CEO ANNUAL LETTER
2016

KILROY

To Our Shareholders

21.5%
TOTAL
Shareholder Return

14.3%
GROWTH
Cash Same-Store NOI (YoY)

97%
LEASED
Portfolio at FYE 2016

1.3
MILLION SF
of New or Renewing Leases Signed

7%
GROWTH
Adjusted Funds from Operations (FFO) Per Share

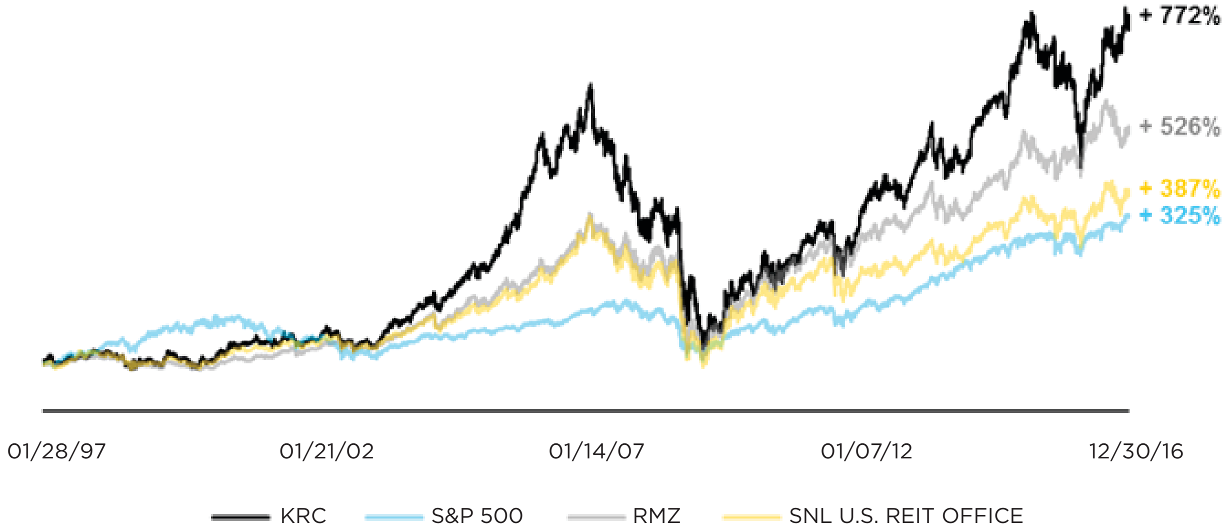
KRC had another exceptional year in 2016. We achieved significant leasing success that sustained average occupancy above 95% and generated robust growth in same-store net operating income. We delivered 1.3 million square feet of new development and secured entitlements on an additional 1.8 million square feet. We completed a strategic venture with Norges Bank Real Estate Management (Norges), the world's largest sovereign wealth fund, and we acquired three assets with significant value creating potential.

Our financial results were equally impressive. Funds from operations and funds available for distribution increased 7% and 28%, respectively, from the prior year period, excluding one-time items. We increased our regular common dividend 7.1%, on an annualized basis, and declared a special cash dividend of $1.90 per share. Our activities resulted in a 21.5% total shareholder return, solidly outperforming the 8.6% total return of the Morgan Stanley REIT index.

We continued to strengthen our balance sheet. We raised $1.5 billion of attractive capital from a wide range of sources, including debt and equity offerings, the venture with Norges and strategic asset sales. Our development pipeline is fully funded through 2017 as a result of these financing activities and we ended the year with one of the lowest leverage profiles amongst our peer group.

The KRC senior management team was deepened during the year with the additions of Tracy Murphy, Nelson Ackerly and Rob Swartz. Tracy brings 15 years of life science real estate experience to the company, is leading our life science

TOTAL SHAREHOLDER RETURN SINCE KRC IPO



initiative and further, running our Northern California operations. Nelson runs our San Diego effort with over 19 years in that market. And Rob brings 34 years of experience in the Seattle region to his role as head of the Pacific Northwest. These hires were strategic as we see continued growth in a range of industries along the West Coast, including life science, technology, transportation and consumer services.

Market Expertise Drives Strong Portfolio Results

We signed new or renewing leases on just under 1.3 million square feet of space in our stabilized portfolio during 2016. One of the largest leases we signed was a 12-year, 273,000 square foot lease with Amazon in Seattle. On average, rental rates in the portfolio increased over 13% on a cash basis and 30% on a GAAP basis. Our portfolio finished the year 96% occupied and 97% leased, the highest level in the past 10 years.

Successful Development Deliveries Created Significant Value

In 2016, we delivered 1.1 million square feet of new office space in the San Francisco, San Diego and Hollywood markets 93% leased. Also, in Hollywood, we successfully delivered our first residential development project, a 200-unit luxury residential tower.

We have two office projects under construction as we enter 2017. They include 100 Hooper in San Francisco, with the office portion fully leased to Adobe and The Exchange in San Francisco, which is attracting strong interest from both life science and technology companies. We also began construction late last year on our mixed-use One Paseo project located in the up-scale premier Del Mar community in San Diego County. These three projects will total 1.4 million square feet when completed and represent a total investment of $980 million. Combined with the 2016 deliveries, we believe that these activities will result in approximately $1.5 billion of net incremental value creation and will generate roughly $130 million of annual NOI.

Secured Entitlements on our Development Pipeline

We secured entitlements for all phases of our mixed-use project in Del Mar and a new office campus in Seattle's South Lake Union neighborhood. We also gained key approvals for our mixed-use project in Hollywood. Based on strong market fundamentals, we anticipate starting our 333 Dexter project in South Lake Union in the second half of 2017.

Acquisitions Bring Value Creation Opportunities and an Expanded Footprint

We closed on three acquisitions representing $389 million of investment during 2016. Those investments included a fully-leased office building in Silicon Valley, a two building project in the Stanford Research Park and a mixed-use property on the Sunset Strip. The Silicon Valley asset was acquired for $55 million and is a potential redevelopment opportunity. The Stanford Research Park acquisition included two buildings located in Palo Alto with a total purchase price of $130 million.

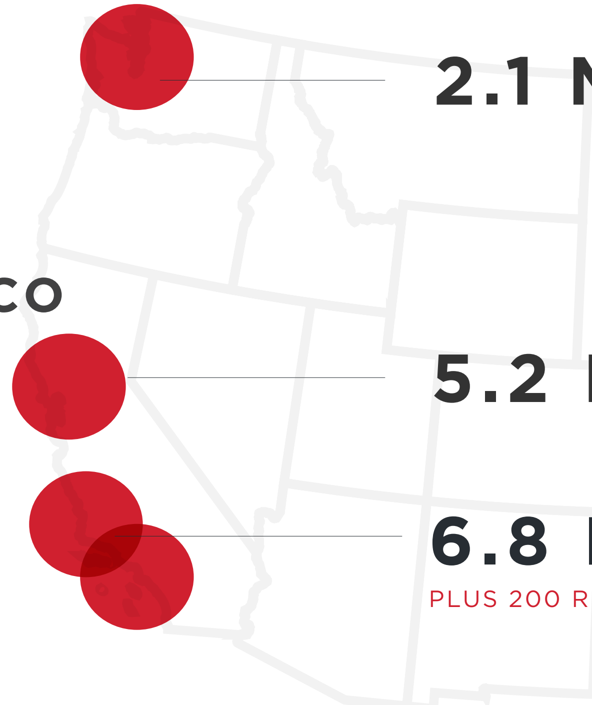
This transaction expanded our life science platform and presents a near term opportunity to increase under-market rents. Our final acquisition was a $209 million investment on the Sunset Strip in Hollywood. This mixed-use property includes an office tower, a retail plaza, rooftop billboards and subterranean parking. We anticipate unlocking value from every component of this unique property through selective enhancements and a stronger, more effective marketing and leasing program.

Residential Tower at Columbia Square – Los Angeles, CA

Financial Strength and Capital Access Drive Enterprise Growth

Our strategy to grow through development, redevelopment and acquisitions is underscored by our disciplined capital management and our consistently strong access to diverse sources of capital. Our historical attitude toward conservative debt has allowed our company and investors to maintain a strong margin of safety and flexibility through market cycles. We proactively nurture strong relationships with several capital sources in the private and public debt and equity markets. We also periodically dispose of non-strategic assets to generate capital to redeploy into development and redevelopment projects.

After a competitive process involving several interested parties, we broadened our relationship base in 2016 by entering into a strategic venture with Norges on two existing assets. We raised $453 million of investment capital for a 44% equity interest in two of our San Francisco properties. We look forward to growing the relationship with this world-class partner.



Reflects stabilized portfolio as of 12.31.16.

Over the past 15 months, we raised over $1.5 billion of new capital, including the proceeds from the venture. Proceeds from the sales of non-strategic assets totaled $343 million. Our financing activity was rounded out with over $775 million raised through very attractive debt and equity issuance. We now have nearly $600 million in cash, another $600 million available on our bank line and a largely unencumbered portfolio of property assets. Our development program, including potential starts is funded through the end of 2017. We currently enjoy a Debt to EBITDA ratio of less than 6x that allows for additional debt capacity, while maintaining a conservative capital structure.

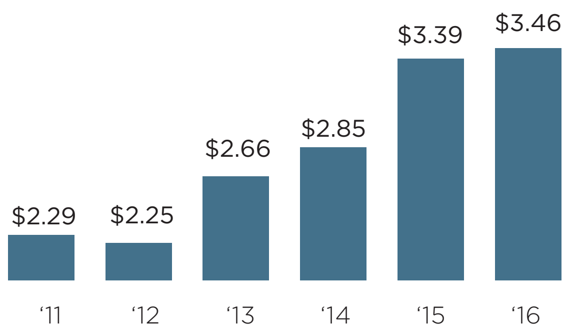
Sustainable Designations Position our Portfolio for Future Tenant Demand

We were early adopters of sustainability practices at our existing and development properties. As the benefits of these practices have become more clear, tenants now demand LEED certified space as part of their office requirements, a change that is reshaping our industry. We remain committed and are widely known as a leader in the effort to build and operate environmentally sound properties.

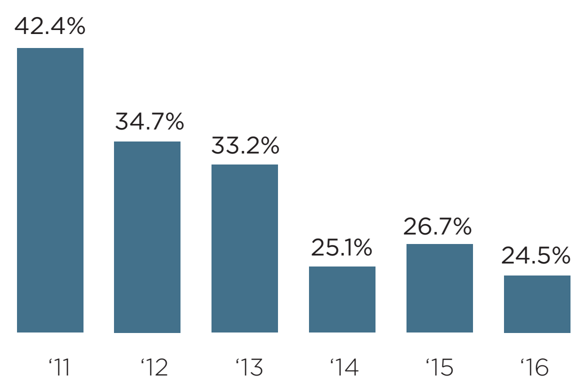
We seek the highest possible LEED certification in all of our new development projects. As a result of our efforts, all of our current and future projects are designed to LEED Gold or Platinum standards and our existing properties are being improved to better energy efficiency and environmental standards. With this focus on Sustainability, we ended 2016 with approximately 51% of our existing assets LEED certified and 69% Energy Star certified.

We have gained wide recognition from our peers over the last three years, earning the NAREIT Leader in the Light award, for office sector members. We were also awarded the North American leadership award in sustainability conferred by GRESB (Global Real Estate Sustainability Benchmark), which uses the industry's most rigorous standard for measuring sustainable performance among more than 178 real estate companies and funds across all asset types. And for the third year in a row, the US Environmental Protection Agency awarded us with an Energy Star Award.

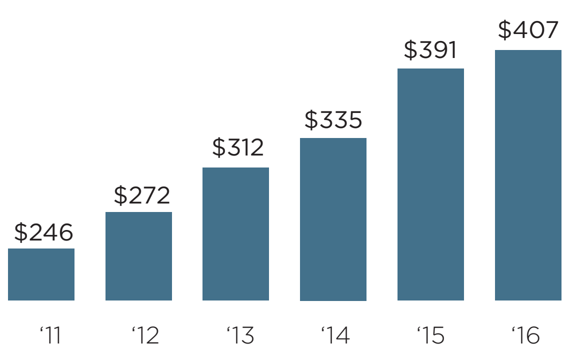
FFO PER SHARE



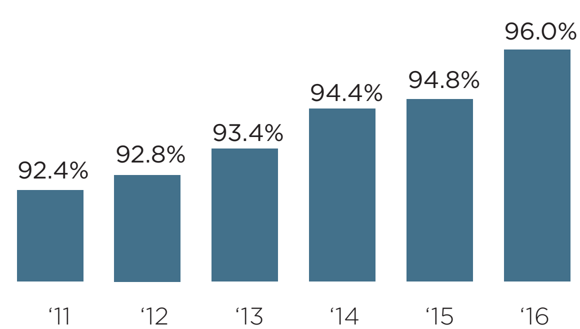
DEBT / ENTERPRISE VALUE

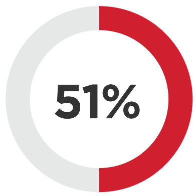


EBITDA ($MM)

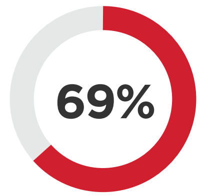


OCCUPANCY





LEED CERTIFIED
Nearly half of our entire portfolio was LEED Certified in 2016



ENERGY STAR
Over half of our portfolio was Energy Star Certified in 2016

GOLD OR PLATINUM
All developments were designed to be LEED Gold or Platinum in 2016

GRESB
North American Leader, Regional Sector Leader 2016

ENERGY STAR
Partner of the Year 2016

NAREIT
Leader in the Light Award
Office Sector 2016

Consistent Focus Allows our Enterprise to Continue to Thrive

We remain committed to these core strategies: We compete in the best markets. We develop and operate a world-class portfolio. We pursue a high quality, financially sound tenant base. We manage our enterprise with financial prudence. We evaluate all our business opportunities by their ability to create long-term value for our shareholders.

While technology-driven change continues to disrupt old business models and reshape commercial real estate demands, it also opens new doors of opportunity. We believe our consistent adherence to our core strategies has built an operating platform that allows us to adapt to constant change—and thrive.

And we remain confident that our strategic vision is more relevant than ever in today's work world. It resonates with our peers, allowing us to recruit top talent. It drives constant innovation, attracting the most dynamic, forward-looking tenants in our markets. It delivers superior, risk-adjusted returns across real estate cycles, enhancing our relationships with investment partners and deepening our access to patient, long-term capital sources.

333 Dexter – Seattle, WA (Rendering)

All of these attributes were on full display in 2016, as we delivered one of the strongest performances in our history, while adding to our management talent, expanding our operating footprint, enhancing our development opportunities, and building our financial capacity in step with the continued growth of our enterprise.

As always, we appreciate your support and interest in Kilroy Realty.

Cordially,

John Kilroy, CEO

This CEO letter contains "forward-looking statements" within the meaning of the federal securities laws. See the discussion under "Forward-Looking Statements" in the Form 10-K for matters to be considered in this regard. This letter also contains certain non-GAAP financial measures within the meaning of Regulation G. The calculations of these non-GAAP financial measures may differ from those used by other REITs. The reasons for their use and reconciliations to the most directly comparable GAAP measures are included in the Form 10-K and on the page immediately following the Form 10-K titled "Disclosures Relating to Non-GAAP Financial Measures."

KILROY