

## Kilroy Realty Announces 2016 Tax Treatment of Its Dividend Distributions

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LOS ANGELES--(BUSINESS WIRE)--Jan. 18, 2017-- Kilroy Realty Corporation (**NYSE: KRC**) announced today the 2016 tax treatment of its dividend distributions. The company's total dividend distributions per share of common stock (CUSIP #49427F108) are to be classified for income tax purposes as follows:

Record Date <sup>(1)</sup>	Payable Date	Total Distribution per Share	Total Distribution Taxable in 2016	2016 Taxable Ordinary Dividend	2016 Total Qualified Dividend <sup>(2)</sup>	2016 Total Capital Gain Distribution	2016 Unrecaptured Section 1250 Gain <sup>(3)</sup>	2016 Return of Capital
12/31/2015	1/13/2016	\$ .3500000	\$ .3500000	\$ .1731029	\$ .0002262	\$ .1768971	\$ .0372598	-
3/31/2016	4/13/2016	.3500000	.3500000	.1731029	.0002262	.1768971	.0372598	-
6/30/2016	7/13/2016	.3750000	.3750000	.1854674	.0002424	.1895326	.0399212	-
9/30/2016	10/12/2016	.3750000	.3750000	.1854674	.0002424	.1895326	.0399212	-
12/30/2016	1/13/2017	2.2750000 <sup>(4)</sup>	1.5870063	.7849011	.0010258	.8021052	.1689472	-

(1) To the extent that the record date is on a Saturday, Sunday or New York Stock Exchange holiday, the effective record date shall be the immediately preceding business day.

(2) Total Qualified Dividend is a subset of, and is included in, the Taxable Ordinary Dividend amount.

(3) Unrecaptured Section 1250 Gain is a subset of, and is included in, the Total Capital Gain Distribution amount.

(4) Amount consists of a \$1.90 per share special distribution and a \$0.375 per share regular quarterly distribution.

The \$2.2750000 per share common stock distribution with a record date of December 30, 2016 consists of a \$1.90 per share special distribution and a \$0.375 per share regular quarterly distribution. The \$1.90 per share special distribution is treated as paid in two tax years for income tax purposes: \$1.5870063 is treated as paid on December 31, 2016 and \$0.3129937 is treated as paid on January 13, 2017. The \$0.375 per share regular quarterly distribution is considered a 2017 dividend distribution for income tax purposes.

The company's total dividend distributions per share of Series G cumulative redeemable perpetual preferred stock (CUSIP #49427F702) are to be classified for income tax purposes as follows:

Record Date <sup>(1)</sup>	Payable Date	Total Distribution per Share	2016 Taxable Ordinary Dividend	2016 Total Qualified Dividend <sup>(2)</sup>	2016 Total Capital Gain Distribution	2016 Unrecaptured Section 1250 Gain <sup>(3)</sup>	2016 Return of Capital
1/31/2016	2/15/2016	\$ .4296875	\$ .2121433	\$ .0002782	\$ .2175442	\$ .0458213	-
4/30/2016	5/15/2016	.4296875	.2121433	.0002782	.2175442	.0458213	-
7/31/2016	8/15/2016	.4296875	.2121433	.0002782	.2175442	.0458213	-
10/31/2016	11/15/2016	.4296875	.2121433	.0002782	.2175442	.0458213	-

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(2) Total Qualified Dividend is a subset of, and is included in, the Taxable Ordinary Dividend amount.

(3) Unrecaptured Section 1250 Gain is a subset of, and is included in, the Total Capital Gain Distribution amount.

The company's total dividend distributions per share of Series H cumulative redeemable perpetual preferred stock (CUSIP #49427F801) are to be classified for income tax purposes as follows:

Record Date <sup>(1)</sup>	Payable Date	Total Distribution per Share	2016 Taxable Ordinary Dividend	2016 Total Qualified Dividend <sup>(2)</sup>	2016 Total Capital Gain Distribution	2016 Unrecaptured Section 1250 Gain <sup>(3)</sup>	2016 Return of Capital
1/31/2016	2/15/2016	\$.3984375	\$.1967147	\$.0002580	\$.2017228	\$.0424888	-
4/30/2016	5/15/2016	.3984375	.1967147	.0002580	.2017228	.0424888	-
7/31/2016	8/15/2016	.3984375	.1967147	.0002580	.2017228	.0424888	-
10/31/2016	11/15/2016	.3984375	.1967147	.0002580	.2017228	.0424888	-

(1) To the extent that the record date is on a Saturday, Sunday or New York Stock Exchange holiday, the effective record date shall be the immediately preceding business day.

(2) Total Qualified Dividend is a subset of, and is included in, the Taxable Ordinary Dividend amount.

(3) Unrecaptured Section 1250 Gain is a subset of, and is included in, the Total Capital Gain Distribution amount.

Stockholders are encouraged to consult with their tax advisors as to their specific tax treatment for Kilroy Realty Corporation common and preferred distributions.

**About Kilroy Realty Corporation.** With nearly 70 years' experience owning, developing, acquiring and managing real estate assets in West Coast real estate markets, Kilroy Realty Corporation (KRC), a publicly traded real estate investment trust and member of the S&P MidCap 400 Index, is one of the region's premier landlords. The company provides physical work environments that foster creativity and productivity and serves a broad roster of dynamic, innovation-driven tenants, including technology, entertainment, digital media and health care companies.

At September 30, 2016, the company's stabilized portfolio totaled 13.6 million square feet of office properties, all located in the coastal regions of greater Seattle, the San Francisco Bay Area, Los Angeles, Orange County and San Diego. The company is recognized by GRESB as the North American leader in sustainability and was ranked first among 178 North American participants across all asset types. At the end of the third quarter, the company's properties were 51% LEED certified and 72% of eligible properties were ENERGY STAR certified. In addition, KRC had one office project totaling approximately 700,000 square feet under construction and two office projects in lease-up totaling approximately 450,000 square feet. More information is available at <http://www.kilroyrealty.com>.

**Forward-Looking Statements.** This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 in forward-looking statements, and you should not rely on forward-looking statements as predictions of future performance, results or events. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in forward-looking statements, including, among others, risks associated with: 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; investment in our real estate assets, which are illiquid; 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 remediations; 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; failure of interest rate hedging contracts to perform as expected and the effectiveness of such arrangements; 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; 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 implementations of, applicable laws, regulations or legislation; 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; and our ability to maintain our status as a REIT. These factors are not exhaustive. For a discussion of additional factors that could materially adversely affect our business and financial performance, see the factors included under the caption "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2015, in our other filings with the Securities and Exchange Commission and in the prospectus supplement and related prospectus for this offering. All forward-looking statements are based on information that was available, and speak only as of the date on which they are made. We assume no obligation to update any forward-looking statement made in this press release that becomes untrue because of subsequent events, new information or otherwise, except to the extent required in connection with ongoing requirements under U.S. securities laws.

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