Part II – Other Information, Item IA. Risk Factors" included in this report for additional information about the potential impact of the COVID-19 pandemic, and restrictions intended to prevent its spread, on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.

Stabilized Development Projects

During the six months ended June 30, 2020, we added the following projects to our stabilized portfolio:

- The Exchange on 16th, Mission Bay, San Francisco, California. We commenced construction on this project in June 2015. This project totals approximately 750,370 gross rentable square feet consisting of 738,081 square feet of office space and 12,289 square feet of retail space at a total estimated investment of $585.0 million. The office space in the project is 100% leased to Dropbox, Inc. We completed construction and commenced revenue recognition on the first two phases comprising approximately 82% of the project in 2019 and on the final phase of the project during the three months ended March 31, 2020.

- One Paseo (Retail) - Del Mar, San Diego, California. We commenced construction on the retail component of this mixed-use project in December 2016, which is comprised of approximately 95,871 square feet of retail space with a total estimated investment of $100.0 million. At June 30, 2020, the retail space of the project was 100% leased and 90% occupied.

Completed Residential Development Projects

As of June 30, 2020, we had completed two of the three phases of the following residential development project:

- One Paseo (Residential Phases I & II) - Del Mar, San Diego, California. We commenced construction on Phases I and II of the residential component of this mixed-use project in December 2016 which are comprised of 237 and 225 residential units, respectively. We completed the first phase during the third quarter of 2019 and the second phase during the first quarter of 2020. The total estimated investment for these phases of the residential component of the project is approximately $290.0 million. As of June 30, 2020, 68% of the Phase I units were leased and 21% of the Phase II units were leased.

In-Process Development Projects - Tenant Improvement

As of June 30, 2020, the following projects were in the tenant improvement phase:

- Netflix // On Vine, Hollywood, California. We commenced construction on the office component of this mixed-use project in January 2018, which includes the project's overall infrastructure and site work and approximately 355,000 square feet of office space for a total estimated investment of $300.0 million. The office space of this project is 100% leased to Netflix, Inc. We currently expect this project to stabilize in the first quarter of 2021.

- 333 Dexter, South Lake Union, Seattle, Washington. We commenced construction on this project in June 2017. This project encompasses approximately 635,000 square feet of office space at a total estimated investment of $410.0 million and 100% of the project is leased to a Fortune 50 publicly traded company. During the three months ended June 30, 2020, we completed construction and commenced revenue recognition on the first phase of the project, representing approximately 49% of the project. The remaining two phases are currently expected to stabilize in the second halves of 2021 and 2022.

- One Paseo (Office) - Del Mar, San Diego, California. We commenced construction on the office component of this project in December 2018, which encompasses 285,000 square feet of office space at a total estimated investment of $205.0 million. At June 30, 2020, the office component of the project was 91% leased. During the three months ended June 30, 2020, we completed construction and commenced revenue recognition on 22,000 square feet, representing approximately 8% of the project. In July 2020, we commenced revenue recognition on an additional 36,000 square feet, bringing the total revenue commenced on this project to approximately 20% as of the date of his report. We currently expect the project to stabilize in the second quarter of 2021.

In-Process Development Projects - Under Construction

As of June 30, 2020, we had five projects in our in-process development pipeline that were under construction:

- Kilroy Oyster Point (Phase I), South San Francisco, California. In March 2019, we commenced construction on Phase I of this 39-acre life science campus situated on the waterfront in South San Francisco. This first phase encompasses approximately 656,000 square feet of office space at a total estimated investment of $570.0 million and is 100% leased to two tenants. We currently expect this project to stabilize in the fourth quarter of 2021.

- 9455 Towne Centre Drive, University Towne Center, San Diego, California. In March 2019, we commenced construction on this project which totals approximately 160,000 square feet of office space at a total estimated investment of $110.0 million. The project is 100% leased to a Fortune 50 publicly traded company. We currently expect this project to stabilize in the first quarter of 2021.

- Living // On Vine, Hollywood, California. We commenced construction on the residential component of this project in December 2018, which encompasses 193 residential units at a total estimated investment of $195.0 million. We currently expect the residential component to be completed in the first quarter of 2021.

- One Paseo (Residential Phase III) - Del Mar, San Diego, California. We commenced construction on Phase III of the residential component of this mixed-use project in December 2016, which is comprised of 146 residential units. The total estimated investment for Phase III of the residential component of the project is approximately $100.0 million. Phase III was completed and delivered in July 2020.

- 2100 Kettner, Little Italy, San Diego, California. We commenced construction on this project in September 2019. This project is comprised of approximately 200,000 square feet of office space for a total estimated investment of $140.0 million.

Future Development Pipeline

As of June 30, 2020, our future development pipeline included five future projects located in Greater Seattle, the San Francisco Bay Area and San Diego County with an aggregate cost basis of approximately $1.0 billion at which we believe we could develop more than 6.0 million rentable square feet for a total estimated investment of approximately $5.0 billion to $7.0 billion, depending on successfully obtaining entitlements and market conditions.

The following table sets forth information about our future development pipeline.

Future Development Pipeline	Location	Approx. Developable Square Feet (1)	Total Costs as of 6/30/2020 ($ in millions) (2)
San Diego County			
Santa Fe Summit – Phases II and III	56 Corridor	600,000 - 650,000	$ 81.6
1335 Broadway & 901 Park Boulevard	East Village	TBD	46.6
San Francisco Bay Area			
Kilroy Oyster Point - Phases II - IV	South San Francisco	1,750,000 - 1,900,000	331.3
Flower Mart	SOMA	2,300,000	418.7
Greater Seattle			
SIX0 - Office & Residential	Seattle CBD	TBD	141.8
TOTAL:			$ 1,020.0

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(1) The developable square feet and scope of projects could change materially from estimated data provided due to one or more of the following: any significant changes in the economy, market conditions, our markets, tenant requirements and demands, construction costs, new supply, regulatory and entitlement processes or project design.

(2) Represents cash paid and costs incurred, including accrued liabilities in accordance with GAAP, as of June 30, 2020.

Fluctuations in our development activities could cause fluctuations in the average development asset balances qualifying for interest and other carrying cost and internal cost capitalization in future periods. During the three and six months ended June 30, 2020, we capitalized interest on in-process development projects and future development pipeline projects with an average aggregate cost basis of approximately $2.1 billion and $2.2 billion, respectively, as it was determined these projects qualified for interest and other carrying cost capitalization under GAAP. During the three and six months ended June 30, 2019, we capitalized interest on in-process development projects and future development pipeline projects with an average aggregate cost basis of approximately $2.0 billion and $1.9 billion, respectively, as it was determined these projects qualified for interest and other carrying cost capitalization under GAAP. In the event of an extended cessation of development activities, such projects may potentially no longer qualify for capitalization of interest or other carrying costs. However, a cessation of development activities caused by events outside of our control, such as those as a result of government restrictions aimed at stopping the spread of COVID-19, would not impact our ability to capitalize interest and other carrying costs. For the three and six months ended June 30, 2020, we capitalized $20.5 million and $41.9 million, respectively, of interest to our qualifying development projects. For the three and six months ended June 30, 2019, we capitalized $20.9 million and $40.3 million, respectively, of interest to our qualifying development projects. For the three and six months ended June 30, 2020, we capitalized $6.2 million and $11.3 million, respectively, of internal costs to our qualifying development projects. For the three and six months ended June 30, 2019, we capitalized $6.3 million and $12.9 million, respectively, of internal costs to our qualifying development projects.

Capital Recycling Program. We continuously evaluate opportunities for the potential disposition of non-core properties and undeveloped land in our portfolio or the formation of strategic ventures with the intent of recycling the proceeds generated into capital used to fund new operating and development acquisitions, to finance development and redevelopment expenditures, to repay long-term debt and for other general corporate purposes. As part of this strategy, we attempt to enter into Section 1031 Exchanges and other tax deferred transaction structures, when possible, to defer some or all of the taxable gains on the sales, if any, for federal and state income tax purposes. See the "Liquidity and Capital Resources of the Operating Partnership – Liquidity Sources" section for further discussion of our capital recycling activities.

The timing of any potential future disposition or strategic venture transactions will depend on market conditions and other factors, including but not limited to our capital needs, the availability of financing for potential buyers (which has been and may continue to be constrained for some potential buyers due to the ongoing COVID-19 pandemic's impact on economic and market conditions, including the financial markets), and our ability to defer some or all of the taxable gains on the sales. We cannot assure that we will dispose of any additional properties, enter into any additional strategic ventures, or that we will be able to identify and complete the acquisition of a suitable replacement property to effect a Section 1031 Exchange or be able to use other tax deferred structures in connection with our strategy. See the "Liquidity and Capital Resources of the Operating Partnership – Liquidity Sources" section for further information.

Acquisitions. As part of our growth strategy, which is highly dependent on market conditions and business cycles, among other factors, we continue to evaluate strategic opportunities and remain a disciplined buyer of development and redevelopment opportunities as well as value-add operating properties. We continue to focus on growth opportunities in West Coast markets populated by knowledge and creative based tenants in a variety of industries, including technology, media, healthcare, life sciences, entertainment and professional services. Against the backdrop of market volatility, we expect to manage a strong balance sheet, execute on our development program and selectively evaluate opportunities that either add immediate Net Operating Income to our portfolio or play a strategic role in our future growth.

In connection with our growth strategy, we often have one or more potential acquisitions of properties and/or undeveloped land under consideration that are in varying stages of negotiation and due diligence review, or under contract, at any point in time. However, we cannot provide assurance that we will enter into any agreements to acquire properties, or undeveloped land, or, that the potential acquisitions contemplated by any agreements we may enter into the future will be completed. In addition, acquisitions are subject to various risks and uncertainties and we may be unable to complete an acquisition after making a nonrefundable deposit or incurring acquisition-related costs.

Incentive Compensation. Our Executive Compensation Committee determines compensation, including cash bonuses and equity incentives, for our executive officers, as defined in Rule 16 under the Exchange Act. For 2020, the annual cash bonus program was structured to allow the Executive Compensation Committee to evaluate a variety of key quantitative and qualitative metrics at the end of the year and make a determination based on the Company's and management's overall performance. Our Executive Compensation Committee also grants equity incentive awards from time to time that include performance-based and/or market-measure based vesting requirements and time-based vesting requirements. As a result, accrued incentive compensation and compensation expense for future awards may be affected by our operating and development performance, financial results, stock price, performance against applicable performance-based vesting goals, market conditions, liquidity measures and other factors. Consequently, we cannot predict the amounts that will be recorded in future periods related to such incentive compensation.

As of June 30, 2020, there was approximately $52.1 million of total unrecognized compensation cost related to outstanding nonvested shares of restricted common stock and RSUs issued under share-based compensation arrangements. Those costs are expected to be recognized over a weighted-average period of 1.9 years. The ultimate amount of compensation cost recognized related to outstanding nonvested RSUs issued under share-based compensation arrangements may vary for performance-based RSUs that are still in the performance period based on performance against applicable performance-based vesting goals. The $52.1 million of unrecognized compensation cost does not reflect the future compensation cost for any potential share-based awards that may be issued subsequent to June 30, 2020. Share-based compensation expense for potential future awards could be affected by our operating and development performance, financial results, stock price, performance against applicable performance-based vesting goals, market conditions and other factors. For additional information regarding our equity incentive awards, see Note 7 "Share-Based Compensation" to our consolidated financial statements included in this report.

Information on Leases Commenced and Executed

Leasing Activity and Changes in Rental Rates. The amount of net rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly developed or redeveloped properties, newly acquired properties with vacant space, and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or increase rental rates in our submarkets. Negative trends in one or more of these factors could adversely affect our rental income in future periods. The following tables set forth certain information regarding leasing activity for our stabilized portfolio during the three and six months ended June 30, 2020.

For Leases Commenced

	1st & 2nd Generation (1)(2)					2nd Generation (1)(2)				
	Number of Leases (3)		Rentable Square Feet (3)							
	New	Renewal	New	Renewal	Retention Rates (4)	TI/LC per Sq. Ft. (5)	TI/LC per Sq. Ft. / Year	Changes in Rents (6)(7)	Changes in Cash Rents (8)	Weighted Average Lease Term (in months)
Three Months Ended June 30, 2020	13	9	111,968	233,263	50.1%	$ 61.16	$ 10.05	37.2%	15.4%	73
Six Months Ended June 30, 2020	23	18	159,894	323,330	40.4%	$ 54.49	$ 8.38	36.4%	16.6%	78

For Leases Executed (9)

	1st & 2nd Generation (1)(2)				2nd Generation (1)(2)				
	Number of Leases (3)		Rentable Square Feet (3)						
	New	Renewal	New	Renewal	TI/LC per Sq. Ft. (5)	TI/LC per Sq. Ft. / Year	Changes in Rents (6)(7)	Changes in Cash Rents (8)	Weighted Average Lease Term (in months)
Three Months Ended June 30, 2020	5	9	53,214	233,263	$ 54.10	$ 9.02	30.0%	10.7%	72
Six Months Ended June 30, 2020	12	18	184,875	323,330	$ 56.72	$ 8.62	36.9%	18.6%	79

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(1) Includes 100% of consolidated property partnerships.

(2) First generation leasing includes space where we have made capital expenditures that result in additional revenue generated when the space is re-leased. Second generation leasing includes space where we have made capital expenditures to maintain the current market revenue stream.

(3) Represents leasing activity for leases that commenced or were signed during the period, including first and second generation space, net of month-to-month leases. Excludes leasing on new construction.

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

(5) Tenant improvements and leasing commissions per square foot exclude tenant-funded tenant improvements.

(6) 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.

(7) Excludes commenced leases of approximately 48,603 rentable square feet for the three months ended June 30, 2020 and commenced and executed leases of approximately 87,355 and 70,868 rentable square feet, respectively, for the six months ended June 30, 2020, for which the space was vacant longer than one year or being leased for the first time. Space vacant for more than one year is excluded from our change in rents calculations to provide a more meaningful market comparison.

(8) 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.

(9) During the three months ended June 30, 2020, 4 new leases totaling 51,726 square feet were signed but not commenced as of June 30, 2020. For the six months ended June 30, 2020, 11 new leases totaling 178,626 square feet were signed but not commenced as of June 30, 2020.

Our rental rates and occupancy are impacted by general economic conditions, including the pace of regional economic growth, access to capital, and potentially the current COVID-19 pandemic and restrictions intended to prevent its spread. Therefore, we cannot give any assurance that leases will be renewed or that available space will be re-leased at rental rates equal to or above the current market rates. In addition, due to uncertainty of current market events as a result of the COVID-19 pandemic and the impact it has had on recent transaction volume in our markets, we are currently unable to provide meaningful information on the weighted average cash rental rates for our total stabilized portfolio compared to current market rates at June 30, 2020. In addition it is possible that the COVID-19 pandemic may have an adverse impact on our ability to renew leases or re-lease available space in our properties on favorable terms or at all in the future, including as a result of a deterioration in the economic and market conditions due to restrictions intended to prevent the spread of COVID-19. Additionally, decreased demand and other negative trends or unforeseeable events that impair our ability to timely renew or re-lease space could have further negative effects on our future financial condition, results of operations, and cash flows.

Scheduled Lease Expirations. The following tables set forth certain information regarding our lease expirations for our stabilized portfolio for the remainder of 2020 and the next five years and by region for the remainder of 2020 and in 2021.

Lease Expirations [(1)]

Year of Lease Expiration	Number of Expiring Leases	Total Square Feet	% of Total Leased Sq. Ft.	Annualized Base Rent [(2)(3)] (in thousands)	% of Total Annualized Base Rent [(2)]	Annualized Base Rent per Sq. Ft. [(2)]
Remainder of 2020	35	395,942	3.1%	$ 17,080	2.5%	$ 43.14
2021	78	764,334	5.8%	32,319	4.6%	42.28
2022	65	749,808	5.8%	32,351	4.7%	43.15
2023	81	1,299,381	10.0%	68,853	9.9%	52.99
2024	58	945,844	7.3%	46,338	6.6%	48.99
2025	53	663,871	5.1%	32,304	4.6%	48.66
Total	370	4,819,180	37.1%	$ 229,245	32.9%	$ 47.57

Year	Region	# of Expiring Leases	Total Square Feet	% of Total Leased Sq. Ft.	Annualized Base Rent [(2)(3)]	% of Total Annualized Base Rent [(2)]	Annualized Rent per Sq. Ft. [(2)]
2020	Greater Los Angeles	22	243,813	1.9%	$ 9,465	1.4%	$ 38.82
	San Diego	7	61,044	0.5%	2,340	0.3%	38.33
	San Francisco Bay Area	5	68,651	0.5%	4,545	0.7%	66.20
	Greater Seattle	1	22,434	0.2%	730	0.1%	32.54
	Total	35	395,942	3.1%	$ 17,080	2.5%	$ 43.14
2021	Greater Los Angeles	49	330,964	2.5%	$ 13,084	1.8%	$ 39.53
	San Diego	15	187,468	1.4%	6,795	1.0%	36.25
	San Francisco Bay Area	10	234,125	1.8%	11,947	1.7%	51.03
	Greater Seattle	4	11,777	0.1%	493	0.1%	41.86
	Total	78	764,334	5.8%	$ 32,319	4.6%	$ 42.28

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(1) For leases that have been renewed early with existing tenants, the expiration date and annualized base rent information presented takes into consideration the renewed lease terms. Excludes leases not commenced as of June 30, 2020, space leased under month-to-month leases, storage leases, vacant space and future lease renewal options not executed as of June 30, 2020.

(2) 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. Percentages represent percentage of total portfolio annualized contractual base rental revenue. For additional information on tenant improvement and leasing commission costs incurred by the Company for the current reporting period, please see further discussion under the caption " Information on Leases Commenced and Executed."

(3) Includes 100% of annualized base rent of consolidated property partnerships.

In addition to the 1.1 million rentable square feet, or 7.7%, of currently available space in our stabilized portfolio, leases representing approximately 3.1% and 5.8% of the occupied square footage of our stabilized portfolio are scheduled to expire during the remainder of 2020 and in 2021, respectively. The leases scheduled to expire during the remainder of 2020 and in 2021 represent approximately 1.2 million rentable square feet or 7.1% of our total annualized base rental revenue. Adjusting for leases executed as of June 30, 2020 but not yet commenced, the remaining 2020 and 2021 expirations would be 290,226 and 587,282 square feet, respectively.

Sublease Space. Of our leased space as of June 30, 2020, approximately 849,307 rentable square feet, or 5.9% of the square footage in our stabilized portfolio, was available for sublease, primarily in the San Francisco Bay Area and Greater Seattle regions. Of the 5.9% of available sublease space in our stabilized portfolio as of June 30, 2020, approximately 2.7% was vacant space, and the remaining 3.2% was occupied. Of the approximately 849,307 rentable square feet available for sublease as of June 30, 2020, approximately 17,137 rentable square feet representing two leases are scheduled to expire in 2020, and approximately 15,907 rentable square feet representing five leases are scheduled to expire in 2021.

Stabilized Portfolio Information

As of June 30, 2020, our stabilized portfolio was comprised of 114 office properties encompassing an aggregate of approximately 14.3 million rentable square feet and 200 residential units at our residential tower in Hollywood, California. Our stabilized portfolio includes all of our properties with the exception of development and redevelopment properties currently committed for construction, under construction, or in the tenant improvement phase, undeveloped land, recently completed residential properties not yet stabilized and real estate assets held for sale. We define redevelopment properties as those properties for which we expect to spend significant development and construction costs on the existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. We define properties in the tenant improvement phase as office properties that we are developing or redeveloping where the project has reached cold shell condition and is ready for tenant improvements, which may require additional major base building construction before being placed in service. Projects in the tenant improvement phase are added to our stabilized portfolio once the project reaches the earlier of 95% occupancy or one year from the date of the cessation of major base building construction activities. Costs capitalized to construction in progress for development and redevelopment properties are transferred to land and improvements, buildings and improvements, and deferred leasing costs on our consolidated balance sheets as the historical cost of the property as the projects are placed in service.

We did not have any redevelopment or held for sale properties at June 30, 2020. Our stabilized portfolio also excludes our future development pipeline, which as of June 30, 2020 was comprised of five potential development sites, representing approximately 61 gross acres of undeveloped land on which we believe we have the potential to develop more than 6.0 million rentable square feet, depending upon economic conditions.

As of June 30, 2020, the following properties were excluded from our stabilized portfolio:

	Number of Properties/Projects	Estimated Rentable Square Feet [1] / Units
In-process development projects - tenant improvement	3	1,275,000
In-process development projects - under construction [2]	5	1,016,000
Completed residential development project [3]	2	462 units

(1) Estimated rentable square feet upon completion.
(2) In addition to the estimated office and life science rentable square feet noted above, development projects under construction also include 339 residential units.
(3) Represents recently completed residential phases I and II at our mixed-use development in San Diego, California that are not yet stabilized.

The following table reconciles the changes in the rentable square feet in our stabilized office portfolio of operating properties from June 30, 2019 to June 30, 2020:

	Number of Buildings	Rentable Square Feet
Total as of June 30, 2019	94	13,546,615
Acquisitions	19	151,908
Completed development properties placed in-service	2	846,241
Dispositions	(1)	(271,556)
Remeasurement	—	54,664
Total as of June 30, 2020 [1]	114	14,327,872

(1) Includes four properties owned by consolidated property partnerships (see Note 1 " Organization, Ownership and Basis of Presentation" to our consolidated financial statements included in this report for additional information).

Occupancy Information

The following table sets forth certain information regarding our stabilized portfolio:

			Occupancy at [1]		
Region	Number of Buildings	Rentable Square Feet	6/30/2020	3/31/2020	12/31/2019
Greater Los Angeles	51	4,029,919	91.2%	94.0%	95.2%
San Diego County	22	2,146,253	87.4%	88.3%	89.7%
San Francisco Bay Area	33	6,349,910	93.7%	94.3%	95.0%
Greater Seattle	8	1,801,790	95.9%	95.5%	97.7%
Total Stabilized Office Portfolio	114	14,327,872	92.3%	93.5%	94.6%

	Average Occupancy			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Stabilized Office Portfolio [1]	92.8%	93.5%	93.2%	93.3%
Same Store Portfolio [2]	92.5%	93.9%	93.1%	93.6%
Residential Portfolio [3]	85.0%	76.5%	89.3%	73.4%

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(1) Occupancy percentages reported are based on our stabilized office portfolio as of the end of the period presented and exclude occupancy percentages of properties held for sale.

(2) Occupancy percentages reported are based on office properties owned and stabilized as of January 1, 2019 and still owned and stabilized as of June 30, 2020 and exclude our residential tower. See discussion under " Results of Operations" for additional information.

(3) Our residential portfolio consists of our 200-unit residential tower located in Hollywood, California and excludes 462 recently completed residential units that are not yet stabilized.

Significant Tenants

The following table sets forth information about our 15 largest tenants based upon annualized base rental revenues, as defined below, as of June 30, 2020. We have collected July 2020 contractual rents from all of our top 15 tenants.

Tenant Name	Region	Annualized Base Rental Revenue [1] [2]	Rentable Square Feet	Percentage of Total Annualized Base Rental Revenue	Percentage of Total Rentable Square Feet	Year(s) of Lease Expiration
		(in thousands)				
Dropbox, Inc.	San Francisco Bay Area	$ 55,998	738,081	7.9%	5.0%	2033
GM Cruise, LLC	San Francisco Bay Area	36,337	374,618	5.1%	2.6%	2031
LinkedIn Corporation / Microsoft Corporation	San Francisco Bay Area	29,752	663,460	4.2%	4.5%	2024 / 2026
Adobe Systems, Inc.	San Francisco Bay Area / Greater Seattle	27,897	513,111	3.9%	3.5%	2027 / 2031
salesforce.com, inc.	San Francisco Bay Area	24,076	451,763	3.4%	3.1%	2031 / 2032
DIRECTV, LLC	Greater Los Angeles	23,152	684,411	3.3%	4.7%	2027
Box, Inc.	San Francisco Bay Area	22,441	371,792	3.2%	2.5%	2021 / 2028
Okta, Inc.	San Francisco Bay Area	18,263	218,100	2.6%	1.5%	2028
Riot Games, Inc.	Greater Los Angeles	15,554	251,509	2.2%	1.7%	2020 / 2023 / 2024
Synopsys, Inc.	San Francisco Bay Area	15,492	340,913	2.2%	2.3%	2030
Fortune 50 Publicly-Traded Company [3]	Greater Seattle	15,355	311,983	2.2%	2.1%	2033
Viacom International, Inc.	Greater Los Angeles	13,718	211,343	1.9%	1.4%	2028
DoorDash, Inc.	San Francisco Bay Area	13,531	135,137	1.9%	0.9%	2032
Amazon.com	Greater Seattle	12,397	277,399	1.7%	1.9%	2030
Nektar Therapeutics, Inc.	San Francisco Bay Area	12,297	135,350	1.7%	0.9%	2030
Total		$ 336,260	5,678,970	47.4%	38.6%	

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(1) Annualized base rental revenue 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. Excludes month-to-month leases and vacant space as of June 30, 2020.

(2) Includes 100% of the annualized base rental revenues of consolidated property partnerships.

(3) In June, the Company commenced GAAP revenue recognition on Phase I of this tenant's lease at 333 Dexter, which represents approximately 49% of the 635,000 square foot project located in the South Lake Union submarket of Seattle.

Results of Operations

Net Operating Income

Management internally evaluates the operating performance and financial results of our stabilized portfolio based on Net Operating Income. We define "Net Operating Income" as consolidated operating revenues (rental income and other property income) less consolidated operating expenses (property expenses, real estate taxes and ground leases).

Net Operating Income is considered by management to be an important and appropriate supplemental performance measure to net income because we believe it helps both investors and management to understand the core operations of our properties excluding corporate and financing-related costs and non-cash depreciation and amortization. Net Operating Income is an unlevered operating performance metric of our properties and allows for a useful comparison of the operating performance of individual assets or groups of assets. This measure thereby provides an operating perspective not immediately apparent from GAAP income from operations or net income. In addition, Net Operating Income is considered by many in the real estate industry to be a useful starting point for determining the value of a real estate asset or group of assets. Other real estate companies may use different methodologies for calculating Net Operating Income, and accordingly, our presentation of Net Operating Income may not be comparable to other real estate companies. Because of the exclusion of the items shown in the reconciliation below, Net Operating Income should only be used as a supplemental measure of our financial performance and not as an alternative to GAAP income from operations or net income.

Management further evaluates Net Operating Income by evaluating the performance from the following property groups:

- Same Store Properties – includes the consolidated results of all of the office properties that were owned and included in our stabilized portfolio for two comparable reporting periods, i.e., owned and included in our stabilized portfolio as of January 1, 2019 and still owned and included in the stabilized portfolio as of June 30, 2020, including our residential tower in Hollywood, California;

- Development Properties – includes the results generated by certain of our in-process development projects, expenses for certain of our future development project and the results generated by our 462 completed residential units that are not yet stabilized and the following stabilized development properties:
    - One office development project that was added to the stabilized portfolio in the second quarter of 2019;
    - One office development project that was added to the stabilized portfolio in the first quarter of 2020; and
    - One retail development project that was added to the stabilized portfolio in the first quarter of 2020;

- Acquisition Properties – includes the results, from the dates of acquisition through the periods presented, for the 19-building creative office campus we acquired during 2019; and

- Disposition Properties– includes the results of the one property disposed of in the second quarter of 2019 and the one property disposed of in the fourth quarter of 2019.

The following table sets forth certain information regarding the property groups within our stabilized office portfolio as of June 30, 2020:

Group	# of Buildings	Rentable Square Feet
Same Store Properties	92	12,935,383
Stabilized Development Properties	3	1,240,581
Acquisition Properties	19	151,908
Total Stabilized Portfolio	114	14,327,872

Comparison of the Three Months Ended June 30, 2020 to the Three Months Ended June 30, 2019

The following table summarizes our Net Operating Income, as defined, for our total portfolio for the three months ended June 30, 2020 and 2019.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Dollar Change	Percentage Change
	($ in thousands)			
Reconciliation of Net Income Available to Common Stockholders to Net Operating Income, as defined:				
Net Income Available to Common Stockholders	$ 19,618	$ 42,194	$ (22,576)	(53.5)%
Net income attributable to noncontrolling common units of the Operating Partnership	367	871	(504)	(57.9)%
Net income attributable to noncontrolling interests in consolidated property partnerships	4,367	4,150	217	5.2 %
Net income	$ 24,352	$ 47,215	$ (22,863)	(48.4)%
Unallocated expense (income):				
General and administrative expenses	38,597	19,857	18,740	94.4 %
Leasing costs	1,330	2,650	(1,320)	(49.8)%
Depreciation and amortization	80,085	68,252	11,833	17.3 %
Interest income and other net investment gain	(2,838)	(616)	(2,222)	360.7 %
Interest expense	15,884	11,727	4,157	35.4 %
Gains on sales of depreciable operating properties	—	(7,169)	7,169	(100.0)%
Net Operating Income, as defined	$ 157,410	$ 141,916	$ 15,494	10.9 %

The following tables summarize our Net Operating Income, as defined, for our total portfolio for the three months ended June 30, 2020 and 2019.

	Three Months Ended June 30,									
	2020					2019				
	Same Store	Develop-ment	Acquisi-tion	Disposi-tion	Total	Same Store	Develop-ment	Acquisi-tion	Disposi-tion	Total
	(in thousands)									
Operating revenues:										
Rental income	$ 182,323	$ 32,962	$ 3,071	$ —	$ 218,356	$ 185,711	$ 9,169	$ —	$ 2,749	$ 197,629
Other property income	922	149	(4)	—	1,067	2,291	253	—	319	2,863
Total	183,245	33,111	3,067	—	219,423	188,002	9,422	—	3,068	200,492
Property and related expenses:										
Property expenses	32,936	4,649	244	—	37,829	36,154	1,609	—	773	38,536
Real estate taxes	17,214	4,120	520	—	21,854	17,067	554	—	305	17,926
Ground leases	2,121	—	209	—	2,330	2,114	—	—	—	2,114
Total	52,271	8,769	973	—	62,013	55,335	2,163	—	1,078	58,576
Net Operating Income, as defined	$ 130,974	$ 24,342	$ 2,094	$ —	$ 157,410	$ 132,667	$ 7,259	$ —	$ 1,990	$ 141,916

	Same Store		Development		Acquisition		Disposition		Total	
Three Months Ended June 30, 2020 as compared to the Three Months Ended June 30, 2019	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
	($ in thousands)									
Operating revenues:										
Rental income	$ (3,388)	(1.8)%	$ 23,793	259.5 %	$ 3,071	100.0 %	$ (2,749)	(100.0)%	$ 20,727	10.5 %
Other property income	(1,369)	(59.8)%	(104)	(41.1)%	(4)	(100.0)%	(319)	(100.0)%	(1,796)	(62.7)%
Total	(4,757)	(2.5)%	23,689	251.4 %	3,067	100.0 %	(3,068)	(100.0)%	18,931	9.4 %
Property and related expenses:										
Property expenses	(3,218)	(8.9)%	3,040	188.9 %	244	100.0 %	(773)	(100.0)%	(707)	(1.8)%
Real estate taxes	147	0.9 %	3,566	643.7 %	520	100.0 %	(305)	(100.0)%	3,928	21.9 %
Ground leases	7	0.3 %	—	— %	209	100.0 %	—	— %	216	10.2 %
Total	(3,064)	(5.5)%	6,606	305.4 %	973	100.0 %	(1,078)	(100.0)%	3,437	5.9 %
Net Operating Income, as defined	$ (1,693)	(1.3)%	$ 17,083	235.3 %	$ 2,094	100.0 %	$ (1,990)	(100.0)%	$ 15,494	10.9 %

Net Operating Income increased $15.5 million, or 10.9%, for the three months ended June 30, 2020 as compared to the three months ended June 30, 2019 resulting from:

- A decrease in Net Operating Income of $1.7 million attributable to the Same Store Properties was driven by the following activity:
  - A decrease in rental income of $3.4 million primarily due to:
    - $3.7 million of reversals of revenue related to the creditworthiness of certain tenants primarily as a result of the COVID-19 pandemic;
    - $3.0 million decrease due to an early lease termination fee received in 2019 for a tenant in the San Francisco Bay Area;
    - $2.0 million decrease due to lower occupancy primarily in the Greater Los Angeles, San Francisco Bay Area, and San Diego County regions;
    - $1.6 million decrease in recoveries of recurring expenses related to property taxes, repairs and maintenance, security, janitorial, utilities, parking and various other recurring expenses primarily due to the following:
      - $0.8 million decrease due to tenants on a cash basis of revenue recognition and abatements given due to the COVID-19 pandemic;
      - $0.5 million decrease due to lower operating expenses resulting from COVID-19 stay-at-home orders; and
      - $0.6 million decrease primarily due to new tenants with 2020 base years;
    - $1.1 million decrease due to lower parking income resulting from a reduction in the number of monthly parking spaces rented as a result of COVID-19 stay-at-home orders; partially offset by
    - $8.1 million increase from new leases and renewals at higher rates primarily in the San Francisco Bay Area, San Diego County, and Greater Seattle regions;
  - A decrease in other property income of $1.4 million primarily due to lower transient and special event parking income at a number of properties in the San Francisco Bay Area, Greater Seattle and Greater Los Angeles regions. We expect daily, special event and transient parking to be impacted while restrictions intended to prevent the spread of COVID-19 remain in effect;
  - A decrease in property and related expenses of $3.1 million primarily due to the following:

- $2.8 million decrease in reimbursable property expenses including janitorial, utilities, engineering, parking, and various other recurring expenses due to several tenants implementing work from home policies due to the COVID-19 pandemic. We anticipate lower reimbursable property expenses and corresponding tenant recoveries as a result of lower usage of our buildings by tenants while restrictions intended to prevent the spread of COVID-19 are in effect; and

- $0.4 million decrease due to insurance reimbursements received in 2020 for expenses incurred in 2019;

- An increase in Net Operating Income of $17.1 million attributable to the Development Properties driven by the following activity:

  - $23.8 million increase in rental income primarily related to one office development project that was added to the stabilized portfolio in the first quarter of 2020; partially offset by

  - $6.6 million increase in property and related expenses primarily due to higher property expenses and real estate taxes related to one office development project that was added to the stabilized portfolio in the first quarter of 2020 and ceased capitalization of real estate taxes;

- An increase in Net Operating Income of $2.1 million attributable to the Acquisition Properties; and

- A decrease in Net Operating Income of $2.0 million attributable to the Disposition Properties.

Other Expenses and Income

General and Administrative Expenses

General and administrative expenses increased by approximately $18.7 million, or 94.4%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to:

- An increase of $18.4 million in severance costs related to the previously announced departure of an executive officer and the departure of certain other employees;

- A increase of $1.2 million related to the mark-to-market adjustment of the Company's deferred compensation plan and the resultant impact of reducing compensation expense, which is offset by the losses on the underlying marketable securities which are included in interest income and other net investment gain (loss) in the consolidated statements of operations; partially offset by

- A decrease of $1.0 million primarily due to lower incentive compensation accruals and other related cost cutting measures as a result of COVID-19.

Leasing Costs

Leasing costs decreased by $1.3 million or 49.8%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a higher level of leasing activity during the three months ended June 30, 2019 and changes in personnel.

Depreciation and Amortization

Depreciation and amortization increased $11.8 million, or 17.3%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to the following:

- An increase of $4.4 million attributable to the Same Store Properties;

- An increase of $6.3 million attributable to the Development Properties; and

- An increase of $2.2 million attributable to the Acquisition Properties; partially offset by

• A decrease of $1.1 million attributable to the Disposition Properties.

Interest Expense

The following table sets forth our gross interest expense, including debt discounts and deferred financing cost amortization, and capitalized interest, including capitalized debt discounts and deferred financing cost amortization, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,			
	2020	2019	Dollar Change	Percentage Change
	(in thousands)			
Gross interest expense	$ 36,400	$ 32,607	$ 3,793	11.6 %
Capitalized interest and deferred financing costs	(20,516)	(20,880)	364	(1.7)%
Interest expense	$ 15,884	$ 11,727	$ 4,157	35.4 %

Gross interest expense, before the effect of capitalized interest and deferred financing costs, increased $3.8 million, or 11.6%, for the three months ended June 30, 2020 as compared to the three months ended June 30, 2019 primarily due to an increase in the average outstanding debt balance for the three months ended June 30, 2020.

Capitalized interest and deferred financing costs decreased $0.4 million, or 1.7%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a decrease in the weighted average interest rate during the three months ended June 30, 2020. During the three months ended June 30, 2020 and 2019, we capitalized interest on in-process development projects and future development pipeline projects with an average aggregate cost basis of approximately $2.1 billion and $2.0 billion, respectively. In the event of an extended cessation of development activities to get any of these projects ready for its intended use, such projects could potentially no longer qualify for capitalization of interest or other carrying costs. However, a cessation of development activities caused by events outside of our control, such as those as a result of government restrictions aimed at stopping the spread of COVID-19, would not impact our ability to capitalize interest and other carrying costs. Refer to “Part II – Other Information, Item IA. Risk Factors” included in this report for additional information about the potential impact of the COVID-19 pandemic, and restrictions intended to prevents its spread, on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.

Net Income Attributable to Noncontrolling Interests in Consolidated Property Partnerships

Net income attributable to noncontrolling interests in consolidated property partnerships increased by $0.2 million or 5.2% for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a new lease at a higher rate at one property held in a property partnership in 2020. The amounts reported for the three months ended June 30, 2020 and 2019 are comprised of the noncontrolling interest's share of net income for 100 First Street Member, LLC (“100 First LLC”) and 303 Second Street Member, LLC (“303 Second LLC”) and the noncontrolling interest's share of net income for Redwood City Partners, LLC (“Redwood LLC”).

Comparison of the Six Months Ended June 30, 2020 to the Six Months Ended June 30, 2019

The following table summarizes our Net Operating Income, as defined, for our total portfolio for the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Dollar Change	Percentage Change
	($ in thousands)			
Reconciliation of Net Income Available to Common Stockholders to Net Operating Income, as defined:				
Net Income Available to Common Stockholders	$ 59,435	$ 79,097	$ (19,662)	(24.9)%
Net income attributable to noncontrolling common units of the Operating Partnership	1,072	1,571	(499)	(31.8)%
Net income attributable to noncontrolling interests in consolidated property partnerships	9,263	8,341	922	11.1 %
Net income	$ 69,770	$ 89,009	$ (19,239)	(21.6)%
Unallocated expense (income):				
General and administrative expenses	57,607	43,198	14,409	33.4 %
Leasing Costs	2,786	4,407	(1,621)	(36.8)%
Depreciation and amortization	154,455	134,387	20,068	14.9 %
Interest income and other net investment loss (gain)	290	(2,444)	2,734	(111.9)%
Interest expense	30,328	22,970	7,358	32.0 %
Gains on sales of depreciable operating properties	—	(7,169)	7,169	(100.0)%
Net Operating Income, as defined	$ 315,236	$ 284,358	$ 30,878	10.9 %

The following tables summarize our Net Operating Income, as defined, for our total portfolio for the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30, 2020					2019				
	Same Store	Develop-ment	Acquisi-tion	Disposi-tion	Total	Same Store	Develop-ment	Acquisi-tion	Disposi-tion	Total
	(in thousands)									
Operating revenues:										
Rental income	$ 368,737	$ 61,390	$ 6,862	$ —	$ 436,989	$ 374,153	$ 17,194	$ —	$ 5,664	$ 397,011
Other property income	3,102	581	79	—	3,762	4,002	320	—	361	4,683
Total	371,839	61,971	6,941	—	440,751	378,155	17,514	—	6,025	401,694
Property and related expenses:										
Property expenses	67,693	8,492	627	—	76,812	72,449	2,671	—	1,565	76,685
Real estate taxes	34,460	8,538	1,058	—	44,056	34,177	1,766	—	622	36,565
Ground leases	4,230	—	417	—	4,647	4,086	—	—	—	4,086
Total	106,383	17,030	2,102	—	125,515	110,712	4,437	—	2,187	117,336
Net Operating Income, as defined	$ 265,456	$ 44,941	$ 4,839	$ —	$ 315,236	$ 267,443	$ 13,077	$ —	$ 3,838	$ 284,358

	Six Months Ended June 30, 2020 as compared to the Six Months Ended June 30, 2019									
	Same Store		Development		Acquisition		Disposition		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
	($ in thousands)									
Operating revenues:										
Rental income	$ (5,416)	(1.4)%	$ 44,196	257.0%	$ 6,862	100.0%	$ (5,664)	(100.0)%	$ 39,978	10.1 %
Other property income	(900)	(22.5)%	261	81.6%	79	100.0%	(361)	(100.0)%	(921)	(19.7)%
Total	(6,316)	(1.7)%	44,457	253.8%	6,941	100.0%	(6,025)	(100.0)%	39,057	9.7 %
Property and related expenses:										
Property expenses	(4,756)	(6.6)%	5,821	217.9%	627	100.0%	(1,565)	(100.0)%	127	0.2 %
Real estate taxes	283	0.8 %	6,772	383.5%	1,058	100.0%	(622)	(100.0)%	7,491	20.5 %
Ground leases	144	3.5 %	—	—%	417	100.0%	—	— %	561	13.7 %
Total	(4,329)	(3.9)%	12,593	283.8%	2,102	100.0%	(2,187)	(100.0)%	8,179	7.0 %
Net Operating Income, as defined	$ (1,987)	(0.7)%	$ 31,864	243.7%	$ 4,839	100.0%	$ (3,838)	(100.0)%	$ 30,878	10.9 %

Net Operating Income increased $30.9 million, or 10.9%, for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 primarily resulting from:

- A decrease of $2.0 million attributable to the Same Store Properties primarily resulting from:
  - A decrease in rental income of $5.4 million primarily due to:
    - $8.6 million of reversals of revenue related to the creditworthiness of certain tenants primarily as a result of the COVID-19 pandemic;
    - $4.2 million net decrease primarily related to the improved credit quality of a tenant in 2019 for which the Company recorded a bad debt reserve in 2018;
    - $6.2 million decrease primarily due to an early lease termination fee received in 2019 for a tenant in the San Francisco Bay Area;
    - $0.9 million decrease due to lower parking income resulting from a reduction in the number of monthly parking spaces rented as a result of COVID-19 stay-at-home orders;
    - $3.1 million decrease in the tenant reimbursement component of rental income due to the following:
      - $2.5 million decrease due to a tenant in the San Francisco Bay Area's change from a triple net lease to a modified net lease, resulting in payment of expenses directly to vendors, and new tenants with 2020 base years; and
      - $0.6 million decrease due to abatements provided to tenants and lower operating expenses as a result of the COVID-19 pandemic; partially offset by
    - $17.6 million increase from new leases and renewals at higher rates at various properties across the portfolio;
  - A decrease in other property income of $0.9 million primarily due to lower transient and special event parking income at a number of properties in the San Francisco Bay Area, Greater Seattle and Greater Los Angeles regions. We expect daily, special event and transient parking to be impacted while restrictions intended to prevent the spread of COVID-19 are in effect;
  - A decrease in property and related expenses of $4.3 million primarily due to the following:
    - $4.8 million decrease in property expenses primarily due to the following:

    - $4.4 million decrease in reimbursable expenses such as utilities, parking, janitorial, security, and various other recurring expenses due to several tenants implementing work from home policies due to the COVID-19 pandemic. We anticipate lower reimbursable property expenses and corresponding tenant recoveries as a result of lower usage of our buildings by tenants in while restrictions intended to prevent the spread of COVID-19 are in effect;
    - $0.4 million decrease primarily due to insurance reimbursements received in 2020 for expenses incurred in 2019;
- An increase of $31.9 million attributable to the Development Properties; and
- An increase of $4.8 million attributable to the Acquisition Properties; partially offset by
- A decrease of $3.8 million attributable to the Disposition Properties.

Other Expenses and Income

General and Administrative Expenses

General and administrative expenses increased $14.4 million, or 33.4%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the following:

- An increase of $18.9 million in severance costs related to the previously announced departure of an executive officer and the departure of certain other employees; partially offset by
- A decrease of $3.4 million due to lower compensation accruals and other related cost-cutting measures as a result of COVID-19; and
- A decrease of $1.4 million related to the mark-to-market adjustment of the Company's deferred compensation plan and the resultant impact of reducing compensation expense, which is offset by the losses on the underlying marketable securities which are included in interest income and other net investment gain (loss) in the consolidated statements of operations.

Leasing Costs

Leasing costs decreased by $1.6 million or 36.8%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to a higher level of leasing activity during the six months ended June 30, 2019 and changes in personnel.

Depreciation and Amortization

Depreciation and amortization increased $20.1 million, or 14.9%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the following:

- An increase of $0.6 million attributable to the Same Store Properties;
- An increase of $16.8 million attributable to the Development Properties; and
- An increase of $4.9 million attributable to the Acquisition Properties; partially offset by
- A decrease of $2.2 million attributable to the Disposition Properties.

Interest Expense

The following table sets forth our gross interest expense, including debt discounts/premiums and deferred financing cost amortization, and capitalized interest, including capitalized debt discounts/premiums and deferred financing cost amortization for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Dollar Change	Percentage Change
	(in thousands)			
Gross interest expense	$ 72,262	$ 63,287	$ 8,975	14.2%
Capitalized interest and deferred financing costs	(41,934)	(40,317)	(1,617)	4.0%
Interest expense	$ 30,328	$ 22,970	$ 7,358	32.0%

Gross interest expense, before the effect of capitalized interest and deferred financing costs, increased $9.0 million or 14.2% for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 primarily due to an increase in our average debt balance for the six months ended June 30, 2020.

Capitalized interest and deferred financing costs increased $1.6 million or 4.0%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to an increase in the average development asset balances qualifying for interest capitalization for the six months ended June 30, 2020. During the six months ended June 30, 2020 and 2019, we capitalized interest on in-process development projects and future development pipeline projects with an average aggregate cost basis of approximately $2.2 billion and $1.9 billion, respectively.

Net Income Attributable to Noncontrolling Interests in Consolidated Property Partnerships

Net income attributable to noncontrolling interests in consolidated property partnerships increased $0.9 million or 11.1% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to a new lease at a higher rate at one property held in a property partnership in 2020. The amounts reported for the six months ended June 30, 2020 and 2019 are comprised of the noncontrolling interests' share of net income for 100 First Street Member, LLC ("100 First LLC"), 303 Second Street Member ("303 Second LLC") and Redwood City Partners, LLC ("Redwood LLC").

Liquidity and Capital Resources of the Company

In this “Liquidity and Capital Resources of the Company” section, the term the “Company” refers only to Kilroy Realty Corporation on an unconsolidated basis and excludes the Operating Partnership and all other subsidiaries.

The Company’s business is operated primarily through the Operating Partnership. Distributions from the Operating Partnership are the Company’s primary source of capital. The Company believes the Operating Partnership’s sources of working capital, specifically its cash flow from operations and borrowings available under its unsecured revolving credit facility and funds from its capital recycling program, including strategic ventures, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its common stockholders for the next twelve months. Cash flows from operating activities generated by the Operating Partnership for the six months ended June 30, 2020 were sufficient to cover the Company’s payment of cash dividends to its stockholders. However, there can be no assurance that the Operating Partnership’s sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distributions to the Company. The unavailability of capital could adversely affect the Operating Partnership’s ability to make distributions to the Company, which would in turn, adversely affect the Company’s ability to pay cash dividends to its stockholders.

The Company is a well-known seasoned issuer and the Company and the Operating Partnership have an effective shelf registration statement that provides for the public offering and sale from time to time by the Company of its preferred stock, common stock, depositary shares, warrants and guarantees of debt securities and by the Operating Partnership of its debt securities, in each case in unlimited amounts. The Company evaluates the capital markets on an ongoing basis for opportunities to raise capital, and, as circumstances warrant, the Company and the Operating Partnership may issue securities of all of these types in one or more offerings at any time and from time to time on an opportunistic basis, depending upon, among other things, market conditions, available pricing and capital needs. When the Company receives proceeds from the sales of its preferred or common stock, it generally contributes the net proceeds from those sales to the Operating Partnership in exchange for corresponding preferred or common partnership units of the Operating Partnership. The Operating Partnership may use these proceeds and proceeds from the sale of its debt securities to repay debt, including borrowings under its unsecured revolving credit facility, to develop new or existing properties, to make acquisitions of properties or portfolios of properties, or for general corporate purposes.

As the sole general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes, and the Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are substantially the same on their respective financial statements. The section entitled “Liquidity and Capital Resources of the Operating Partnership” should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.

COVID-19 Liquidity Highlights

As of the date of this report, we have no material debt maturities prior to July 2022, at which time our revolving credit facility and term loan mature. As of July 28, 2020, we had approximately $560.0 million in cash and cash equivalents, with an additional $750.0 million available under our unsecured revolving credit facility, as a result of settling various forward equity sale agreements and the completion of a private placement of $350.0 million in unsecured senior notes during the six months ended June 30, 2020. We believe that this available liquidity makes us well positioned to navigate uncertainty resulting from the COVID-19 pandemic. In addition, as discussed above, the Company is a well-known seasoned issuer and has historically been able to raise capital on a timely basis in the public markets, as well as the private markets, as demonstrated by the completion of a private placement in April 2020. Any future financings, however, will depend on market conditions for capital raises and for the investment of any proceeds and there can be no assurances that we will successfully obtain such financings.

Distribution Requirements

The Company is required to distribute 90% of its taxable income (subject to certain adjustments and excluding net capital gains) on an annual basis to maintain qualification as a REIT for federal income tax purposes and is required to pay income tax at regular corporate rates to the extent it distributes less than 100% of its taxable income (including capital gains). As a result of these distribution requirements, the Operating Partnership cannot rely on retained earnings to fund its on-going operations to the same extent as other companies whose parent companies are not REITs. In addition, the Company may be required to use borrowings under the Operating Partnership’s revolving credit facility, if necessary, to meet REIT distribution requirements and maintain its REIT status. The Company may also need to continue to raise capital in the equity markets to fund the Operating Partnership’s working capital needs, as well as potential developments of new or existing properties or acquisitions.

The Company intends to continue to make, but has not committed to make, regular quarterly cash distributions to common stockholders, and through the Operating Partnership, to common unitholders from the Operating Partnership's cash flow from operating activities. All such distributions are at the discretion of the Board of Directors. As the Company intends to maintain distributions at a level sufficient to meet the REIT distribution requirements and minimize its obligation to pay income and excise taxes, it will continue to evaluate whether the current levels of distribution are appropriate to do so throughout 2020. In addition, in the event the Company is unable to identify and complete the acquisition of suitable replacement properties to effect Section 1031 Exchanges or is unable to successfully complete Section 1031 Exchanges to defer some or all of the taxable gains related to property dispositions as a result of the COVID-19 pandemic or any other reason, the Company may elect to distribute a special dividend to its common stockholders and common unitholders in order to minimize or eliminate income taxes on such gains. The Company considers market factors and its performance in addition to REIT requirements in determining its distribution levels. Amounts accumulated for distribution to stockholders are invested primarily in interest-bearing accounts and short-term interest-bearing securities, which is consistent with the Company's intention to maintain its qualification as a REIT. Such investments may include, for example, obligations of the Government National Mortgage Association, other governmental agency securities, certificates of deposit, and interest-bearing bank deposits.

On May 19, 2020, the Board of Directors declared a regular quarterly cash dividend of $0.485. The regular quarterly cash dividend is payable to stockholders of record on June 30, 2020 and a corresponding cash distribution of $0.485 per Operating Partnership unit is payable to holders of the Operating Partnership's common limited partnership interests of record on June 30, 2020, including those owned by the Company. The total cash quarterly dividends and distributions paid on July 15, 2020 were $56.8 million.

Debt Covenants

The covenants contained within certain of our unsecured debt obligations generally prohibit the Company from paying dividends during an event of default in excess of an amount which results in distributions to us in an amount sufficient to permit us to pay dividends to our stockholders that we reasonably believe are necessary to (a) maintain our qualification as a REIT for federal and state income tax purposes and (b) avoid the payment of federal or state income or excise tax.

Capitalization

As of June 30, 2020, our total debt as a percentage of total market capitalization was 34.9%, which was calculated based on the closing price per share of the Company's common stock of $58.70 on June 30, 2020 as shown in the following table:

	Shares/Units at June 30, 2020	Aggregate Principal Amount or $ Value Equivalent	% of Total Market Capitalization
			($ in thousands)
Debt: [(1)(2)]			
Unsecured Term Loan Facility		$ 150,000	1.4%
Unsecured Senior Notes due 2023		300,000	2.8%
Unsecured Senior Notes due 2024		425,000	4.0%
Unsecured Senior Notes due 2025		400,000	3.8%
Unsecured Senior Notes Series A & B due 2026		250,000	2.4%
Unsecured Senior Notes due 2028		400,000	3.8%
Unsecured Senior Notes due 2029		400,000	3.8%
Unsecured Senior Notes Series A & B due 2027 & 2029		250,000	2.4%
Unsecured Senior Notes due 2030		500,000	4.8%
Unsecured Senior Notes due 2031		350,000	3.3%
Secured debt		256,958	2.4%
Total debt		$ 3,681,958	34.9%
Equity and Noncontrolling Interests in the Operating Partnership: [(3)]			
Common limited partnership units outstanding [(4)]	1,934,586	$ 113,560	1.1%
Shares of common stock outstanding	115,176,538	6,760,863	64.0%
Total Equity and Noncontrolling Interests in the Operating Partnership		$ 6,874,423	65.1%
Total Market Capitalization		$ 10,556,381	100.0%

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(1) Represents gross aggregate principal amount due at maturity before the effect of the following at June 30, 2020: $20.7 million of unamortized deferred financing costs on the unsecured term loan facility, unsecured senior notes, and secured debt and $6.0 million of unamortized discounts for the unsecured senior notes.

(2) As of June 30, 2020, there was no outstanding balance on the unsecured revolving credit facility.

(3) Value based on closing price per share of our common stock of $58.70 as of June 30, 2020.

(4) Includes common units of the Operating Partnership not owned by the Company; does not include noncontrolling interests in consolidated property partnerships.

Liquidity and Capital Resources of the Operating Partnership

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we," "our," and "us" refer to the Operating Partnership or the Operating Partnership and the Company together, as the context requires.

General

Our primary liquidity sources and uses are as follows:

Liquidity Sources

- Net cash flow from operations;
- Borrowings under the Operating Partnership's unsecured revolving credit facility and term loan facility;
- Proceeds from our capital recycling program, including the disposition of assets and the formation of strategic ventures;
- Proceeds from additional secured or unsecured debt financings; and
- Proceeds from public or private issuance of debt, equity or preferred equity securities.

Liquidity Uses

- Development and redevelopment costs;
- Operating property or undeveloped land acquisitions;
- Property operating and corporate expenses;
- Capital expenditures, tenant improvement and leasing costs;
- Debt service and principal payments, including debt maturities;
- Distributions to common security holders;
- Repurchases and redemptions of outstanding common stock of the Company; and
- Outstanding debt repurchases, redemptions and repayments.

General Strategy

Our general strategy is to maintain a conservative balance sheet with a strong credit profile and to maintain a capital structure that allows for financial flexibility and diversification of capital resources. We manage our capital structure to reflect a long-term investment approach and utilize multiple sources of capital to meet our long-term capital requirements. We believe that our current projected liquidity requirements for the next twelve-month period, as set forth above under the caption "—Liquidity Uses," will be satisfied using a combination of the liquidity sources listed above, although there can be no assurance in this regard. We believe our conservative leverage and staggered debt maturities provide us with financial flexibility and enhance our ability to obtain additional sources of liquidity if necessary, and, therefore, we are well-positioned to refinance or repay maturing debt and to pursue our strategy of seeking attractive acquisition opportunities, which we may finance, as necessary, with future public and private issuances of debt and equity securities.

Liquidity Sources

Unsecured Revolving Credit Facility and Term Loan Facility

The following table summarizes the balance and terms of our unsecured revolving credit facility as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Outstanding borrowings	$ —	$ 245,000
Remaining borrowing capacity	750,000	505,000
Total borrowing capacity (1)	$ 750,000	$ 750,000
Interest rate (2)	1.16%	2.76%
Facility fee-annual rate (3)	0.200%	
Maturity date	July 2022	

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(1) We may elect to borrow, subject to bank approval and obtaining commitments for any additional borrowing capacity, up to an additional $600.0 million under an accordion feature under the terms of the unsecured revolving credit facility and unsecured term loan facility.

(2) Our unsecured revolving credit facility interest rate was calculated based the contractual rate of LIBOR plus 1.000% as of June 30, 2020 and December 31, 2019.

(3) Our facility fee is paid on a quarterly basis and is calculated based on the total borrowing capacity. In addition to the facility fee, we incurred debt origination and legal costs. As of June 30, 2020 and December 31, 2019, $2.7 million and $3.4 million of unamortized deferred financing costs, respectively, which are included in prepaid expenses and other assets, net on our consolidated balance sheets, remained to be amortized through the maturity date of our unsecured revolving credit facility.

We intend to borrow under the unsecured revolving credit facility as necessary for general corporate purposes, to finance development and redevelopment expenditures, to fund potential acquisitions and to potentially repay long-term debt to supplement cash balances given uncertainties and volatility in market conditions.

The following table summarizes the balance and terms of our unsecured term loan facility as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Outstanding borrowings	$ 150,000	$ 150,000
Remaining borrowing capacity	—	—
Total borrowing capacity (1)	$ 150,000	$ 150,000
Interest rate (2)	1.28%	2.85%
Undrawn facility fee-annual rate	0.200%	
Maturity date	July 2022	

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(1) As of June 30, 2020 and December 31, 2019, $0.5 million and $0.7 million of unamortized deferred financing costs, respectively, remained to be amortized through the maturity date of our unsecured term loan facility.

(2) Our unsecured term loan facility interest rate was calculated based on the contractual rate of LIBOR plus 1.100% as of June 30, 2020 and December 31, 2019.

Capital Recycling Program

As discussed in the section "*Factors That May Influence Future Results of Operations - Capital Recycling Program,*" we continuously evaluate opportunities for the potential disposition of properties and undeveloped land in our portfolio or the formation of strategic ventures with the intent of recycling the proceeds generated from the disposition of less strategic or core assets into capital used to finance development expenditures, to fund new acquisitions, to repay long-term debt and for other general corporate purposes. As part of this strategy, we attempt to enter into Section 1031 Exchanges, when possible, to defer some or all of the taxable gains on the sales, if any, for federal and state income tax purposes.

Any potential future disposition transactions and the timing of any potential future capital recycling transactions will depend on market conditions and other factors, including but not limited to our capital needs, the availability of financing for potential buyers (which has been and may continue to be constrained for some potential buyers due to the ongoing COVID-19 pandemic's impact on economic and market conditions, including the financial markets), and our ability to defer some or all of the taxable gains on the sales. In addition, we cannot assure you that we will dispose of any additional properties, or that we will be able to identify and complete the acquisitions of suitable replacement properties to effect Section 1031 Exchanges to defer some or all of the taxable gains related to our capital recycling program. In the event we are unable to complete dispositions as planned, we may raise capital through other sources of liquidity including our available unsecured revolving credit facility or the public or private issuance of unsecured debt.

Forward Equity Offering and Settlement

On February 18, 2020, the Company entered into forward equity sale agreements with certain financial institutions acting as forward purchasers in connection with an offering of 5,750,000 shares of common stock at an initial gross offering price of $494.5 million, or $86.00 per share, before underwriting discounts, commissions and offering expenses. The forward purchasers borrowed and sold an aggregate of 5,750,000 shares of common stock in the offering.

On March 25, 2020, the Company physically settled these forward equity sale agreements. Upon settlement, the Company issued 5,750,000 shares of common stock for net proceeds of $474.9 million and contributed the net proceeds to the Operating Partnership in exchange for an equal number of units in the Operating Partnership.

At-The-Market Stock Offering Program

Under our current at-the-market stock offering program, which commenced June 2018, we may offer and sell shares of our common stock with an aggregate gross sales price of up to $500.0 million from time to time in "at-the-market" offerings. In connection with the at-the-market program, the Company may enter into forward equity sale agreements with certain financial institutions acting as forward purchasers whereby, at our discretion, the forward purchasers may borrow and sell shares of our common stock under our at-the-market program. The use of a forward equity sale agreement allows the Company to lock in a share price on the sale of shares of our common stock at the time the agreement is executed but defer settling the forward equity sale agreements and receiving the proceeds from the sale of shares until a later date.

During the year ended December 31, 2019, we executed various 12-month forward equity sale agreements under our at-the-market program with financial institutions acting as forward purchasers to sell an aggregate of 3,147,110 shares of common stock at a weighted average sales price of $80.08 per share before underwriting discounts, commissions and offering expenses.

In March 2020, we physically settled all forward equity sale agreements entered into in 2019. Upon settlement, the Company issued 3,147,110 shares of common stock for net proceeds of $247.3 million and contributed the net proceeds to the Operating Partnership in exchange for an equal number of units in the Operating Partnership. We did not enter into any forward equity sale agreements under our at-the-market program during the six months ended June 30, 2020.

Since commencement of our current at-the-market program, we have completed sales of 3,594,576 shares of common stock through June 30, 2020. As of June 30, 2020, we may offer and sell shares of our common stock having an aggregate gross sales price up to approximately $214.2 million under our current at-the-market program.

The Company did not complete any direct sales of common stock under the program during the three or six months ended June 30, 2020. The following table sets forth information regarding settlements of forward equity sale agreements under our at-the-market offering program for the six months ended June 30, 2020:

	Six Months Ended June 30, 2020	
	(in millions, except share and per share data)	
Shares of common stock settled during the period		3,147,110
Weighted average price per share of common stock	$	80.08
Aggregate gross proceeds	$	252.0
Aggregate net proceeds after selling commissions	$	247.3

The proceeds from sales will be used to fund development expenditures and general corporate purposes. Actual future sales will depend upon a variety of factors, including but not limited to, market conditions, the trading price of the Company's common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under this program.

Shelf Registration Statement

The Company is a well-known seasoned issuer and the Company and the Operating Partnership have an effective shelf registration statement that provides for the public offering and sale from time to time by the Company of its preferred stock, common stock, depository shares and guarantees of debt securities and by the Operating Partnership of its debt securities, in each case in unlimited amounts. The Company evaluates the capital markets on an ongoing basis for opportunities to raise capital, and, as circumstances warrant, the Company and the Operating Partnership may issue securities of all of these types in one or more offerings at any time and from time to time on an opportunistic basis, depending upon, among other things, market conditions, available pricing and capital needs. During the six months ended June 30, 2020, the Company's stock price ranged from $49.01 to $88.28, an 80% swing, as a result of COVID-19 and the resultant impact on the capital markets and economy. If current conditions continue for an extended period of time, capital raising could be more challenging than under conditions prior to COVID-19. When the Company receives proceeds from the sales of its preferred or common stock, it generally contributes the net proceeds from those sales to the Operating Partnership in exchange for corresponding preferred or common partnership units of the Operating Partnership. The Operating Partnership may use these proceeds and proceeds from the sale of its debt securities to repay debt, including borrowings under its unsecured revolving credit facility, to develop new or existing properties, to make acquisitions of properties or portfolios of properties, or for general corporate purposes.

Unsecured and Secured Debt

The aggregate principal amount of the unsecured and secured debt of the Operating Partnership outstanding as of June 30, 2020 was as follows:

	Aggregate Principal Amount Outstanding
	(in thousands)
Unsecured Term Loan Facility [1]	$ 150,000
Unsecured Senior Notes due 2023	300,000
Unsecured Senior Notes due 2024	425,000
Unsecured Senior Notes due 2025	400,000
Unsecured Senior Notes Series A & B due 2026	250,000
Unsecured Senior Notes due 2028	400,000
Unsecured Senior Notes due 2029	400,000
Unsecured Senior Notes Series A & B due 2027 & 2029	250,000
Unsecured Senior Notes due 2030	500,000
Unsecured Senior Notes due 2031	350,000
Secured Debt	256,958
Total Unsecured and Secured Debt	3,681,958
Less: Unamortized Net Discounts and Deferred Financing Costs [2]	(26,740)
Total Debt, Net	$ 3,655,218

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(1) As of June 30, 2020, there was no outstanding balance on the unsecured revolving credit facility.

(2) Includes $20.7 million of unamortized deferred financing costs on the unsecured term loan facility, unsecured senior notes, and secured debt and $6.0 million of unamortized discounts for the unsecured senior notes. Excludes unamortized deferred financing costs on the unsecured revolving credit facility, which are included in prepaid expenses and other assets, net on our consolidated balance sheets.

Unsecured Senior Notes - Private Placement

On April 28, 2020, the Operating Partnership entered into a Note Purchase Agreement in connection with the issuance and sale of $350.0 million principal amount of the Operating Partnership's 4.27% Senior Notes due January 31, 2031 (the "Notes"), pursuant to a private placement. The Notes mature on their due date, unless earlier redeemed or prepaid pursuant to the terms of the Note Purchase Agreement. Interest on the Notes is payable semi-annually in arrears on April 18 and October 18 of each year beginning October 18, 2020.

Debt Composition

The composition of the Operating Partnership's aggregate debt balances between secured and unsecured and fixed-rate and variable-rate debt as of June 30, 2020 and December 31, 2019 was as follows:

	Percentage of Total Debt [1]		Weighted Average Interest Rate [1]	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Secured vs. unsecured:				
Unsecured	93.0%	92.8%	3.8%	3.8
Secured	7.0%	7.2%	3.9%	3.9
Variable-rate vs. fixed-rate:				
Variable-rate	4.1%	11.0%	1.3%	2.8
Fixed-rate [2]	95.9%	89.0%	3.9%	3.9
Stated rate [2]			3.8%	3.8
GAAP effective rate [3]			3.9%	3.8
GAAP effective rate including debt issuance costs			4.0%	4.0

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(1) As of the end of the period presented.

(2) Excludes the impact of the amortization of any debt discounts/premiums and deferred financing costs.

(3) Includes the impact of the amortization of any debt discounts/premiums, excluding deferred financing costs.

Liquidity Uses

Contractual Obligations

Refer to our 2019 Annual Report on Form 10-K for a discussion of our contractual obligations. There have been no material changes, outside of the ordinary course of business, to these contractual obligations during the six months ended June 30, 2020.

Other Liquidity Uses

Development

As of June 30, 2020, we had five development projects under construction. These projects have a total estimated investment of approximately $1.1 billion of which we have incurred approximately $638.7 million and committed an additional $446.0 million as of June 30, 2020, of which $162.0 million is currently expected to be spent through the end of 2020. In addition, as of June 30, 2020, we had three development projects in the tenant improvement phase. These projects have a total estimated investment of approximately $915.0 million of which we have incurred approximately $740.0 million, net of retention, and committed an additional $175.0 million as of June 30, 2020, of which $144.0 million is currently expected to be spent through the end of 2020. We also had two stabilized development projects and two completed phases of a residential project with a total estimated investment of $1.12 billion of which we have incurred approximately $1.11 billion, net of retention, and committed an additional $10.0 million as of June 30, 2020, which is currently expected to be spent through the end of 2020. Furthermore, we currently believe we may spend up to $10.0 million on future development pipeline projects that we expect we may commence construction on throughout the remainder of 2020. Ultimate timing of these expenditures may fluctuate given construction progress and leasing status of the projects. Additionally, the COVID-19 pandemic, and restrictions intended to prevent its spread, could cause delays or increase costs associated with building materials or construction services necessary for construction in the future, which could adversely impact our ability to continue or complete construction as planned, on budget or at all. We expect that any material additional development activities will be funded with borrowings under the unsecured revolving credit facility, the public or private issuance of debt or equity securities, the disposition of assets under our capital recycling program, or strategic venture opportunities.

Debt Maturities

We believe our conservative leverage and staggered debt maturities provide us with financial flexibility and enhance our ability to obtain additional sources of liquidity if necessary, and, therefore, we believe we are well-positioned to refinance or repay maturing debt and to pursue our strategy of seeking attractive acquisition opportunities, which we may finance, as necessary, with future public and private issuances of debt and equity securities. However, we can provide no assurance that we will have access to the public or private debt or equity markets in the future on favorable terms or at all. Refer to “Part II – Other Information, Item IA. Risk Factors” included in this report for additional information about the potential impact of the COVID-19 pandemic, and restrictions intended to prevents its spread, on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders. Our next debt maturities occur in July 2022 and relate to our unsecured revolving credit facility and term loan facility.

Potential Future Acquisitions

As discussed in the section *"Factors That May Influence Future Results of Operations - Acquisitions,"* we continue to evaluate strategic opportunities and remain a disciplined buyer of development and redevelopment opportunities as well as value-add operating properties, dependent on market conditions and business cycles, among other factors. We continue to focus on growth opportunities in West Coast markets populated by knowledge and creative based tenants in a variety of industries, including technology, media, healthcare, life sciences, entertainment and professional services. Any material acquisitions will be funded with borrowings under the unsecured revolving credit facility, the public or private issuance of debt or equity securities, the disposition of assets under our capital recycling program, the formation of strategic ventures or through the assumption of existing debt.

We cannot provide assurance that we will enter into any agreements to acquire properties, or undeveloped land, or that the potential acquisitions contemplated by any agreements we may enter into in the future will be completed.

Share Repurchases

As of June 30, 2020, 4,935,826 shares remained eligible for repurchase under a share repurchase program approved by the Company's board of directors in 2016. Under this program, repurchases may be made in open market transactions at prevailing prices or through privately negotiated transactions. We may elect to repurchase shares of our common stock under this program in the future depending upon various factors, including market conditions, the trading price of our common stock and our other uses of capital. This program does not have a termination date and repurchases may be discontinued at any time. We intend to fund repurchases, if any, primarily with the proceeds from property dispositions.

Other Potential Future Liquidity Uses

The amounts we incur for tenant improvements and leasing costs depend on leasing activity in each period. Tenant improvements and leasing costs generally fluctuate in any given period depending on factors such as the type and condition of the property, the term of the lease, the type of the lease, the involvement of external leasing agents, and overall market conditions. Capital expenditures may fluctuate in any given period subject to the nature, extent and timing of improvements required to maintain our properties. As a result of the COVID-19 pandemic, we believe that for the remainder of 2020, we will likely reduce capital spending as a result of deferring non-essential capital projects at either our or our tenant’s election, and that there may be a reduction in leasing activity when compared to the full year of 2019.

Factors That May Influence Future Sources of Capital and Liquidity of the Company and the Operating Partnership

We continue to evaluate sources of financing for our business activities, including borrowings under the unsecured revolving credit facility, issuance of public and private equity securities, unsecured debt and fixed-rate secured mortgage financing, proceeds from the disposition of selective assets through our capital recycling program, and the formation of strategic ventures. However, our ability to obtain new financing or refinance existing borrowings on favorable terms could be impacted by various factors, including the state of the macro economy, the state of the credit and equity markets, significant tenant defaults, a decline in the demand for office properties, a decrease in market rental rates or market values of real estate assets in our submarkets, the amount of our future borrowings and the impact of the COVID-19 pandemic, and restrictions intended to prevents its spread, on capital and credit markets and our tenants (refer to “Part II – Other Information, Item IA. Risk Factors” of this report for additional information). These events could result in the following:

- Decreases in our cash flows from operations, which could create further dependence on the unsecured revolving credit facility;
- An increase in the proportion of variable-rate debt, which could increase our sensitivity to interest rate fluctuations in the future; and
- A decrease in the value of our properties, which could have an adverse effect on the Operating Partnership’s ability to incur additional debt, refinance existing debt at competitive rates, or comply with its existing debt obligations.

In addition to the factors noted above, the Operating Partnership’s credit ratings are subject to ongoing evaluation by credit rating agencies and may be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. In the event that the Operating Partnership’s credit ratings are downgraded, we may incur higher borrowing costs and may experience difficulty in obtaining additional financing or refinancing existing indebtedness.

Debt Covenants

The unsecured revolving credit facility, unsecured term loan facility, unsecured term loan, unsecured senior notes, and certain other secured debt arrangements contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Key existing financial covenants and their covenant levels include:

Unsecured Credit and Term Loan Facility and Private Placement Notes (as defined in the applicable Credit Agreements):	**Covenant Level**	**Actual Performance as of June 30, 2020**
Total debt to total asset value	less than 60%	28%
Fixed charge coverage ratio	greater than 1.5x	3.4x
Unsecured debt ratio	greater than 1.67x	3.32x
Unencumbered asset pool debt service coverage	greater than 1.75x	4.14x
Unsecured Senior Notes due 2023, 2024, 2025, 2028, 2029 and 2030 (as defined in the applicable Indentures):		
Total debt to total asset value	less than 60%	34%
Interest coverage	greater than 1.5x	9.8x
Secured debt to total asset value	less than 40%	2%
Unencumbered asset pool value to unsecured debt	greater than 150%	307%

The Operating Partnership was in compliance with all of its debt covenants as of June 30, 2020. Our current expectation is that the Operating Partnership will continue to meet the requirements of its debt covenants in both the short and long term. In response to the COVID-19 pandemic, we have completed stress testing of our various financial covenants assuming decreases in rental income and determined that the Operating Partnership has adequate cushion between actual performance and debt covenant levels. However, in the event of an economic slowdown or continued volatility in the credit markets, there is no certainty that the Operating Partnership will be able to continue to satisfy all the covenant requirements.

Consolidated Historical Cash Flow Summary

The following summary discussion of our consolidated historical cash flow is based on the consolidated statements of cash flows in Item 1. “Financial Statements” and is not meant to be an all-inclusive discussion of the changes in our cash flow for the periods presented below. Changes in our cash flow include changes in cash and cash equivalents and restricted cash. Our historical cash flow activity for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 is as follows:

	Six Months Ended June 30,			
	2020	**2019**	**Dollar Change**	**Percentage Change**
		($ in thousands)		
Net cash provided by operating activities	$ 224,022	$ 165,660	$ 58,362	35.2%
Net cash used in investing activities	(374,341)	(417,036)	42,695	10.2%
Net cash provided by financing activities	695,287	139,057	556,230	400.0%
Net increase (decrease) in cash and cash equivalents	$ 544,968	$ (112,319)	$ 657,287	585.2%

Operating Activities

Our cash flows from operating activities depends on numerous factors including the occupancy level of our portfolio, the rental rates achieved on our leases, the collectability of rent and recoveries from our tenants, the level of operating expenses, the impact of property acquisitions, completed development projects and related financing activities, and other general and administrative costs. Our net cash provided by operating activities increased by $58.4 million, or 35.2%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to cash rents received during the six months ended June 30, 2020 from several tenants who had free rent and beneficial occupancy periods during the six months ended June 30, 2019. See additional information under the caption “—Results of Operations.”

Investing Activities

Our cash flows from investing activities is generally used to fund development and operating property acquisitions, expenditures for development projects, and recurring and nonrecurring capital expenditures for our operating properties, net of proceeds received from dispositions of real estate assets. Our net cash used in investing activities decreased by $42.7 million or 10.2% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to lower expenditures for development properties and undeveloped land during the six months ended June 30, 2020.

Financing Activities

Our cash flows from financing activities is principally impacted by our capital raising activities, net of dividends and distributions paid to common and preferred security holders. Our net cash provided by financing activities increased by $556.2 million, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the net proceeds received upon physical settlement of our February 2020 forward equity sale agreements pursuant to which we issued 5,750,000 shares of common stock and the forward equity sale agreements entered into during the year ended December 31, 2019 under our at-the-market program pursuant to which we issued 3,147,110 shares of common stock, as well as the issuance of $350.0 million of 4.27% Senior Notes due January 31, 2031 during the six months ended June 30, 2020, partially offset by higher repayments on our unsecured revolving credit facility during the six months ended June 30, 2020.

Off-Balance Sheet Arrangements

As of June 30, 2020 and as of the date this report was filed, we did not have any off-balance sheet transactions, arrangements or obligations, including contingent obligations.

Non-GAAP Supplemental Financial Measure: Funds From Operations ("FFO")

We calculate FFO in accordance with the 2018 Restated 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. We also add back net income attributable to noncontrolling common units of the Operating Partnership because we report FFO attributable to common stockholders and common unitholders.

We believe that FFO is a useful supplemental measure of our 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 our 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, our 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, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our 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 our operating performance because 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 our properties, which are significant economic costs and could materially impact our results from operations.

The following table presents our FFO for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Net income available to common stockholders	$ 19,618	$ 42,194	$ 59,435	$ 79,097
Adjustments:				
Net income attributable to noncontrolling common units of the Operating Partnership	367	871	1,072	1,571
Net income attributable to noncontrolling interests in consolidated property partnerships	4,367	4,150	9,263	8,341
Depreciation and amortization of real estate assets	75,981	67,011	148,419	131,982
Gains on sales of depreciable real estate	—	(7,169)	—	(7,169)
Funds From Operations attributable to noncontrolling interests in consolidated property partnerships	(7,244)	(7,152)	(14,927)	(14,105)
Funds From Operations [(1)(2)]	$ 93,089	$ 99,905	$ 203,262	$ 199,717

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(1) Reported amounts are attributable to common stockholders, common unitholders and restricted stock unitholders.

(2) FFO available to common stockholders and unitholders includes amortization of deferred revenue related to tenant-funded tenant improvements of $8.0 million and $4.4 million for the three months ended June 30, 2020 and 2019, respectively, and $13.0 million and $8.2 million for the six months ended June 30, 2020 and 2019, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about our market risk is disclosed in “Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and is incorporated herein by reference. There have been no material changes for the six months ended June 30, 2020, to the information provided in “Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Kilroy Realty Corporation

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company’s reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2020, the end of the period covered by this report. Based on the foregoing, the Company’s Chief Executive Officer and Chief Financial Officer concluded, as of that time, the disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes that occurred during the period covered by this report in the Company’s internal control over financial reporting identified in connection with the evaluation referenced above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Kilroy Realty, L.P.

The Operating Partnership maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Operating Partnership’s reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer of its general partner, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of its general partner, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2020, the end of the period covered by this report. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of its general partner concluded, as of that time, the disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes that occurred during the period covered by this report in the Operating Partnership’s internal control over financial reporting identified in connection with the evaluation referenced above that have materially affected, or are reasonably likely to materially affect, the Operating Partnership’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We and our properties are subject to routine litigation incidental to our business. These matters are generally covered by insurance. As of June 30, 2020, we are not a defendant in, and our properties are not subject to, any legal proceedings that we believe, if determined adversely to us, would have a material adverse effect upon our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2019, other than as set forth below, which supplements the risk factors included in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2019.

The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders. The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, have already had a significant adverse impact on economic and market conditions around the world in the first half of 2020, including the United States and the markets in which we own properties and/or have development projects. The impact of the COVID-19 pandemic continues to evolve. All the states where we own properties and/or have development projects (i.e., California and Washington) initially reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, stay-at-home orders, density limitations, social distancing measures, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue. Although some state governments and other authorities were in varying stages of lifting or modifying some of these measures, some have already been forced to, and others may in the future, reinstitute these measures or impose new, more restrictive measures, if the risks, or the perception of the risks, related to the COVID-19 pandemic worsen at any time. Furthermore, although in certain cases, exceptions are available for essential retail, research and laboratory activities, essential building services, such as cleaning and maintenance, and certain essential construction projects, there can be no assurance that such exceptions will enable us to avoid adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders. For instance, some of the activities of our parking, retail space, co-working tenants and residential tenants are not covered by the exceptions listed above, and we have seen weakness and a material reduction in rent collections from these tenants that may continue for an indeterminate period pending a cessation of the adverse impacts from the COVID-19 pandemic, and restrictions intended to prevent its spread. In addition, there can be no assurance as to how long restrictions intended to prevent the spread of COVID-19 may remain in place in the states and cities where we own properties, and even if such restrictions are lifted, they may be reinstituted at a later date. If such restrictions remain in place for an extended period of time, we may experience further reductions in rents from our tenants.

Across all property types, as of June 30, 2020, we collected approximately 95% of our total gross rent billings for the three months ended June 30, 2020, including 100% from all of our top 15 tenants and as of the date of this report, we have collected 95% of our total gross rent billings for July 2020, including 100% from all of our top 15 tenants. Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent, as well as working with certain tenants who have requested rent deferrals (particularly those occupying retail space), we can provide no assurance that such efforts or our efforts in future periods will be successful. In addition, we are and will continue to be actively engaged in discussions with certain tenants regarding the adverse impacts of the COVID-19 pandemic, and restrictions intended to prevent its spread, and may afford certain additional accommodations.

In addition, we may be required to continue to comply with "social distancing" at our properties and development projects and we may be subject to certain conditions, including requiring contractors to develop COVID-19 control, mitigation, and recovery plans and satisfy certain requirements before work can continue or commence, which may increase costs, perhaps substantially. We expect to comply with any state or local requirements. Our development projects could in the future be affected by moratoriums on construction. To the extent any city issues a moratorium, we may be subject to such a moratorium unless the applicable state or city grants an exclusion for these projects because certain of our development projects may qualify as essential construction projects.

The ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, could have significant adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders in a variety of ways that are difficult to predict. Such adverse impacts could depend on, among other factors:

- the financial condition of our tenants - many of which are in the technology, media, healthcare, life sciences, entertainment and professional services industries - and their ability or willingness to pay rent in full on a timely basis;
- state, local, federal and industry-initiated efforts that may adversely affect landlords, including us, and their ability to collect rent and/or enforce remedies for the failure to pay rent;
- our need to defer or forgive rent and restructure leases with our tenants and our ability to do so on favorable terms or at all;
- significant job losses in the industries of our tenants, which may decrease demand for our office and retail space, causing market rental rates and property values to be negatively impacted;
- our ability to stabilize our development projects, renew leases or re-lease available space in our proprieties on favorable terms or at all, including as a result of a general decrease in demand for our office and retail space, deterioration in the economic and market conditions in the markets in which we own properties or due to restrictions intended to prevent the spread of COVID-19 that frustrate our leasing activities;
- a severe and prolonged disruption and instability in the global financial markets, including the debt and equity capital markets, all of which have already experienced and may continue to experience significant volatility, or deteriorations in credit and financing conditions, may affect our or our tenants' ability to access capital necessary to fund our respective business operations or replace or renew maturing liabilities on a timely basis, on attractive terms or at all and may adversely affect the valuation of financial assets and liabilities, any of which could affect our and our tenants' ability to meet liquidity and capital expenditure requirements;
- a refusal or failure of one or more lenders under our revolving credit facility to fund their respective financing commitments to us may affect our ability to access capital necessary to fund our business operations and to meet our liquidity and capital expenditure requirements;
- the ability of potential buyers of properties identified for potential future capital recycling transactions to obtain debt financing, which has been and may continue to be constrained for some potential buyers;
- a reduction in the values of our properties that could result in impairments or limit our ability to dispose of them at attractive prices or obtain debt financing secured by our properties;
- complete or partial shutdowns of one or more of our tenants' manufacturing facilities or distribution centers, temporary or long-term disruptions in our tenants' supply chains from local, national and international suppliers or delays in the delivery of products, services or other materials necessary for our tenants' operations, which could force our tenants to reduce, delay or eliminate offerings of their products and services, reduce or eliminate their revenues and liquidity and/or result in their bankruptcy or insolvency;
- our ability to avoid delays or cost increases associated with building materials or construction services necessary for construction that could adversely impact our ability to continue or complete construction as planned, on budget or at all;
- our and our tenants' ability to manage our respective businesses to the extent our and their management or personnel are impacted in significant numbers by the COVID-19 pandemic and are not willing, available or allowed to conduct work; and
- our and our tenants' ability to ensure business continuity in the event our continuity of operations plan is not effective or improperly implemented or deployed during the COVID-19 pandemic.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic or restrictions intended to prevent its spread. Nevertheless, the ongoing COVID-19 pandemic, and restrictions intended to prevent its spread, and the current financial, economic and capital markets environment and future developments in these and other areas present material risks and uncertainties with respect to our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders and could also have a material adverse effect on the market value of our securities. Moreover, to the extent any of these risks and uncertainties adversely impact us in the ways described above or otherwise, they may also have the effect of heightening many of the other risks set forth in this "Risk Factors" section and beginning on page 15 of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent Sales of Unregistered Securities: None.

(b) Use of Proceeds from Registered Securities: None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers:

The table below reflects our purchases of common stock during each of the three months in the three-month period ended June 30, 2020.

Period	Total Number of Shares of Stock Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) that May Yet be Purchased Under the Plans or Programs
April 1. 2020 - April 30, 2020	2,871	$ 61.86	—	—
May 1, 2020 - May 31, 2020	—	—	—	—
June 1, 2020 - June 30, 2020	8,797	63.34	—	—
Total	11,668	$ 62.97	—	—

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(1) Includes shares of common stock remitted to the Company to satisfy tax withholding obligations in connection with the distribution of, or the vesting and distribution of, restricted stock units or restricted stock in shares of common stock. The value of such shares of common stock remitted to the Company was based on the closing price of the Company's common stock on the applicable withholding date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.(i)1	Kilroy Realty Corporation Articles of Amendment and Restatement (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 21, 2020)
3.(i)2	Certificate of Limited Partnership of Kilroy Realty, L.P. (previously filed by Kilroy Realty, L.P., as an exhibit to the General Form for Registration of Securities on Form 10 as filed with the Securities and Exchange Commission on August 18, 2010)
3.(i)3	Amendment to the Certificate of Limited Partnership of Kilroy Realty, L.P. (previously filed by Kilroy Realty, L.P., as an exhibit to the General Form for Registration of Securities on Form 10 as filed with the Securities and Exchange Commission on August 18, 2010)
3.(i)4	Articles Supplementary reclassifying shares of the Series G Preferred Stock of the Company (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 23, 2017)
3.(i)5	Articles Supplementary reclassifying shares of the Series H Preferred Stock of the Company (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 23, 2017)
3.(ii)1	Fifth Amended and Restated Bylaws of Kilroy Realty Corporation (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on February 1, 2017)
3.(ii)2	Seventh Amended and Restated Agreement of Limited Partnership of Kilroy Realty, L.P. dated as of August 15, 2012, as amended (previously filed by Kilroy Realty Corporation on Form 10-Q for the quarter ended June 30, 2014)
10.1†*	Separation Agreement by and between Kilroy Realty Corporation, Kilroy Realty, L.P. and Jeffrey C. Hawken dated as of July 2, 2020
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty Corporation
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty Corporation
31.3*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty, L.P.
31.4*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty, L.P.
32.1*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty Corporation
32.2*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty Corporation
32.3*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty, L.P.
32.4*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty, L.P.
101.1	The following Kilroy Realty Corporation and Kilroy Realty, L.P. financial information for the quarter ended June 30, 2020, formatted in inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Equity (unaudited), (iv) Consolidated Statements of Capital (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to the Consolidated Financial Statements (unaudited).(1)
104.1*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

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* Filed herewith.

† Management contract or compensatory plan or arrangement.

(1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on July 30, 2020.

KILROY REALTY CORPORATION

By: */s/ John Kilroy*

John Kilroy
President and Chief Executive Officer
(Principal Executive Officer)

By: */s/ Tyler H. Rose*

Tyler H. Rose
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: */s/ Merryl E. Werber*

Merryl E. Werber
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on July 30, 2020.

KILROY REALTY, L.P.

BY: KILROY REALTY CORPORATION
Its general partner

By: */s/ John Kilroy*
John Kilroy
President and Chief Executive Officer
(Principal Executive Officer)

By: */s/ Tyler H. Rose*
Tyler H. Rose
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: */s/ Merryl E. Werber*
Merryl E. Werber
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

SEPARATION AGREEMENT

This Separation Agreement ("Agreement") is entered into on this 2nd day of July, 2020 by and between, on the one hand, Jeffrey C. Hawken ("Mr. Hawken") and, on the other hand, Kilroy Realty Corporation, a Maryland corporation ("Company"), and Kilroy Realty, L.P., a Delaware limited partnership ("Operating Partnership", and Company and Operating Partnership referred to collectively as "KRC"). KRC and Mr. Hawken may be referred to herein jointly as "the Parties" or individually as "the Party."

RECITALS

WHEREAS, Mr. Hawken has been employed by KRC as Executive Vice President, Chief Operating Officer and Assistant Secretary and President and COO of Kilroy Realty Finance, Inc.;

WHEREAS, Mr. Hawken has been employed pursuant to that certain Employment Agreement for Jeffrey C. Hawken (as amended and restated as of December 31, 2015, and as mutually extended by the Parties until March 1, 2021) (the "Employment Agreement");

WHEREAS, the Parties have agreed that Mr. Hawken's employment with KRC will terminate on July 13, 2020 (the "Separation Date") on the terms and conditions set forth in this Agreement;

WHEREAS, Mr. Hawken is also a party to that certain Non-Competition, Non-Solicitation and Non-Disclosure Agreement with KRC dated as of December 31, 2015 (the "Confidentiality Agreement") and that certain Indemnification Agreement with KRC dated as of January 4, 2010 (the "Indemnification Agreement"); and

WHEREAS, KRC and Mr. Hawken understand and acknowledge that each of them is waiving legal rights or claims by signing the Agreement, and that each of them voluntarily enters into the Agreement with a complete understanding of its terms and with the intent to be bound thereby;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, KRC and Mr. Hawken agree as follows:

1 SEPARATION FROM EMPLOYMENT

1.1 Mr. Hawken acknowledges and agrees that he has continuing obligations under the Employment Agreement to fulfill his duties and responsibilities while employed by KRC through the Separation Date, including cooperating with and supporting an orderly transition of his duties and projects.

1.2 On the Separation Date, Mr. Hawken shall cease to be an employee of KRC. Mr. Hawken hereby irrevocably resigns as an officer, director, manager and in each and every other capacity with each of Company and Operating Partnership, and with each of their respective Affiliates (as such term is defined below), effective as of the Separation Date. KRC accepts such resignations. KRC shall continue to pay Mr. Hawken's regular salary, and provide him with his regular benefits, through and until the Separation Date. For clarity, Mr. Hawken acknowledges and agrees that he is not entitled to any additional equity awards, bonus or other forms of incentive compensation. Mr. Hawken agrees that the Separation Date shall constitute the date of Mr. Hawken's "separation from service" from KRC (within the meaning of Internal Revenue Code Section 409A and the guidance promulgated thereunder). Mr. Hawken has no further rights pursuant to the Employment Agreement (except as expressly set forth herein); provided, however, that should Mr. Hawken's employment terminate as a result of a termination for Cause (as defined in the Employment Agreement) or a voluntary termination without Good Reason (as defined in the Employment Agreement) by Mr. Hawken prior to the Separation Date, the applicable termination provisions of the Employment Agreement shall control and this Separation Agreement shall be null and void. In the event of Mr. Hawken's death or Disability or termination without Cause prior to the Separation Date, Mr. Hawken (or his estate, if applicable) shall receive the payments hereunder as if he had terminated employment on the Separation Date. As used in this Agreement: (i) the term "Affiliate" means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Company or Operating Partnership (or Company and Operating Partnership together); (ii) the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a person; and (iii) the term "person" shall be construed broadly and includes, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

1.3 Except as expressly authorized by KRC in writing, on and after the Separation Date, Mr. Hawken shall not represent or act, directly or indirectly, for or on behalf of, or otherwise as an agent of, KRC or any one of the KRC Released Parties (as such term is defined below).

1.4 On the Separation Date, KRC shall deliver to Mr. Hawken a final paycheck consisting of his accrued and unpaid salary and his accrued but unused vacation and any unused floating holiday hours based on Mr. Hawken's current regular base salary rate. The Parties agree that Mr. Hawken's accrued but unused vacation time as of the date of this Agreement is approximately 1,048.2 hours and there are no unused floating holiday hours as of the date of this Agreement.

1.5 KRC will maintain Mr. Hawken's personnel file and any financial information that Mr. Hawken provided to KRC in a confidential manner. Mr. Hawken's personnel and payroll records shall reflect that he was involuntarily separated from employment due to business reasons. Mr. Hawken shall direct prospective employers to the Human Resources Department which will respond to any request for a reference by providing dates of employment and last held position, unless written authorization is provided by Mr. Hawken to disclose his most recent regular base salary.

1.6 Except as expressly provided for in this Section 1 (or in Section 2 provided the applicable conditions therein are satisfied): (i) Mr. Hawken acknowledges and agrees that all obligations of KRC to pay salary, benefits, discretionary bonus, vacation and floating holiday pay, cash bonus and equity or other awards, deferred compensation, auto allowance, separation pay, incentive pay, 401(k) contributions (including the KRC matching contribution) or any other employee benefits, or any other compensation or remuneration of any kind in connection with Mr. Hawken's employment with KRC, or in connection with the notice of termination of employment and termination of his employment and his separation therefrom, shall cease as of the Separation Date; and (ii) that no compensation, benefits, or other payments or remuneration shall be due or owing to Mr. Hawken from KRC or any of the KRC Released Parties (under the Employment Agreement or otherwise), in connection with Mr. Hawken's service as an officer or employee, in connection with the termination of Mr. Hawken's service, or otherwise, on or after the date of this Agreement. Nothing stated herein shall amend any benefit plans in which Mr. Hawken is a participant that are subject to the Employee Retirement Income Security Act of 1974, as amended.

1.7 Without limiting the generality of Section 1.6, the employee benefits provided for in Section 5(b) of the Employment Agreement shall terminate as of the Separation Date. KRC shall reimburse Mr. Hawken in the ordinary course for any expenses incurred by Mr. Hawken prior to the Separation Date that are reimbursable pursuant to Section 5(b)(ii) or Section 5(b)(iii) of the Employment Agreement and have not theretofore been reimbursed. In addition, KRC shall reimburse Mr. Hawken in the ordinary course for any reasonable business expenses and disbursements incurred by Mr. Hawken prior to the Separation Date in connection with his duties for KRC, to the extent such expenses have not previously been reimbursed, subject to and in accordance with KRC's general expense reimbursement policies. Mr. Hawken agrees that he will submit customary documentation of such expenses to KRC promptly after the Separation Date (or earlier). Mr. Hawken represents that he has not and will not incur any such expenses (to the extent not previously reimbursed) other than in the ordinary course and consistent with past practice.

1.8 Mr. Hawken's accrued and vested benefit under the Kilroy Realty Corporation 401(k) (the "401(k) Plan") will be paid in accordance with the terms of that plan. Mr. Hawken also has a fully vested account balance under the Kilroy Realty Corporation 2007 Deferred Compensation Plan, as amended (the "Deferred Compensation Plan"). Mr. Hawken's Deferred Compensation Plan benefit will be paid to Mr. Hawken in one lump sum on or as soon as practicable after the earlier of the date that is six months and one day after the Separation Date or the date of Mr. Hawken's death, after taking into account the notional earnings or losses occurring prior to the date of payment. In the event of any inconsistency or ambiguity between this payment provision and the payment provisions of the 401(k) Plan or the Deferred Compensation Plan, the 401(k) Plan or the Deferred Compensation Plan, as applicable, shall control.

1.9 Beginning with coverage the month following the month in which the Separation Date occurs, Mr. Hawken will have the option to convert and continue coverage for himself and his eligible dependents under KRC's group health and dental insurance plans, as may be required by law under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") or Cal-COBRA, as applicable. Mr. Hawken acknowledges that he must make a timely election to continue such coverage under COBRA or Cal-COBRA and that he shall (except as provided in Section 2.4 below) be exclusively responsible to pay the full costs of the premiums and administrative charges required by COBRA or Cal-COBRA, as applicable.

1.10 From time to time Company has previously awarded Mr. Hawken Company restricted stock units (any such restricted stock units that have been subject to only time- and service-based vesting requirements are referred to as "RSUs" and any such restricted stock units that have also been subject to performance-based vesting requirements are referred to as "PSUs") pursuant to certain written restricted stock unit award agreements from Company (each, an "Award Agreement"). As of the Separation Date, Mr. Hawken will have approximately 328,423.048409 RSUs which are outstanding, have vested, but as to which the payment has been deferred in accordance with the terms of the award ("Vested Deferred RSUs"), 50,637.8303 PSUs which are outstanding, have vested, but as to which the payment has been deferred in accordance with the terms of the award ("Vested Deferred PSUs"), 30,245.060323 RSUs which are outstanding but have not vested ("Unvested RSUs"), and PSUs which are outstanding but have not vested ("Unvested PSUs"). The Unvested PSUs consist of approximately the following: a target of 19,664.7670 PSUs awarded to Mr. Hawken on February 14, 2018 (the "2018 Annual PSUs"), a target of 16,768.4148 PSUs awarded to Mr. Hawken on December 27, 2018 (the "December 2018 PSUs"), a target of 18,234.4220 PSUs awarded to Mr. Hawken on February 1, 2019 (the "2019 Annual PSUs"), and a target of 12,356.8544 PSUs awarded to Mr. Hawken on January 31, 2020 (the "2020 Annual PSUs"). (Unit amounts set forth in the preceding two sentences include dividend equivalents credited in accordance with the terms of the awards through the date of this Agreement.) The Vested Deferred RSUs and the Vested Deferred PSUs (together with any additional dividend equivalents thereon credited pursuant to the applicable award terms after the date hereof through the applicable payment date) will be paid in accordance with the terms of the applicable Award Agreements on (or within sixty (60) days following) the earlier of the date that is six (6) months and one (1) day after the Separation Date or the date of Mr. Hawken's death. The 2020 Annual PSUs shall terminate and be cancelled in their entirety as of the Separation Date and Mr. Hawken shall have no right with respect thereto or in respect thereof. Mr. Hawken agrees that he has no equity interest, no derivative equity interest, and no equity awards with respect to interests in, the Operating Partnership.

1.11 Any shares of Company common stock to be delivered to Mr. Hawken with respect to the vesting of an RSU or PSU as contemplated by this Agreement shall be distributed to an account established at Shareworks by Morgan Stanley in Mr. Hawken's name (the "Shareworks Account"). Mr. Hawken acknowledges and agrees that he will promptly transfer any shares of Company common stock and any cash amounts in the Shareworks Account to his personal brokerage and/or bank account as soon as possible, and promptly after any additional amounts are credited to such account in the future and, following the last payment to be made pursuant to this Agreement with respect to the RSUs and PSUs, KRC will remove Mr. Hawken's access to the Shareworks Account on the date that is nine months after the Separation Date. Furthermore, in accordance with KRC's Insider Trading Compliance Policy, Mr. Hawken hereby acknowledges and agrees not to buy, sell or otherwise trade in any KRC securities while in possession of any material non-public information about KRC. Any fractional RSU or PSU interests will be settled in cash.

1.12 KRC will not dispute a claim for unemployment benefits should one be filed by Mr. Hawken, though Mr. Hawken acknowledges that it is the Employment Development Department of the State of California and not KRC which determines eligibility for such benefits.

1.13 On or prior to the Separation Date, Mr. Hawken shall coordinate with KRC Human Resources for the return of the following: (i) all KRC property, including all tangible or intangible property, such as equipment, software, information, office, parking and/or elevator access keys, books and data, that he was provided during his employment; (ii) all Confidential Information (as that term is defined in the Confidentiality Agreement) in his possession; and (iii) a complete list of all computer and website log-in passwords that he used for KRC work purposes (each and collectively, "KRC Property"). Mr. Hawken represents and warrants that he has not and will not retain any KRC Property of any type or in any form, whether created, generated, stored or transmitted in any electronic or other format, or in any other media, on any electronic device, such as but not limited to his personal laptop, thumb drives or other electronic devices or computers to which he has access. As a limited and narrow exception hereto, Mr. Hawken may retain any personnel or payroll records to which he is legally entitled and any contacts, calendars and personal correspondence.

1.14 Each of the Confidentiality Agreement and the Indemnification Agreement remains in full force and effect through the Separation Date and, thereafter, in accordance with its terms. Mr. Hawken acknowledges, represents and warrants that he has complied in all material respects with his obligations under the Confidentiality Agreement. Mr. Hawken shall continue to be covered under the applicable KRC directors' and officers' liability insurance pursuant to any applicable tail coverage.

2 MR. HAWKEN'S TERMINATION PAYMENTS AND BENEFITS IN EXCHANGE FOR A FULL AND FINAL RELEASE OF CLAIMS

In consideration for the covenants, promises and obligations set forth herein, the Release (as such term is defined below), and the other covenants and promises of Mr. Hawken set forth in this Agreement, and subject to the condition precedent that Mr. Hawken satisfy the Release Requirement (as such term is defined below), KRC shall make the following payments and provide the following benefits to Mr. Hawken (collectively, the "Section 2 Payments and Benefits"), which payments or benefits KRC would not otherwise be obligated to make or provide to Mr. Hawken. For clarity, KRC shall not be obligated to pay or provide, as the case may be, any of the Section 2 Payments and Benefits if the Release Condition is not satisfied. For purposes of this Agreement, the "Release Condition" means that (i) on or within twenty one (21) days after the Separation Date Mr. Hawken shall have delivered to KRC a release, in the form attached hereto as Exhibit A, executed by Mr. Hawken ("Release"), and (ii) Mr. Hawken shall not revoke the Release (or any portion thereof) pursuant to any revocation right afforded by applicable law. Such Release shall be null and void if the Company and the Operating Partnership do not execute it after Mr. Hawken has executed it; provided that, for clarity, in those circumstances Mr. Hawken shall still be entitled to the Section 2 Payments and Benefits so long as he satisfied the Release Condition.

2.1 KRC shall pay to Mr. Hawken a single severance payment in cash in an aggregate amount equal to Fourteen Million Fifty Thousand Five Hundred Forty Dollars ($14,050,540.00), with such payment to be made on or within ten (10) days following the earlier of the date that is six (6) months and one (1) day after the Separation Date or the date of Mr. Hawken’s death.

2.2 The Unvested RSUs shall be considered to have vested immediately prior to the Separation Date and shall be paid (together with any additional dividend equivalents credited thereon in accordance with the terms of the applicable Award Agreements after the date hereof through the applicable payment date) to Mr. Hawken in accordance with the applicable Award Agreements on or within ten (10) days following the earlier of the date that is six (6) months and one (1) day after the Separation Date or the date of Mr. Hawken’s death.

2.3 The time- and service-based vesting requirements applicable to the Unvested PSUs shall (other than as to the 2020 Annual PSUs) be considered to have been satisfied immediately prior to the Separation Date. The Unvested PSUs (other than the 2020 Annual PSUs) shall be payable as follows: (i) with respect to the December 2018 PSUs, a total of 33,536.8296 PSUs (including dividend equivalents credited in accordance with the terms of the award through the date of this Agreement and after giving effect to the performance measures applicable to the award) shall be considered to have vested immediately prior to the Separation Date and shall (together with any additional dividend equivalents credited thereon in accordance with the terms of the applicable Award Agreement after the date hereof through the applicable payment date) be paid to Mr. Hawken on or within sixty (60) days following the Separation Date; (ii) with respect to the 2018 Annual PSUs, a total of 29,497.1505 PSUs (including dividend equivalents credited in accordance with the terms of the award through the date of this Agreement and after giving effect to the funds from operations per share performance metric applicable to the award, but before giving effect to the other performance metrics applicable to the award) are currently outstanding, such number of units shall be adjusted in accordance with the applicable Award Agreement for the other performance metrics applicable to the award, and such adjusted number of units (together with any additional dividend equivalents credited thereon in accordance with the terms of the applicable Award Agreement after the date hereof through the applicable payment date) shall be paid to Mr. Hawken on or within sixty (60) days following the Separation Date; and (iii) with respect to the 2019 Annual PSUs, a total of 27,351.633 PSUs (including dividend equivalents credited in accordance with the terms of the award through the date of this Agreement and after giving effect to the funds from operations per share performance metric applicable to the award, but before giving effect to the other performance metrics applicable to the award) are currently outstanding, such number of units shall be adjusted in accordance with the applicable Award Agreement for the other performance metrics applicable to the award, and such adjusted number of units (together with any additional dividend equivalents credited thereon in accordance with the terms of the applicable Award Agreement after the date hereof through the applicable payment date) shall be paid to Mr. Hawken on or within sixty (60) days following the Separation Date.

2.4 KRC will pay or reimburse Mr. Hawken for his premiums charged to continue medical coverage pursuant to COBRA (or Cal-COBRA, as the case may be), at the same or reasonably equivalent medical coverage for Mr. Hawken (and, if applicable, his eligible dependents as in effect immediately prior to the Separation Date, to the extent that Mr. Hawken timely elects such continued coverage; provided that KRC's obligation to make any payment or reimbursement pursuant to this paragraph shall commence with continuation coverage for the month following the month in which the Separation Date occurs and shall cease with continuation coverage for the thirty-sixth (36th) month following the month in which the Separation Date occurs (or, if earlier, shall cease upon the first to occur of the date Mr. Hawken becomes eligible for coverage under the health plan of a future employer or the date KRC ceases to offer group medical coverage to its active executive employees).

2.5 As a limited and narrow exception to Section 1.13, Mr. Hawken may retain any iPhone, iPad and/or computer provided to him by KRC on the additional condition precedent that, prior to retaining the equipment, Mr. Hawken shall provide KRC's information technology department such equipment so that they may permanently wipe the memory and any storage devices of such equipment. Mr. Hawken shall also coordinate, to the extent he wants to retain any such information and before any such memory and storage is so wiped, with KRC's human resources and information technology departments in identifying any personal data or contact information for his retention and in connection with transferring any such personal data or contact information that he wishes to retain to another personal device.

2.6 The Company shall reimburse Mr. Hawken for his reasonable legal fees incurred in connection with the negotiation of this Agreement in an amount not to exceed $10,000.

3 NO REPRESENTATIONS AS TO TAXABILITY OF ANY PAYMENTS

All payments and benefits contemplated by this Agreement (including, without limitation, the Section 2 Payments and Benefits) are subject to applicable withholdings and deductions. KRC has not made, and does not make, any representations as to the taxability of any of the Section 2 Payments and Benefits, or any other payments or benefits contemplated by this Agreement, or any portion thereof, under state, local or federal law. KRC may reflect any payments to Mr. Hawken on a Form W-2 or as required by law. Mr. Hawken expressly acknowledges that in entering into this Agreement, no representations regarding taxability of the Section 2 Payments and Benefits or any other payments and benefits have been made to him. Mr. Hawken shall be solely responsible for any and all tax liability with respect to the Section 2 Payments and Benefits and such other payments and benefits, except as to any amounts of tax withholding that KRC may actually withhold therefrom pursuant to applicable laws, rules and regulations.

4 REMEDY FOR BREACH OF AGREEMENT

4.1 Without limiting any and all available rights or remedies as decided by the arbitrator, at law or in equity, all of which shall be available and are not waived, the Parties agree that any breach of the terms of this Agreement, the Release, or the Confidentiality Agreement would result in irreparable injury and damage to either one of them, for which there is no adequate remedy at law. The Parties agree that the aggrieved Party (including the respective KRC Released Parties as set forth in the Release in the event of a breach of the Release) shall be entitled to obtain a temporary restraining order and/or a preliminary injunction or permanent injunction, without the need to post a bond, for the purpose of restraining the other Party from engaging in prohibited activities or providing for such other relief as may be required to specifically enforce the terms of this Agreement, the Release, or the Confidentiality Agreement.

4.2 Resort to any remedy provided for in this Agreement, the Release, or the Confidentiality Agreement will not prevent concurrent or subsequent award of other appropriate remedies or preclude a recovery of monetary damages and other compensation or restitution.

4.3 The Parties agree that any action, dispute, controversy or claim (collectively, "Dispute") arising out of or in any way relating to this Agreement or the Release, or to the breach or threatened breach of this Agreement or the Release, or to the breach or threatened breach of the Confidentiality Agreement, or to any other matters between the Parties including without limitation Mr. Hawken's employment with KRC and the termination thereof, shall be resolved to the fullest extent provided by law by final and binding arbitration administered by JAMS before a single neutral arbitrator. The arbitration will be conducted pursuant to the Employment Arbitration Rules & Procedures and subject to the JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. The rules may be accessed at: https://www.jamsadr.com/rules-employment-arbitration/english. Under these rules, the Parties acknowledge and agree that: (a) a Party may file any claim in arbitration that could have been brought or filed in any court of law or in equity; (b) the prevailing Party shall recover any and all damages and all other relief that would otherwise be available at law or in equity; (c) each Party is entitled to discovery sufficient to adequately arbitrate the Dispute, including access to essential documents and witnesses; (d) KRC shall pay the entire cost of the arbitrator and the arbitration forum costs; (e) the arbitrator shall issue a written decision stating the essential findings and conclusions on which the arbitration award is based, and sufficient to allow for judicial review to the fullest extent permitted by law including for legal error; and (f) except as required for judicial review or in response to court order, any and all proceedings shall be maintained in the strictest confidence by the Parties and their representatives, the arbitrator and any other participants in the arbitration proceedings. Each of the Parties hereby consents to the jurisdiction of the arbitrator, the authority of the arbitrator to award the relief provided for herein, and to JAMS to administer the arbitration, and to submit to said jurisdiction. Accordingly, each Party voluntarily, knowingly and intentionally waives the Party's right to a jury trial, and agrees to submit any Dispute to arbitration under the terms and conditions provided for herein. The venue of the arbitration shall be in the County of Los Angeles, specifically, at the JAMS offices located at 1925 Century Park E, 14th Floor, Los Angeles, CA 90067, unless the Parties mutually agree in a writing executed by both Parties to a different venue. The Parties agree that this Section 4.3 duly amends, in relevant part, Section 7 of the Confidentiality Agreement and Section 12 of the Employment Agreement, and particularly without limitation Section 12(c) of the Employment Agreement, as Mr. Hawken has agreed to arbitration as the sole remedy, except injunctive relief as stated above, for the resolution of any dispute. The Parties agree that this Arbitration Agreement shall be governed by California Civil Procedure Code section 1280 *et seq.* and the Federal Arbitration Act ("FAA"), 9 U.S.C. section 1, *et. seq.*, except when there is a conflict between the two the FAA will control. Notwithstanding anything herein to the contrary (but, as to the Section 2 Payments and Benefits, only if the Release Condition has been satisfied), KRC shall pay Mr. Hawken compensation due and owing under this Agreement during the pendency of any dispute or controversy arising under or in consideration of this Agreement, the Release or the Confidentiality Agreement.

5 INTEGRATED AGREEMENT

This Agreement, together with the Release attached hereto, the Confidentiality Agreement, and the Indemnification Agreement (the "Integrated Agreement"), constitutes an integrated written contract expressing the entire agreement between KRC and Mr. Hawken as to its and their subject matter. The Integrated Agreement supersedes all prior or contemporaneous agreements of the parties hereto and that directly or indirectly bear upon the subject matter hereof or thereof. Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter of the Integrated Agreement, or any portion of the Integrated Agreement, shall be deemed to have been merged into the Integrated Agreement, and to the extent inconsistent therewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter of the Integrated Agreement except as expressly set forth in the Integrated Agreement.

6 SEVERABILITY

It is the desire and intent of the parties hereto that the provisions of this Agreement and of the Release be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement or of the Release shall be adjudicated by a court of competent jurisdiction or an arbitrator, as the case may be, to be invalid, prohibited or unenforceable under any present or future law, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement and of the Release or affecting the validity or enforceability of such provision in any other jurisdiction, and to this end, each of the provisions of this Agreement as well as each of the provisions of the Release is declared to be severable; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Agreement and the Release, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement and the Release or affecting the validity or enforceability of such provision in any other jurisdiction.

7 AMENDMENTS AND WAIVER

This Agreement and the Release may not be modified or amended, in whole or in part, except in a formal, definitive written agreement expressly referring to this Agreement or the Release, as the case may be, which agreement is signed by an authorized officer of KRC and by Mr. Hawken. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement or under the Release shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be binding unless in writing and signed by the party asserted to have granted such waiver.

8 GOVERNING LAW

Construction and interpretation of this Agreement and of the Release shall at all times and in all respects be governed by the laws of the State of California, without regard to the rules or principles of conflicts or choice of law that might look to any jurisdiction outside of California.

9 MISCELLANEOUS TERMS

9.1 Each of the Parties has received, or has been given the opportunity to receive, prior independent legal advice from legal counsel and tax advisors of their choice with respect to the advisability of entering into this Agreement (and, as to Mr. Hawken, with respect to the advisability of entering into the Release), and the taxability of any payments set forth herein, and therefore no ambiguity of this Agreement or of the Release shall be resolved against any Party by virtue of having participated in the drafting of this Agreement or of the Release.

9.2 Each of the Parties represents that each has read this Agreement and the Release carefully, knows and understands its contents, and has investigated the facts pertaining to this Agreement and the Release to the extent that each deems necessary or desirable.

9.3 The section headings and titles contained in this Agreement and in the Release are inserted for convenience only, and they neither form a part of this Agreement or the Release, nor are they to be used in the construction or interpretation of this Agreement or the Release. In this Agreement and in the Release, where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders and the neutral. In this Agreement and in the Release, where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates.

9.4 This Agreement and the Release are personal to Mr. Hawken and shall not be assignable by Mr. Hawken except by operation of law. This Agreement and the Release shall inure to the benefit of and be binding upon Company, the Operating Partnership, and each of its and their respective successors and assigns and any such successor or assignee shall be deemed substituted for Company or Operating Partnership, as the case may be, under the terms of this Agreement and the Release for all purposes. As used herein, “successor” and “assignee” shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires ownership of Company or Operating Partnership, as the case may be, or to which Company or the Operating Partnership assigns this Agreement or the Release, as the case may be, by operation of law or otherwise.

9.5 Except as otherwise provided herein, KRC and Mr. Hawken shall each bear their own attorneys' fees, costs, and expenses incurred with respect to the drafting, negotiation or execution of this Agreement and the Release.

9.6 The Parties consent and agree that this Agreement and the Release may be signed using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the Party so signing as a paper copy bearing such party's hand-written signature. The Parties further consent and agree that (1) to the extent a party signs this Agreement or the Release using electronic signature technology, by clicking "sign", such Party is signing this Agreement or the Release, as the case may be, electronically, and (2) the electronic signatures appearing on this Agreement and the Release shall be treated, for purposes of validity, enforceability and admissibility, the same as hand-written signatures.

9.7 Nothing in this Agreement, the Confidentiality Agreement or the Release prohibits Mr. Hawken from reporting possible violations of federal, state or local law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or from making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. Mr. Hawken does not need the prior authorization or approval of any officer or employee of KRC to make any such reports or disclosures and he is not required to notify KRC that he has made such reports or disclosures. Further, nothing in this Agreement, the Confidentiality Agreement or the Release prohibits or restricts Mr. Hawken's ability to share confidential information regarding possible violations of the law with any federal, state or local government agency, and to accept monetary awards for providing information about violations of the law to any such agency (sometimes referred to as whistleblower awards or informant awards) under any whistleblower law, rule or program. Further, the Parties represent and agree that this Agreement, the Confidentiality Agreement and the Release are intended to fully comply with the Defend Trade Secrets Act of 2016. Accordingly, Mr. Hawken acknowledges and understands the following:

(a) An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(b) Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

[*Signatures Follow on the Next Page*]

IN WITNESS WHEREOF, this Agreement has been duly executed by KRC and Mr. Hawken on the date of this Agreement first set forth above.

/s/ Jeffrey C. Hawken
JEFFREY C. HAWKEN

KILROY REALTY CORPORATION
a Maryland Corporation

By: */s/ Tyler H. Rose*
Name: Tyler H. Rose
Title: Executive Vice President and Chief Financial Officer

By: */s/ Heidi R. Roth*
Name: Heidi R. Roth
Title: Executive Vice President, Chief Administrative Officer

KILROY REALTY, L.P.,
a Delaware limited partership

By: KILROY REALTY CORPORATION,
a Maryland Corporation,
Its: General Partner

By: */s/ Tyler H. Rose*
Name: Tyler H. Rose
Title: Executive Vice President and Chief Financial Officer

By: */s/ Heidi R. Roth*
Name: Heidi R. Roth
Title: Executive Vice President, Chief Administrative Officer

Exhibit A

RELEASE

1 GENERAL RELEASE OF CLAIMS

1.1 Jeffrey C. Hawken ("Mr. Hawken") enters into this Release on ________________, 2020 (the "Effective Date") and delivers it to KRC (as defined below) in consideration of the Section 2 Payments and Benefits provided for in that certain Separation Agreement by and between, on the one hand, Mr. Hawken and, on the other hand, Kilroy Realty Corporation, a Maryland corporation ("Company"), and Kilroy Realty, L.P., a Delaware limited partnership ("Operating Partnership", and Company and Operating Partnership referred to collectively as, "KRC") dated on or about July 2, 2020 (the "Separation Agreement"). Capitalized terms used in this Release that are not otherwise defined herein are used as defined in the Separation Agreement.

1.2 Mr. Hawken for himself and on behalf of his spouse and child or children (if any), heirs, beneficiaries, devisees, executors, administrators, attorneys, personal representatives, successors and assigns (together, the "Hawken Releasing Parties"), shall and does hereby and forever fully, finally and forever generally remise, release, waive and discharge Company, Operating Partnership, the KRC Released Parties (as such term is defined below), and each of them, from any and all known or unknown, suspected or unsuspected, whether or not concealed or hidden, claims, rights, actions and causes of action, at law or in equity, including but not limited to the Released Claims (as such term is defined below), which Mr. Hawken or any of the Hawken Releasing Parties ever had or held, now has or holds, or hereafter can, shall, or may have or hold against KRC, the KRC Released Parties, or any one of them, based on any occurrences, transactions, events, acts, or omissions related to Mr. Hawken's employment with the Company, the Operating Partnership, or their respective Affiliates or subsidiaries, or Mr. Hawken's separation from employment from the Company, the Operating Partnership, or their respective Affiliates or subsidiaries from the beginning of the World through the Effective Date. Mr. Hawken acknowledges and agrees that he has received any and all leave and other benefits that he has been and is entitled to pursuant to the Family and Medical Leave Act of 1993.

1.3 Notwithstanding anything else stated herein to the contrary, the foregoing release of claims shall not apply to any of the following: (i) KRC's obligations under the Separation Agreement (including as to the payment of the compensation and benefits provided for therein); (ii) rights to indemnification Mr. Hawken may have under the Indemnification Agreement or under the articles, bylaws or other governing documents of Company or the Operating Partnership or any of their respective Affiliates; (iii) rights Mr. Hawken may have as a shareholder of the Company; (iv) any rights that Mr. Hawken may have to insurance coverage for such losses, damages or expenses under any directors and officers liability insurance policy of Company, Operating Partnership, or any of their respective Affiliates; and/or (v) any rights to continued medical and dental coverage Mr. Hawken may have under COBRA. In addition, this Release, and the releases provided for herein by Mr. Hawken, do not cover any claim that cannot be so released as a matter of applicable law.

1.4 The term "KRC Released Parties" means and shall include Company, Operating Partnership, their respective Affiliates, and each of its or their current or former officers, directors, shareholders, investors, partners, representatives, members, employees (in their respective capacities as such, in their individual and personal capacities, and in any and all other capacities), servants, agents, managing agents, owners, partnerships, trustees, predecessors, successors, assigns, affiliates, parents, subsidiaries (whether or not wholly owned), attorneys, administrators, insurers and reinsurers, accountants, and lenders.

1.5 The term "Released Claims" means and shall include any and all claims, actions, and causes of action, liens, debts, liabilities, demands, obligations, contracts or commitments, suits, debts, accounts, covenants, disputes, controversies, agreements, stock options agreements, promises, acts, costs and expenses (including without limitation attorneys' and expert witness fees), damages and executions, of whatever kind or nature related to Mr. Hawken's employment with the Company, the Operating Partnership, or their respective Affiliates or subsidiaries, or Mr. Hawken's separation from employment from the Company, the Operating Partnership, or their respective Affiliates or subsidiaries. Without limitation, the term "Released Claims" includes any statutory, civil, common law or administrative claim, such as but not limited to claims under the California Fair Employment and Housing Act (FEHA) (Cal. Gov't Code section 12940 *et seq*.), Title VII of the 1964 Civil Rights Act, as amended (Title VII) (42 U.S.C. section 2000e *et seq*.), the Fair Labor Standards Act, as amended (29 U.S.C. section 201 *et seq.*), the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. section 1981 *et. seq.*, the Consolidated Omnibus Benefits Reconciliation Act of 1985 (COBRA) and any notices provided to Mr. Hawken under COBRA, the Americans with Disabilities Act (ADA) (42 U.S.C. section 12101 *et seq*.), the Worker Adjustment and Retraining Notification Act of 1988 (29 U.S.C. sections 2101 *et seq.*), the California WARN Act (Cal. Labor Code section 1400 *et* seq.), the Rehabilitation Act of 1973 (29 U.S.C. section 701, *et seq.*), the Family and Medical Leave Act of 1992, 29 U.S.C. section 2601 *et seq.*, the Employee Retirement Income Security Act (ERISA), 29 U.S.C. section 1001 *et. seq.*, Section 132a of the California Workers' Compensation Act (Labor Code section 132a); claims under the California Labor Code (except with respect to workers' compensation and unemployment insurance claims); except for the compensation and benefits to be paid as provided under the Separation Agreement, claims for compensation including salary (and the manner of payment thereof and any withholdings therefrom pursuant to required tax withholdings or as otherwise ordered by court), discretionary bonus, RSUs, Vested Deferred RSUs, Unvested RSUs, PSUs, Vested Deferred PSUs, Unvested PSUs, each and any Award Agreement, any other equity or other awards, fringe benefits, vacation, auto allowance, separation pay, incentive pay or other employee benefits (except claims for California statutory unemployment insurance benefits); except for the compensation and benefits to be paid as provided under the Separation Agreement, claims related to KRC's notice of termination, the amount of notice and the termination of Mr. Hawken's employment with KRC, and the timing thereof, attorneys' fees, costs, expenses and expert witness expenses, tort damages, personal injury damages, breach of implied or express contract, discrimination on the basis of any statutorily protected class, failure to accommodate, failure to engage in an interactive process, wrongful termination in violation of public policy, breach of fiduciary duty, declaratory relief, injunctive relief, public policy breach, intentional or negligent infliction of emotional distress, breach of implied covenant of good faith and fair dealing, interference with contract, interference with prospective economic advantage, intentional or negligent misrepresentation, promissory fraud, fraud, conversion, defamation, libel, slander, invasion of privacy, disparagement of any kind or nature, malicious prosecution, or abuse of process (whether express, implied in law or fact, oral or written), whether known or unknown, suspected or unsuspected, fixed or contingent, at law or in equity, which Mr. Hawken ever had or held, now has or holds, or hereafter can, shall, or may have or hold at any time in the future, in any capacity, individually, or as a member of a class, collective or representative action, with respect to his employment with KRC or the termination thereof, from the beginning of the World through the Effective Date.

1.6 Each of the Company and the Operating Partnership shall and does hereby and forever fully, finally and forever generally remise, release, waive and discharge Mr. Hawken, the Hawken Releasing Parties, and each of them, from any and all known or unknown, suspected or unsuspected, whether or not concealed or hidden, claims, rights, actions and causes of action, at law or in equity, which the Company or the Operating Partnership ever had or held, now has or holds, or hereafter can, shall, or may have or hold against Mr. Hawken, the Hawken Releasing Parties, or any of them, based on any occurrences, transactions, events, acts, or omissions related to Mr. Hawken's employment with the Company, the Operating Partnership, or their respective Affiliates or subsidiaries, or Mr. Hawken's separation from employment from the Company, the Operating Partnership, or their respective Affiliates or subsidiaries from the beginning of the World through the Effective Date.

2 WAIVER OF SECTION 1542 RIGHTS

2.1 Each party hereto hereby acknowledges that he or it understands that the facts with respect to which the releases set forth herein are given may turn out to be different from the facts now known or believed to be true by him or it, and he or it accepts and assumes the risk of facts turning out to be different, and agrees that this Release shall remain in all respects effective and not subject to termination or rescission by virtue of such difference in facts. Each party hereto further acknowledges that he or it has been informed of and understands the provision of California Civil Code Section 1542 which provides as follows:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.**

2.2 Each party hereto expressly waives and relinquishes any and all rights and benefits under Section 1542 of the Civil Code of the State of California and under any statute, rule, or principle of common law or equity, of any jurisdiction, that is similar to such Section 1542.

3 SPECIAL ADEA WAIVER

3.1 Mr. Hawken hereby releases and forever discharges Company, the Operating Partnership, the KRC Released Parties, and each of them, from any and all claims under the Age

Discrimination in Employment Act (ADEA), 29 U.S.C. § 621 *et seq*. Mr. Hawken hereby acknowledges that: (i) he fully understands the terms, conditions and provisions of this Release; (ii) this release specifically applies to any rights or claims he may have against Company, the Operating Partnership, the KRC Released Parties, or any of them, under the ADEA; (iii) this provision does not waive or purport to waive ADEA rights or claims that may arise from acts or events occurring after the date this waiver is executed; (iv) the consideration provided for this Release pursuant to the Separation Agreement is in addition to that which he is already entitled; (v) he has been advised of the right to consult with his own attorney of his choice prior to signing this Release; (vi) he has been given twenty-one (21) days within which to consider the settlement set forth in this Release prior to signing this Release; and (vii) he understands that he has seven (7) days following the date he signs this Release within which to revoke this Release ("Revocation Period"), and that this Release shall not become effective or enforceable until the Revocation Period has expired. Any such revocation must be in writing and must be received by KRC during the seven-day revocation period. Any notice of revocation should be sent by Mr. Hawken in writing to KRC (attention Vice President, Human Resources), 12200 West Olympic Blvd., Suite 200, Los Angeles, CA 90064, so that each is received within the seven (7)-day period following execution of this Release by Mr. Hawken.

3.2 Mr. Hawken understands that he may execute this Release before the expiration of the twenty-one (21) day period referenced above, and he acknowledges and agrees that should he do so, he knowingly and voluntarily waives the full twenty-one (21) day period to consider the settlement set forth in this Release.

4 NO PENDING CLAIMS OR OTHER CHARGES

4.1 Mr. Hawken represents and warrants that he has no claims or charges pending against Company, Operating Partnership, the KRC Released Parties, or any one of them, with the California Labor Commissioner, the United States Department of Labor, the California Department of Fair Employment and Housing (DFEH), the United States Equal Employment Opportunity Commission (EEOC), or any other federal, state, or local governmental agency or in any civil court or other forum in any jurisdiction. Except as expressly set forth herein, Mr. Hawken shall not file, or cause to be filed, any claims, suits or charges against Company, the Operating Partnership, the KRC Released Parties, or any one of them with respect to the Released Claims. Except as expressly set forth herein, the Company and the Operating Partnership agree that it shall not file, or cause to be filed, any claims, suits or charges against Mr. Hawken, the Hawken Releasing Parties, or any one of them with respect to the claims it has released in Section 1.6.

4.2 Should Mr. Hawken, or anyone acting in his behalf or in concert with him, bring any demand, claim, suit, charge or process (each an "action") against Company, Operating Partnership or any one of the KRC Released Parties, in any forum or venue, whether the action is brought in Mr. Hawken's individual capacity, or in a representative capacity on behalf of Mr. Hawken or others, or as agents of disclosed or undisclosed principals, such action shall be in breach of this Release. Without limitation, in the event of a breach referenced in this Section 4.2, KRC shall be entitled to recover its reasonable attorneys' fees, costs and expenses (including expert witness fees and costs) as a measure of its damages.

4.3 Should the Company or the Operating Partnership, or anyone acting on its behalf or in concert with it, bring any demand, claim, suit, charge or process (each an "action") against Mr. Hawken or any one of the Hawken Releasing Parties, in any forum or venue, whether the action is brought in its name, or in a representative capacity on behalf of the Company or the Operating Partnership, or as agents of disclosed or undisclosed principals, such action shall be in breach of this Release. Without limitation, in the event of a breach referenced in this Section 4.3, Mr. Hawken shall be entitled to recover its reasonable attorneys' fees, costs and expenses (including expert witness fees and costs) as a measure of its damages.

4.4 Mr. Hawken represents and warrants that there has been no assignment or transfer of any Released Claims, or portion thereof, to any other person. Each of the Company and the Operating Partnership represents and warrants that there has been no assignment or transfer of any claims it has released in Section 1.6, or portion thereof, to any other person. Nothing in this Release shall modify the Charter or Bylaws of KRC regarding any provision therein respecting indemnification of a former directors, officer or employee by KRC.

4.5 With respect to Mr. Hawken's right to enforce the Separation Agreement and to cooperate with governmental agencies and personnel, nothing in the Separation Agreement, the Confidentiality Agreement or this Release shall prohibit or interfere with Mr. Hawken's right to bring any action to enforce the terms of the Separation Agreement, the Confidentiality Agreement or this Release, or to file a charge with, cooperate with, or participate in an investigation or proceeding conducted by the United States Equal Employment Opportunity Commission, or other federal, state or local agency. However, except where otherwise prohibited by law, the consideration provided to Mr. Hawken in the Separation Agreement shall be the sole relief provided to him for all claims he previously asserted or could have asserted. Mr. Hawken is not, and shall not be, entitled to recover, and he agrees to waive, any back pay, back benefits, damages for emotional distress, other actual or compensatory damages, punitive damages, interest, and other monetary benefits or other personal relief or recovery against KRC in connection with any such claim, charge or proceeding of any kind without regard to which entity or person has brought such claim, charge or proceeding, except for whistleblower or informant awards as set forth below in Section 9.7 of the Separation Agreement.

5 NO ADMISSION OF LIABILITY

Each party hereto expressly acknowledges and agrees that the Separation Agreement and this Release represent a settlement of disputed rights and claims and that, by entering into the Separation Agreement and this Release, neither Company, the Operating Partnership, nor any one of the KRC Released Parties, nor Mr. Hawken, nor any one of the Hawken Releasing Parties admits or acknowledges the existence of any liability or wrongdoing, all such liability being specifically and expressly denied.

IN WITNESS WHEREOF, this Release has been duly executed by KRC and Mr. Hawken on the date of this Release first set forth above.

____

JEFFREY C. HAWKEN

KILROY REALTY CORPORATION
a Maryland Corporation

By: ____________________________
Name: Tyler H. Rose
Title: Executive Vice President and Chief Financial Officer

By: ____________________________
Name: Heidi R. Roth
Title: Executive Vice President, Chief Administrative Officer

KILROY REALTY, L.P.,
a Delaware limited partership

By: KILROY REALTY CORPORATION,
a Maryland Corporation,
Its: General Partner

By: ____________________________
Name: Tyler H. Rose
Title: Executive Vice President and Chief Financial Officer

By: ____________________________
Name: Heidi R. Roth
Title: Executive Vice President, Chief Administrative Officer

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Kilroy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kilroy Realty Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John Kilroy
John Kilroy
President and Chief Executive Officer

Date: July 30, 2020

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tyler H. Rose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kilroy Realty Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Tyler H. Rose

Tyler H. Rose

Executive Vice President and Chief Financial Officer

Date: July 30, 2020

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Section 5: EX-31.3 (EXHIBIT 31.3)

Exhibit 31.3

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Kilroy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kilroy Realty, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ John Kilroy
John Kilroy
President and Chief Executive Officer
Kilroy Realty Corporation, sole general partner of
Kilroy Realty, L.P.

Date: July 30, 2020

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Section 6: EX-31.4 (EXHIBIT 31.4)

Exhibit 31.4

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tyler H. Rose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kilroy Realty, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Tyler H. Rose

Tyler H. Rose

Executive Vice President and Chief Financial Officer

Kilroy Realty Corporation, sole general partner of
Kilroy Realty, L.P.

Date: July 30, 2020

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Section 7: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Kilroy Realty Corporation (the "Company") hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Kilroy

John Kilroy

President and Chief Executive Officer

Date: July 30, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of the Company or Kilroy Realty, L.P. under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, (whether made before or after the date of the Report) irrespective of any general incorporation language contained in such filing. The signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Kilroy Realty Corporation (the "Company") hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tyler H. Rose

Tyler H. Rose

Executive Vice President and Chief Financial Officer

Date: July 30, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of the Company or Kilroy Realty, L.P. under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, (whether made before or after the date of the Report) irrespective of any general incorporation language contained in such filing. The signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 9: EX-32.3 (EXHIBIT 32.3)

Exhibit 32.3

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Kilroy Realty Corporation, the sole general partner of Kilroy Realty, L.P. (the “Operating Partnership”), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ John Kilroy

John Kilroy
President and Chief Executive Officer
Kilroy Realty Corporation, sole general partner of Kilroy Realty, L.P.

Date: July 30, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of Kilroy Realty Corporation or the Operating Partnership under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, (whether made before or after the date of the Report) irrespective of any general incorporation language contained in such filing. The signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 10: EX-32.4 (EXHIBIT 32.4)

Exhibit 32.4

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Kilroy Realty Corporation, the sole general partner of Kilroy Realty, L.P. (the “Operating Partnership”), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ Tyler H. Rose

Tyler H. Rose
Executive Vice President and Chief Financial Officer
Kilroy Realty Corporation, sole general partner of
Kilroy Realty, L.P.

Date: July 30, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of Kilroy Realty Corporation or the Operating Partnership under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, (whether made before or after the date of the Report) irrespective of any general incorporation language contained in such filing. The signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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