



Second Quarter 2001 Supplemental Financial Report

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Some of the enclosed information presented is forward-looking in nature, including information concerning development timing and investment amounts. Although the information is based on Kilroy Realty Corporation's current expectations, actual results could vary from expectations stated here. Numerous factors will affect Kilroy Realty Corporation's actual results, some of which are beyond its control. These include the timing and strength of regional economic growth, the strength of commercial and industrial real estate markets, competitive market conditions, future interest rate levels and capital market conditions. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. Kilroy Realty Corporation assumes no obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise. For a discussion of important risks related to Kilroy Realty Corporation's business, and an investment in its securities, including risks that could cause actual results and events to differ materially from results and events referred to in the forward-looking information, see the discussion under the caption "Business Risks" in Kilroy Realty Corporation's annual report on Form 10-K for the year ended December 31, 2000. In light of these risks, uncertainties and assumptions, the forward-looking events contained in this supplement information might not occur.

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Financial Highlights

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
INCOME ITEMS:						
Revenues	\$58,234	\$45,336	28.4%	\$108,601	\$89,106	21.9%
Net Operating Income	45,395	34,798	30.5%	84,404	69,048	22.2%
Net Income	15,097	12,804	17.9%	21,523	22,381	(3.8%)
Funds From Operations	28,237	20,153	40.1%	50,113	40,832	22.7%
Funds Available for Distribution	24,095	17,264	39.6%	43,627	35,737	22.1%
Funds From Operations per share – diluted	\$0.93	\$0.67	38.5%	\$1.64	\$1.33	23.3%
Funds Available for Distribution per share – diluted	0.79	0.57	38.0%	1.43	1.17	22.7%
Dividend per share	\$0.48	\$0.45	6.7%	\$0.96	\$0.90	6.7%
RATIOS:						
Interest Coverage Ratio(1)	4.0x	3.4x		3.7x	3.7x	
Fixed Charge Coverage Ratio(2)	3.0x	2.5x		2.8x	2.7x	
FFO Payout Ratio(3)	51.6%	67.4%	(15.8%)	58.0%	66.4%	(8.4%)
FAD Payout Ratio(4)	60.4%	78.7%	(18.3%)	66.7%	75.8%	(9.1%)

	June 30, 2001	Dec. 31, 2000	% Change
ASSETS:			
Investments in Real Estate before Depreciation	\$1,583,957	\$1,496,477	5.8%
Total Assets	1,453,841	1,457,169	(0.2%)
CAPITALIZATION:			
Total Debt	\$723,947	\$723,688	0.0%
Total Preferred Stock (5)	155,000	155,000	0.0%
Total Market Equity Value (5)	882,558	848,162	4.1%
Total Market Capitalization (5)	1,761,505	1,726,850	2.0%
Total Debt / Total Market Capitalization	41.1%	41.9%	(0.8%)

(1) Calculated as income from operations before interest expense and depreciation and amortization divided by interest expense plus loan cost amortization.

(2) Calculated as income from operations before interest expense and depreciation and amortization divided by interest expense plus loan cost amortization and current year paid and accrued preferred dividends.

(3) Calculated as current year dividends paid and accrued to common shareholders divided by Funds From Operations.

(4) Calculated as current year dividends paid and accrued to common shareholders divided by Funds Available for Distribution.

(5) See "Capital Structure" on page 15.

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Consolidated Balance Sheets

(unaudited, \$ in thousands)

	June 30, 2001	December 31, 2000
ASSETS:		
Land and improvements	\$285,733	\$266,444
Buildings and improvements	1,154,660	1,054,995
Undeveloped land and construction in progress, net	143,564	162,633
Investment in unconsolidated real estate	_____	12,405
Total investment in real estate	1,583,957	1,496,477
Accumulated depreciation and amortization	(224,157)	(205,332)
Investment in real estate, net	1,359,800	1,291,145
Cash and cash equivalents	13,898	17,600
Restricted cash	7,222	35,014
Tenant receivables, net	30,095	32,521
Note receivable from related party		33,274
Deferred financing and leasing costs, net	37,455	39,674
Prepaid expenses and other assets	5,371	7,941
TOTAL ASSETS	<u>\$1,453,841</u>	<u>\$1,457,169</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
<i>Liabilities:</i>		
Secured debt	\$438,947	\$432,688
Unsecured line of credit	185,000	191,000
Unsecured term facility	100,000	100,000
Accounts payable and accrued expenses	38,554	33,911
Accrued distributions	14,558	13,601
Rents received in advance and tenant security deposits	16,302	17,810
Total liabilities	<u>793,361</u>	<u>789,010</u>
<i>Minority Interests:</i>		
8.075% Series A Cumulative Redeemable Preferred unitholders	73,716	73,716
9.375% Series C Cumulative Redeemable Preferred unitholders	34,464	34,464
9.250% Series D Cumulative Redeemable Preferred unitholders	44,321	44,321
Common unitholders of the Operating Partnership	50,076	62,485
Minority interest in Development LLCs	12,177	11,748
Total minority interests	<u>214,754</u>	<u>226,734</u>
<i>Stockholders' Equity:</i>		
Common stock	273	265
Additional paid-in capital	474,864	460,390
Distributions in excess of earnings	(23,742)	(19,230)
Accumulated other comprehensive loss	(5,669)	_____
Total stockholders' equity	<u>445,726</u>	<u>441,425</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$1,453,841</u>	<u>\$1,457,169</u>

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Consolidated Statements of Operations

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
REVENUES:						
Rental income	\$46,029	\$39,370	16.9%	\$90,408	\$77,072	17.3%
Tenant reimbursements	6,170	4,594	34.3%	11,690	9,288	25.9%
Interest income	277	1,016	(72.7%)	713	1,302	(45.2%)
Other income	<u>5,758</u>	<u>356</u>	1517.4%	<u>5,790</u>	<u>1,444</u>	301.0%
Total revenues	<u>58,234</u>	<u>45,336</u>	28.4%	<u>108,601</u>	<u>89,106</u>	21.9%
EXPENSES:						
Property expenses	7,443	6,074	22.5%	14,338	11,532	24.3%
Real estate taxes	4,744	3,049	55.6%	8,379	6,436	30.2%
General and administrative expenses	3,034	2,555	18.7%	6,388	5,187	23.2%
Ground leases	375	399	(6.0%)	767	788	(2.7%)
Interest expense	10,612	9,948	6.7%	21,403	17,776	20.4%
Depreciation and amortization	<u>12,521</u>	<u>9,645</u>	29.8%	<u>25,954</u>	<u>18,968</u>	36.8%
Total expenses	<u>38,729</u>	<u>31,670</u>	22.3%	<u>77,229</u>	<u>60,687</u>	27.3%
INCOME FROM OPERATIONS	19,505	13,666	42.7%	31,372	28,419	10.4%
Net gains on dispositions of operating properties	<u>1,234</u>	<u>4,273</u>	(71.1%)	<u>1,539</u>	<u>3,968</u>	(61.2%)
INCOME BEFORE MINORITY INTERESTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>20,739</u>	<u>17,939</u>	15.6%	<u>32,911</u>	<u>32,387</u>	1.6%
MINORITY INTERESTS:						
Distributions on Cumulative Redeemable Preferred units	(3,375)	(3,375)	0.0%	(6,750)	(6,750)	0.0%
Minority interest in earnings of Operating Partnership	(1,796)	(1,843)	(2.6%)	(2,641)	(3,215)	(17.9%)
Minority interest in earnings of Development LLCs	<u>(471)</u>	<u>83</u>	(667.5%)	<u>(605)</u>	<u>(41)</u>	1375.6%
Total minority interests	<u>(5,642)</u>	<u>(5,135)</u>	9.9%	<u>(9,996)</u>	<u>(10,006)</u>	(0.1%)
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	15,097	12,804	17.9%	22,915	22,381	2.4%
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				(1,392)		(100.0%)
NET INCOME	<u>\$15,097</u>	<u>\$12,804</u>	17.9%	<u>\$21,523</u>	<u>\$22,381</u>	(3.8%)
Weighted average shares outstanding - basic	27,160	26,259		26,938	26,744	
Weighted average shares outstanding - diluted	27,380	26,348		27,177	26,788	
NET INCOME PER COMMON SHARE:						
Income per common share - basic	<u>\$0.56</u>	<u>\$0.49</u>	14.3%	<u>\$0.80</u>	<u>\$0.84</u>	(4.8%)
Income per common share - diluted	<u>\$0.55</u>	<u>\$0.49</u>	12.2%	<u>\$0.79</u>	<u>\$0.84</u>	(6.0%)

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
FUNDS FROM OPERATIONS:						
Net income	\$15,097	\$12,804	17.9%	\$21,523	\$22,381	(3.8%)
Adjustments:						
Minority interest in earnings of Operating Partnership	1,796	1,843	(2.6%)	2,641	3,215	(17.9%)
Depreciation and amortization	12,030	9,645	24.7%	25,000	18,968	31.8%
Net gains on dispositions of operating properties	(1,234)	(4,273)	(71.1%)	(1,539)	(3,968)	(61.2%)
Cumulative effect of change in accounting principle				1,392		100.0%
Non-cash amortization of restricted stock grants	<u>548</u>	<u>134</u>	309.0%	<u>1,096</u>	<u>236</u>	364.4%
Funds From Operations	<u>\$28,237</u>	<u>\$20,153</u>	40.1%	<u>\$50,113</u>	<u>\$40,832</u>	22.7%
Weighted average common shares/units outstanding - basic	30,260	30,041		30,243	30,586	
Weighted average common shares/units outstanding - diluted	30,481	30,131		30,482	30,630	
Funds From Operations per common share/unit - basic	<u>\$0.93</u>	<u>\$0.67</u>	39.1%	<u>\$1.66</u>	<u>\$1.33</u>	24.1%
Funds From Operations per common share/unit - diluted	<u>\$0.93</u>	<u>\$0.67</u>	38.5%	<u>\$1.64</u>	<u>\$1.33</u>	23.3%
FUNDS AVAILABLE FOR DISTRIBUTION:						
Funds From Operations	\$28,237	\$20,153	40.1%	\$50,113	\$40,832	22.7%
Adjustments:						
Amortization of deferred financing costs	399	487	(18.1%)	780	693	12.6%
Tenant improvements, leasing commissions and recurring capital expenditures	(3,668)	(1,827)	100.8%	(4,679)	(2,731)	71.3%
Net effect of straight-line rents	(873)	(1,549)	(43.6%)	(2,587)	(3,057)	(15.4%)
Funds Available for Distribution	<u>\$24,095</u>	<u>\$17,264</u>	39.6%	<u>\$43,627</u>	<u>\$35,737</u>	22.1%
Funds Available for Distribution per common share/unit - basic	<u>\$0.80</u>	<u>\$0.57</u>	38.6%	<u>\$1.44</u>	<u>\$1.17</u>	23.5%
Funds Available for Distribution per common share/unit - diluted	<u>\$0.79</u>	<u>\$0.57</u>	38.0%	<u>\$1.43</u>	<u>\$1.17</u>	22.7%

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Financial Results Excluding Impact of Second Quarter Lease Termination Fee (unaudited, \$ in thousands, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
FUNDS FROM OPERATIONS:						
Funds From Operations as reported	\$28,237	\$20,153	40.1%	\$50,113	\$40,832	22.7%
Lease termination fee ⁽¹⁾	(5,352)			(5,352)		
Funds From Operations excluding impact of lease termination fee	<u>\$22,885</u>	<u>\$20,153</u>	13.6%	<u>\$44,761</u>	<u>\$40,832</u>	9.6%
Weighted average common shares/units outstanding - diluted	30,481	30,131		30,482	30,630	
Adjusted Funds From Operations per common share/unit - diluted	<u>\$0.75</u>	<u>\$0.67</u>	14.9%	<u>\$1.47</u>	<u>\$1.33</u>	12.0%
FUNDS AVAILABLE FOR DISTRIBUTION:						
Funds Available for Distribution as reported	\$24,095	\$17,264	39.6%	\$43,627	\$35,737	22.1%
Lease termination fee ⁽¹⁾	(5,352)			(5,352)		
Funds Available for Distribution excluding impact of lease termination fee	<u>\$18,743</u>	<u>\$17,264</u>	8.6%	<u>\$38,275</u>	<u>\$35,737</u>	7.1%
Adjusted Funds Available for Distribution per common share/unit - diluted	<u>\$0.61</u>	<u>\$0.57</u>	7.0%	<u>\$1.26</u>	<u>\$1.17</u>	6.8%
RATIOS:						
Interest Coverage Ratio	3.5x	3.4x		3.4x	3.7x	
Fixed Charge Coverage Ratio	2.6x	2.5x		2.6x	2.7x	
FFO Payout Ratio	63.6%	67.4%	(3.8%)	65.0%	66.4%	(1.4%)
FAD Payout Ratio	77.7%	78.7%	(1.0%)	76.0%	75.8%	0.2%

(1) The lease termination fee of \$5.4 million represents the \$15.0 million in letters of credit proceeds offset by \$9.6 million of accounts receivable and other costs and obligations associated with the lease.

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Net Operating Income Breakdown

	As of <u>June 30, 2001 (1)</u>
% OF TOTAL NOI BY PRODUCT TYPE:	
<i>Office:</i>	
Los Angeles	42.7%
Orange County	3.6%
San Diego	25.7%
Other	<u>5.2%</u>
Subtotal	<u>77.2%</u>
<i>Industrial:</i>	
Los Angeles	2.9%
Orange County	17.4%
Other	<u>2.5%</u>
Subtotal	<u>22.8%</u>
% OF TOTAL NOI BY REGION:	
Los Angeles	45.6%
Orange County	21.0%
San Diego	25.7%
Other	<u>7.7%</u>
Total	<u>100.0%</u>

(1) Based on Net Operating Income for the six months ended June 30, 2001.

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Same Store Analysis ⁽³⁾

(\$ in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2001	2000	\$ Change	% Change	2001	2000	\$ Change	% Change
TOTAL SAME STORE PORTFOLIO								
<i>Operating Revenues:</i>								
Rental income	\$35,773	\$34,908	\$865	2.5%	\$71,615	\$69,345	\$2,270	3.3%
Tenant reimbursements ⁽¹⁾	5,308	4,104	1,204	29.3%	9,842	8,365	1,477	17.7%
Other income ⁽²⁾	<u>363</u>	<u>362</u>	<u>1</u>	0.3%	<u>417</u>	<u>1,436</u>	<u>(1,019)</u>	(71.0%)
Total operating revenues	<u>\$41,444</u>	<u>\$39,374</u>	<u>\$2,070</u>	5.3%	<u>\$81,874</u>	<u>\$79,146</u>	<u>\$2,728</u>	3.4%
<i>Operating Expenses:</i>								
Property expenses ⁽²⁾	\$5,838	\$5,542	\$296	5.3%	\$11,046	\$10,491	\$555	5.3%
Real estate taxes ⁽¹⁾	3,565	2,644	921	34.8%	6,571	5,672	899	15.8%
Ground leases	<u>325</u>	<u>389</u>	<u>(64)</u>	(16.5%)	<u>657</u>	<u>770</u>	<u>(113)</u>	(14.7%)
Total operating expenses	<u>\$9,728</u>	<u>\$8,575</u>	<u>\$1,153</u>	13.4%	<u>\$18,274</u>	<u>\$16,933</u>	<u>\$1,341</u>	7.9%
Net Operating Income	<u>\$31,716</u>	<u>\$30,799</u>	<u>\$917</u>	3.0%	<u>\$63,600</u>	<u>\$62,213</u>	<u>\$1,387</u>	2.2%

(1) The results for the three and six months ended June 30, 2000 include \$0.3 million of real estate tax refunds. The results for the three and six months ended June 30, 2001 include \$0.6 million in supplemental real estate taxes, and \$0.5 million in related tenant reimbursements which represents an estimate of the amount of supplemental real estate taxes collectible from tenants.

(2) The results for the six months ended June 30, 2000 include a net lease termination fee of \$0.5 million. The results for the six months ended June 30, 2001 include \$140,000 for repairs at the Sea Tac Office Center due to damage resulting from the Seattle earthquake that occurred February 28, 2001. Net of these non-recurring revenues and expenses, the increase in total operating revenues, total operating expenses and net operating income for the six months ended June 30 would have been 4.1%, 7.1% and 3.3%, respectively.

(3) Same store defined as all stabilized properties owned at January 1, 2000 and still owned at June 30, 2001.

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Stabilized Portfolio and Occupancy Overview

	# of Buildings	Square Feet			Occupancy at:		
		Total	Leased	Available	6/30/01	3/31/01	12/31/00
OCCUPANCY BY PRODUCT TYPE:							
<i>Office:</i>							
Los Angeles	31	3,199,985	2,874,741	325,244	89.8%	96.6%	97.3%
Orange County	13	624,866	506,369	118,497	81.0%	71.2%	73.6%
San Diego	37	2,700,483	2,700,483	-	100.0%	100.0%	100.0%
Other	<u>6</u>	<u>709,575</u>	<u>696,528</u>	<u>13,047</u>	98.2%	98.2%	98.2%
Subtotal	<u>87</u>	<u>7,234,909</u>	<u>6,778,121</u>	<u>456,788</u>	93.7%	95.7%	96.2%
<i>Industrial:</i>							
Los Angeles	7	554,490	550,979	3,511	99.4%	99.9%	99.8%
Orange County	62	4,393,537	4,199,594	193,943	95.6%	97.0%	97.1%
Other	<u>6</u>	<u>657,921</u>	<u>657,921</u>	<u>-</u>	100.0%	100.0%	100.0%
Subtotal	<u>75</u>	<u>5,605,948</u>	<u>5,408,494</u>	<u>197,454</u>	96.5%	97.7%	97.8%
OCCUPANCY BY REGION:							
Los Angeles	38	3,754,475	3,425,720	328,755	91.2%	97.1%	97.7%
Orange County	75	5,018,403	4,705,963	312,440	93.8%	93.8%	94.2%
San Diego	37	2,700,483	2,700,483	-	100.0%	100.0%	100.0%
Other	<u>12</u>	<u>1,367,496</u>	<u>1,354,449</u>	<u>13,047</u>	99.0%	99.1%	99.1%
TOTAL PORTFOLIO	<u>162</u>	<u>12,840,857</u>	<u>12,186,615</u>	<u>654,242</u>	94.9%	96.6%	97.0%

AVERAGE OCCUPANCY - STABILIZED PORTFOLIO			
	<u>Office</u>	<u>Industrial</u>	<u>Total</u>
Quarter-to-Date	94.7%	97.1%	95.8%
Year-to-Date	94.9%	97.1%	96.0%

AVERAGE OCCUPANCY - SAME STORE PORTFOLIO			
	<u>2001</u>	<u>2000</u>	<u>% Change</u>
Quarter-to-Date	95.7%	97.5%	(1.8%)
Year-to-Date	96.1%	97.3%	(1.2%)

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Leasing Activity

Quarter-to-Date

	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		2nd Generation				Retention Rates ⁽⁵⁾	Weighted Average Lease Term (Mo.)
					Maintenance					
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft.	Capex Per Sq.Ft. ⁽²⁾	Changes in Rents ⁽³⁾	Changes in Cash Rents ⁽⁴⁾		
Office	10	14	79,068	319,707	\$8.61	\$0.04	24.3%	14.5%	76.0%	81
Industrial	<u>11</u>	<u>14</u>	<u>28,752</u>	<u>249,168</u>	<u>\$2.57</u>	<u>\$0.01</u>	<u>20.8%</u>	<u>3.1%</u>	<u>70.9%</u>	<u>70</u>
Total	<u>21</u>	<u>28</u>	<u>107,820</u>	<u>568,875</u>	<u>\$6.13</u>	<u>\$0.03</u>	<u>23.5%</u>	<u>11.5%</u>	<u>74.4%</u>	<u>76</u>

Year-to-Date

	# of Leases ⁽¹⁾		Square Feet ⁽¹⁾		2nd Generation				Retention Rates ⁽⁵⁾	Weighted Average Lease Term (Mo.)
					Maintenance					
	New	Renewal	New	Renewal	TI/LC Per Sq.Ft.	Capex Per Sq.Ft. ⁽²⁾	Changes in Rents ⁽³⁾	Changes in Cash Rents ⁽⁴⁾		
Office	16	22	115,386	406,262	\$7.33	\$0.07	24.1%	13.9%	63.3%	70
Industrial	<u>18</u>	<u>22</u>	<u>52,682</u>	<u>418,436</u>	<u>\$2.44</u>	<u>\$0.02</u>	<u>38.9%</u>	<u>18.4%</u>	<u>77.1%</u>	<u>64</u>
Total	<u>34</u>	<u>44</u>	<u>168,068</u>	<u>824,698</u>	<u>\$4.96</u>	<u>\$0.05</u>	<u>28.4%</u>	<u>15.3%</u>	<u>64.8%</u>	<u>67</u>

(1) Includes first and second generation space, net of month-to-month leases. Excludes leasing on new construction. First generation space is defined as the space first leased by the Company.

(2) Calculated over entire stabilized portfolio.

(3) Calculated as the change between GAAP rents for new/renewed leases and the expiring GAAP rents for the same space.

(4) Calculated as the change between stated rents for new/renewed leases and the expiring stated rents for the same space.

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

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Lease Expiration Schedule
(\$ in thousands)

<u>Year of Expiration</u>	<u># of Expiring Leases</u>	<u>Total Square Feet⁽¹⁾</u>	<u>% of Total Leased Sq. Ft.</u>	<u>Annual Base Rent</u>	<u>Annual Rent per Sq. Ft.</u>
OFFICE:					
Remaining 2001	32	275,524	4.5%	\$4,999	\$18.14
2002	63	498,125	8.1%	9,224	18.52
2003	57	453,551	7.4%	7,809	17.22
2004	55	795,102	12.9%	17,683	22.24
2005	51	885,903	14.4%	16,178	18.26
2006	37	593,864	9.6%	14,224	23.95
2007	16	659,998	10.7%	12,738	19.30
2008	8	391,302	6.3%	8,660	22.13
2009	10	687,213	11.1%	17,281	25.15
2010 and beyond	<u>18</u>	<u>921,887</u>	<u>15.0%</u>	<u>26,659</u>	28.92
Subtotal	<u>347</u>	<u>6,162,469</u>	<u>100.0%</u>	<u>\$135,455</u>	\$21.98
INDUSTRIAL:					
Remaining 2001	37	237,198	4.4%	\$1,989	\$8.39
2002	59	339,641	6.3%	3,119	9.18
2003	53	745,075	13.7%	5,185	6.96
2004	21	564,287	10.4%	4,092	7.25
2005	16	756,702	13.9%	5,758	7.61
2006	10	590,638	10.9%	4,572	7.74
2007	3	164,595	3.0%	1,396	8.48
2008	5	839,712	15.5%	6,268	7.46
2009	7	505,976	9.3%	3,654	7.22
2010 and beyond	<u>7</u>	<u>686,422</u>	<u>12.6%</u>	<u>7,715</u>	11.24
Subtotal	<u>218</u>	<u>5,430,246</u>	<u>100.0%</u>	<u>\$43,748</u>	\$8.06
TOTAL PORTFOLIO:					
Remaining 2001	69	512,722	4.4%	\$6,988	\$13.63
2002	122	837,766	7.2%	12,343	14.73
2003	110	1,198,626	10.3%	12,994	10.84
2004	76	1,359,389	11.7%	21,775	16.02
2005	67	1,642,605	14.1%	21,936	13.35
2006	47	1,184,502	10.2%	18,796	15.87
2007	19	824,593	7.1%	14,134	17.14
2008	13	1,231,014	10.6%	14,928	12.13
2009	17	1,193,189	10.3%	20,935	17.55
2010 and beyond	<u>25</u>	<u>1,608,309</u>	<u>13.9%</u>	<u>34,374</u>	21.37
Total	<u>565</u>	<u>11,592,715</u> ⁽¹⁾	<u>100.0%</u>	<u>\$179,203</u>	\$15.46

(1) Excludes space leased under month-to-month leases at June 30, 2001.

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2001 Dispositions (*\$ in thousands*)

Project	Location	Type	Month of Disposition	Square Feet	Sales Price
1st QUARTER:					
6828 Nancy Ridge Drive	San Diego, CA	Industrial	February	<u>39,669</u>	<u>\$3,300</u>
2nd QUARTER:					
199 & 201 N. Sunrise Avenue	Roseville, CA	Industrial	April	<u>162,203</u>	<u>\$15,400</u>
TOTAL YEAR-TO-DATE DISPOSITIONS				<u>201,872</u>	<u>\$18,700</u>

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Stabilized Development (*\$ in thousands*)

Project	Location	Type	Start Date	Completion Date	Rentable Square Feet	Total Est. Investment	Occupancy
1st QUARTER:							
None							
2nd QUARTER:							
Pacific Technology Center	San Diego, CA	Office	1Q 2000	2Q 2001	67,995	\$12,190	100%
Sorrento Rim Business Park II	San Diego, CA	Office	2Q 2000	2Q 2001	<u>102,875</u>	<u>25,342</u>	100%
Subtotal					<u>170,870</u>	<u>\$37,532</u>	
TOTAL YEAR-TO-DATE STABILIZED DEVELOPMENT					<u>170,870</u>	<u>\$37,532</u>	100%

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In-Process and Committed Development Projects

(\$ in thousands)

Project	Location	Type	Estimated Construction Period		Est. Stabilization Date ⁽²⁾	Rentable Square Feet	Total Estimated Investment	% Committed ⁽³⁾
			Start Date	Compl. Date				
PROJECTS IN LEASE-UP:								
Calabasas Park Centre - Phase II	Calabasas, CA	Office	2Q 2000	1Q 2001	1Q 2002	98,706	\$21,166	58%
Calabasas Park Centre - Phase III ⁽⁴⁾	Calabasas, CA	Office	3Q 2000	1Q 2001	3Q 2001	11,789	2,676	100%
Innovation Corporate Center - Lot 8	San Diego, CA	Office	2Q 2000	2Q 2001	2Q 2002	46,759	9,093	51%
Innovation Corporate Center - Lot 12	San Diego, CA	Office	2Q 2000	2Q 2001	2Q 2002	70,617	11,926	0%
Peregrine Systems Corporate Ctr - Bld 3 ^{(1), (5)}	Del Mar, CA	Office	2Q 2000	2Q 2001	4Q 2001	<u>129,752</u>	<u>27,168</u>	100%
Subtotal						<u>357,623</u>	<u>\$72,029</u>	62%
PROJECTS UNDER CONSTRUCTION:								
Imperial & Sepulveda	El Segundo, CA	Office	1Q 2001	4Q 2001	4Q 2002	133,678	\$35,752	0%
Pacific Corporate Center - Lots 25 & 27	San Diego, CA	Office	2Q 2001	1Q 2002	1Q 2003	68,400	13,907	0%
Sorrento Gateway - Lot 4 ⁽¹⁾	San Diego, CA	Office	2Q 2001	1Q 2002	1Q 2002	60,662	15,888	100%
Westside Media Center - Phase III	West LA, CA	Office	4Q 2000	1Q 2002	1Q 2003	<u>151,000</u>	<u>53,527</u>	0%
Subtotal						<u>413,740</u>	<u>\$119,074</u>	15%
TOTAL PROJECTS IN LEASE UP AND UNDER CONSTRUCTION						<u>771,363</u>	<u>\$191,103</u>	37%
COMMITTED DEVELOPMENT:								
Brobeck, Phleger & Harrison Expansion	Del Mar, CA	Office	3Q 2001	3Q 2002	3Q 2002	89,168	\$22,910	100%
Peregrine Systems Corporate Ctr - Bld 4 ⁽¹⁾	Del Mar, CA	Office	3Q 2001	4Q 2002	2Q 2003	<u>114,780</u>	<u>26,050</u>	100%
						<u>203,948</u>	<u>\$48,960</u>	100%
TOTAL IN-PROCESS AND COMMITTED DEVELOPMENT PROJECTS:						<u>975,311</u>	<u>\$240,063</u>	50%

(1) Project is being developed by a Development LLC in which the Company holds a 50% managing interest. The estimated investment figure includes the capital required to purchase the remaining 50% interest in the project.

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

(3) Includes executed leases, calculated on a square footage basis.

(4) This project is 100% leased to one tenant. It is expected that the tenant will take occupancy of 100% of the space during the third quarter of 2001.

(5) This project is 100% leased to one tenant. The tenant occupied 82% of the project at June 30, 2001 under a staged move-in plan. It is expected that the tenant will take occupancy of the remaining space during the fourth quarter of 2001.

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Future Development Pipeline (*\$ in thousands*)

Project	Location	Type	Rentable Square Feet	Total Estimated Investment
SAN DIEGO COUNTY:				
Innovation Corporate Center - Lot 2	San Diego, CA	Office	51,187	\$9,681
Innovation Corporate Center - Lot 4	San Diego, CA	Office	75,000	13,150
Innovation Corporate Center - Lot 9	San Diego, CA	Office	65,867	11,803
Innovation Corporate Center - Lot 10	San Diego, CA	Office	37,405	7,554
Pacific Corporate Center - Lots 3, 4 & 6	San Diego, CA	Office	225,000	44,128
Pacific Corporate Center - Lot 8	San Diego, CA	Office	116,157	24,992
San Diego Corporate Center - Lot 7	Del Mar, CA	Office	207,842	62,200
Santa Fe Summit - Phase I	San Diego, CA	Office	150,000	32,243
Santa Fe Summit - Phase II	San Diego, CA	Office	150,000	33,958
Sorrento Gateway - Lot 1	San Diego, CA	Office	54,878	11,052
Sorrento Gateway - Lot 2 ⁽¹⁾	San Diego, CA	Office	70,000	13,730
Sorrento Gateway - Lot 3 ⁽¹⁾	San Diego, CA	Office	56,800	11,064
Sorrento Gateway - Lot 7 ⁽¹⁾	San Diego, CA	Office	<u>57,000</u>	<u>11,484</u>
Subtotal			<u>1,317,136</u>	<u>\$287,039</u>
TOTAL FUTURE DEVELOPMENT PIPELINE			<u>1,317,136</u>	<u>\$287,039</u>

(1) Project is being developed by a Development LLC in which the Company holds a 50% interest. The estimated investment figure includes the capital required to purchase the remaining 50% interest in the project.

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Capital Structure At June 30, 2001 (\$ in thousands)

	Shares/Units at June 30, 2001	Aggregate Principal Amount or \$ Value Equivalent	% of Total Market Capitalization
DEBT:			
Secured Debt		\$438,947	24.9%
Unsecured Line of Credit		185,000	10.5%
Unsecured Term Facility		<u>100,000</u>	<u>5.7%</u>
Total Debt		<u>\$723,947</u>	<u>41.1%</u>
EQUITY:			
8.075% Series A Cumulative Redeemable Preferred Units ⁽¹⁾	1,500,000	\$75,000	4.3%
9.375% Series C Cumulative Redeemable Preferred Units ⁽¹⁾	700,000	35,000	2.0%
9.250% Series D Cumulative Redeemable Preferred Units ⁽¹⁾	900,000	45,000	2.5%
Common Units Outstanding ⁽²⁾	3,062,854	89,129	5.1%
Common Shares Outstanding ⁽²⁾	27,265,614	<u>793,429</u>	<u>45.0%</u>
Total Equity		<u>\$1,037,558</u>	<u>58.9%</u>
TOTAL MARKET CAPITALIZATION		<u>\$1,761,505</u>	<u>100.0%</u>

(1) Value based on \$50.00 per share liquidation preference.

(2) Valued based on closing share price of \$29.10 at June 30, 2001.

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Debt Analysis

At June 30, 2001

(\$ in thousands)

SECURED DEBT AND UNSECURED TERM FACILITY PRINCIPAL REPAYMENT SCHEDULE						
2001	2002	2003	2004	2005	Thereafter	Total
\$12,175	\$6,148	\$173,678	\$127,719	\$16,965	\$202,262	\$538,947

TOTAL DEBT COMPOSITION			
	% of <u>Total Debt</u>	<u>Weighted Average</u>	
		<u>Interest Rate</u>	<u>Maturity</u>
Secured vs. Unsecured Debt:			
Secured Debt	60.6%	6.9%	5.3
Unsecured Debt	39.4%	7.6%	2.0
Floating vs. Fixed Rate Debt:			
Fixed Rate Debt ^{(1),(2),(4)}	77.1%	7.5%	4.6
Floating Rate Debt ⁽³⁾	22.9%	<u>6.0%</u>	<u>2.0</u>
Total Debt		<u>7.2%</u>	<u>4.0</u>

UNSECURED LINE OF CREDIT		
<u>Total Line</u>	<u>Outstanding Balance</u>	<u>Expiration Date</u>
\$400,000	\$185,000	November 2002

CAPITALIZED INTEREST	
<u>Quarter-to-Date</u>	<u>Year-to-Date</u>
\$3.4 million	\$6.7 million

- (1) The Company currently has an interest-rate swap agreement to fix LIBOR on \$150 million of its floating rate debt at 6.95% which expires in February 2002.
- (2) The Company currently has an interest-rate swap agreement to fix LIBOR on \$150 million of its floating rate debt at 5.48% which expires in November 2002.
- (3) The Company, through one of its Development LLCs, currently has an interest-rate cap agreement to cap LIBOR on its floating rate construction debt at 8.5% which expires in April 2002. The notional amount of the cap increases over the life of the agreement as the balance of the related construction loan increases. At June 30, 2001, the notional amount of the cap agreement was approximately \$54.4 million.
- (4) The percentage of fixed rate debt to total debt does not take into consideration the portion of floating rate debt capped by the Company's interest-rate cap agreement. Including the effects of the interest-rate cap agreement, the Company had fixed or capped approximately 84.7% of its total outstanding debt at June 30, 2001.