

Delivering QUALITY



KILROY
REALTY
CORPORATION

2000 ANNUAL REPORT



1231 North Miller

ORANGE COUNTY

COMPANY Profile



Kilroy Realty Corporation is a Southern California-based real estate investment trust active in the office and industrial property markets of the western United States, primarily California. Founded in 1947 by John B. Kilroy, Sr., the company's present chairman, the company has operated as a fully integrated real estate enterprise for five decades. Today, Kilroy Realty owns and manages 12.4 million square feet of commercial space and is actively expanding its real estate portfolio with a development pipeline centered in several high-growth coastal sub-markets of Southern California. At December 31, 2000, the company owned and managed 6.6 million square feet of office space and 5.8 million square feet of industrial space.

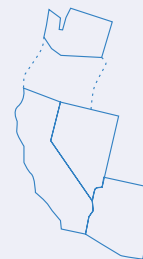
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KRC Portfolio

AT DECEMBER 31, 2000
(IN SQUARE FEET)

ARIZONA	130,877
CALIFORNIA	11,483,548
NEVADA	284,922
WASHINGTON	532,651



ON THE COVER:

Calabasas Park Centre

CALABASAS



Peregrine Systems
Corporate Center

DEL MAR



Westside Media Center

WEST LOS ANGELES

PERFORMANCE Measures

FINANCIAL HIGHLIGHTS

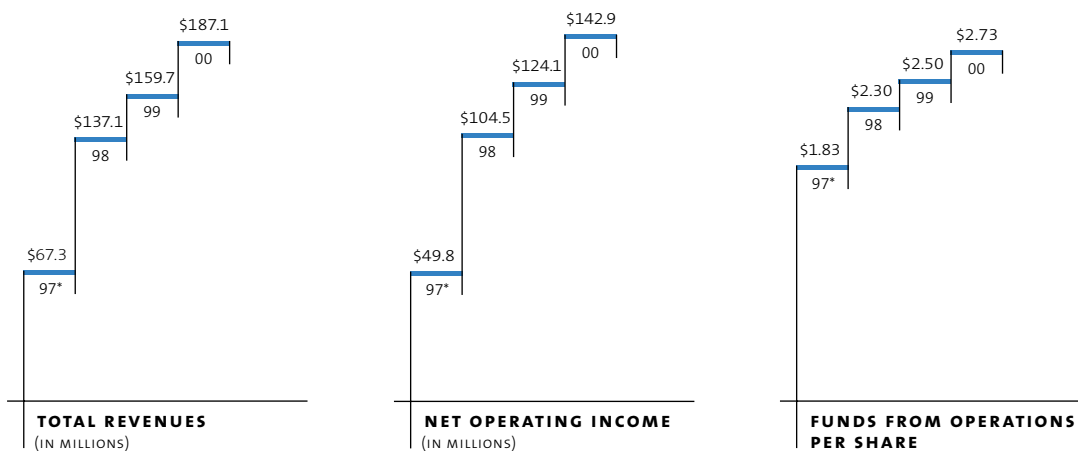
(IN THOUSANDS EXCEPT PER SHARE DATA)

	12 MONTHS ENDED		
	12.31.00	12.31.99	12.31.98
REVENUES	\$187,113	\$159,700	\$137,088
NET INCOME	\$ 46,846	\$ 39,895	\$ 38,822
FUNDS FROM OPERATIONS (FFO)	\$ 83,471	\$ 80,631	\$ 71,174
FFO PER SHARE	\$ 2.73	\$ 2.50	\$ 2.30
DIVIDENDS PER SHARE	\$ 1.80	\$ 1.68	\$ 1.62

RENTABLE SQUARE FOOTAGE

(AT 12.31)

	2000	1999	1998
OFFICE PROPERTIES	6,624,443	6,147,985	5,600,459
INDUSTRIAL PROPERTIES	5,807,555	6,477,132	6,157,107
OCCUPANCY	97%	97%	96%



* Eleven months ended December 31, 1997.

To Our SHAREHOLDERS

“Quality is always in
high demand, the key to
long-term value in both
customer relationships
and real estate assets.”



JOHN B. KILROY, JR.
President and Chief Executive Officer

California's record-setting economic performance in 2000 produced another remarkable year for commercial real estate. Up and down the state, new business formations and robust job creation accelerated already strong demand for high quality, well-located office and industrial space, while entitlement hurdles and capital market discipline restrained new supply.

Southern California fared particularly well. The five-county region stretching from San Diego to Ventura, where Kilroy Realty owns and operates the overwhelming majority of its portfolio, produced more than 193,000 net new jobs last year, reducing unemployment rates to 20-year lows in many submarkets.

At KRC, we took full advantage of the favorable conditions to add new, "state of the market" properties to our portfolio while selling mature, non-strategic assets. This process of capital redeployment enhanced the overall quality of our portfolio and increased its appeal for today's universe of tenants. Furthermore, the proceeds generated from our asset dispositions helped finance new development, enabling us to maintain a strong balance sheet and a healthy growth rate.

Our financial results underscore the increasing value of the KRC portfolio. Total revenues grew 17% last year to \$187 million. Funds from operations rose to \$83.5 million, or \$2.73 per share, up 9% on a per-share basis. Net income increased to \$46.8 million, or \$1.75 per share, up 22% on a per-share basis. In February 2001, our board of directors announced a 6.7% increase in KRC's annual dividend to \$1.92 per share – a clear signal of their confidence in the company's ongoing growth prospects.

New development added just over a million square feet of office space to our real estate holdings last year, at a total investment cost of \$203 million. Located in many of Southern California's fastest growing submarkets, including coastal San Diego, West Los Angeles and northwestern LA County, these nine new properties were 99% occupied at year-end. We also sold some 957,000 square feet of mature properties for total proceeds of \$114 million.

Our existing portfolio also benefited from the strong market. All told, we signed new and renewing leases on nearly two million square feet of space in our stabilized



RICHARD E. MORAN JR.
Executive Vice President and
Chief Financial Officer



JEFFREY C. HAWKEN
Executive Vice President and
Chief Operating Officer

portfolio at average rental rates 24% above the prior rates. Total revenues generated by the stabilized portfolio increased 6.6%, to \$147 million. Net operating income for these properties rose 7.1%, to \$114 million. At year-end, the portfolio's occupancy rate stood at 97%.

As we went to press, our experience in the coastal submarkets of Southern California where we operate continued to signal healthy operating conditions for commercial real estate. We are certainly aware of the potential challenges ahead for the California economy given the national slowdown and rising energy prices. Yet our markets continue to perform well. Indeed, both capital and regulatory constraints on development here have been quite effective in limiting new supply, while demand, to date, shows little evidence of weakening.

If these conditions remain intact, we're optimistic that both our markets and our company will perform well this year. And one of the key reasons for that optimism is our unwavering focus on quality. Quality describes our portfolio. Quality describes our chosen submarkets. And quality certainly describes the nature of the industries that power California's economy as we enter the 21st century.

Simply put, California commands the high ground in the battle to supply and serve our increasingly information-driven global economy. The state's unmatched quality of life, its array of world-renowned educational institutions, its highly educated and entrepreneurial workforce, and its position at the nexus of Pacific Rim commerce all act as magnets to attract and retain high quality business enterprises. Last year, an estimated one in two new jobs and one in six new businesses in the United States were created in California.

Currently, our internal planning at KRC assumes, as do most regional economic forecasts, that growth will moderate but continue in 2001. With that backdrop, we will continue to pursue the set of growth strategies that we laid out to our investors in our IPO four years ago, and that we have consistently executed every year since.

Quality plays a key role in our strategies. We choose to focus our operations in the Southern California marketplace that has generated our organization's success for more than

50 years. Within this region, we concentrate our resources in the rapidly growing, largely coastal submarkets that have come to dominate Southern California's economic growth. And we approach these submarkets with product designs that address the style, flexibility and sophisticated technology needs of our tenant base.

Suburban in feel, decentralized in structure, with a carefully balanced approach to land use and a rigorously enforced set of entitlement processes, these new communities are reshaping much of our state's and our nation's landscape. They now command three-quarters of national office starts and 80% of national job creation. In California, they are the clear location of choice for the state's fastest growing, information-driven businesses and their highly prized employees.

Not surprisingly, our roster of customers in these burgeoning new submarkets includes some of the highest quality businesses in the state. Large and small, new economy and old, services- and manufacturing-oriented, our tenants represent the broad diversity of the Southern California economy itself.

This year, we expect to add several new names to the list. Our committed development for 2001 includes 11 projects with 965,000 square feet of rentable space. As with all our new development, these are top quality properties in top quality Southern California submarkets. At year-end, they were 56% preleased or otherwise committed – evidence, once again, that quality is always in high demand, the key to long-term value in both customer relationships and real estate assets.

All in all, I am confident that we remain on track for another solid performance at Kilroy Realty Corporation in the year ahead. Our portfolio continues to grow in value. And we remain committed to delivering a sound and prosperous future for our company and its shareholders, and a high quality business environment for our customers.

Thank you for your continued support.

Cordially,

John B. Kilroy, Jr.

President and Chief Executive Officer



Brobeck Regional Campus

DEL MAR



Carmel Valley Corporate Center

DEL MAR

Year in REVIEW

INCREASED revenues 17.2% to \$187 million, funds from operations per share 9.2% to \$2.73 per share, and, in February 2001, the annualized dividend 6.7% to \$1.92 per share.

ENHANCED the overall quality of the company's real estate portfolio, investing \$203 million in new office development located in rapidly growing submarkets of coastal San Diego, Long Beach Airport, West Los Angeles and northwestern Los Angeles County, while divesting \$114 million in mature, non-strategic real estate assets.

COMPLETED and stabilized nine new office properties totaling 1.0 million square feet of rentable space that was 99% occupied at year-end 2000.

SIGNED new and renewing leases on 2.0 million square feet of space at average rental rates 24% above year-earlier levels.

INCREASED net operating income from the company's existing portfolio 7.1% to \$114 million while boosting its average occupancy to 97%.

INITIATED construction or committed to do so on 965,000 square feet of new office space in Southern California, 56% of which was preleased or committed at year-end 2000.

STRENGTHENED the company's balance sheet and increased its financial flexibility by expanding unsecured credit lines to \$500 million.

Sony Music Headquarters

SANTA MONICA



DELIVERING QUALITY IS FUNDAMENTAL TO OUR BUSINESS.

We manage our portfolio to build value, not size. Consciously recycling capital from mature assets helps to fund new development, maintain a strong balance sheet and enhance the long-term earnings potential of our overall mix of properties.

We operate our properties to foster relationships that endure. We have a keen understanding of the knowledge-based industries our markets attract. New economy or old, manufacturing, research or service-based, these are fast-paced enterprises with highly educated, creative employees. They need flexible work environments, “state-of-the-market” amenities, and responsive property management.

We develop new real estate to capture opportunities difficult for competitors to replicate. We focus on the high-growth coastal submarkets of Southern California, where excess demand is commonplace, supply is limited, and barriers to entry are permanent.



Looking west,
Kilroy Airport Center | LONG BEACH

Local history, market experience and long-standing relationships are powerful assets in the real estate business, especially when they're built on a genuine commitment to quality. For more than 50 years, Kilroy Realty has operated its real estate portfolio with this in mind, offering high quality properties, flexible leasing opportunities, innovative tenant services, and responsive property management.

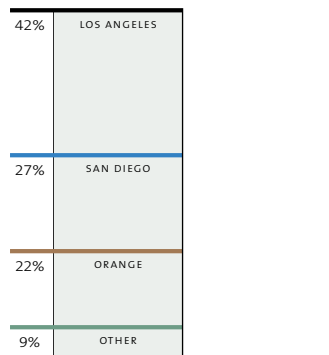
Today, KRC is a leader in the development of a new style of office property, a more flexible and "tech-rich" environment, often encompassing several low- to mid-rise buildings arranged in a campus-style setting and situated in one of Southern California's newly emerging economic hubs. In submarkets from coastal San Diego

to Los Angeles' northern border, these new properties have launched a revolution in the way entire industries approach office space needs. Used effectively, they can help attract, retain and motivate the knowledge workers that account for a growing portion of the region's workforce.



West fountain,
Kilroy Airport Center | LONG BEACH

PROPERTY OPERATIONS



2000 NET OPERATING INCOME
(BY COUNTY)



Leasing manager Erik Good and asset manager Sandra Beach oversee the Long Beach campus.



An aerial view of the seven-building, 950,000 square-foot Kilroy Airport Center, Long Beach.



Diversa Headquarters is one of three new buildings completed and occupied at KRC's Sorrento Gateway campus in San Diego County.



5010 Wateridge Vista Drive

SORRENTO GATEWAY



Vice president of development Jim Edwards and senior vice president of asset management John Fucci at Sorrento Gateway.

PROPERTY DEVELOPMENT

The economics of development in Southern California are compelling, particularly for experienced players with the capital and relationships necessary to navigate some of the toughest entitlement processes in the United States today. This is especially true in the region's most attractive submarkets that dot the coastline from San Diego north to the Ventura County border. In these communities, extensive planning mechanisms to manage land use and enhance the local quality of life create a seemingly insatiable level of demand for both commercial and residential real estate, while erecting daunting barriers to the creation of new supply.

Kilroy Realty has successfully developed the majority of its current portfolio in these markets, adhering to a few basic rules. Operate only in the best submarkets. Build in digestible bites. Prelease a substantial portion of new development. Create flexible, high quality properties most likely to sustain their value over time. Over the next 12 months, KRC expects to deliver 11 new office properties encompassing more than 965,000 square feet of space for a total estimated investment of \$232 million. More than half of this space is preleased or committed.



Peregrine Systems Corporate Center

DEL MAR



Asset manager Doreen Ray and director of facilities Bill Wendt at KRC's El Segundo headquarters.

PORTFOLIO MANAGEMENT

Size, location and quality are all important measures of a real estate portfolio and its long-term value. But a real estate enterprise is judged first by the strength of its management skills. And so it should be. Effective management can significantly enhance the value of a portfolio's assets over time, optimizing returns in strong markets, protecting them from erosion in weak markets.

Last year, Kilroy Realty capitalized on strong conditions in Southern California commercial real estate markets to improve the overall quality of the company's portfolio and redeploy invested capital for higher returns. KRC invested \$203 million to complete and stabilize nine new office properties with an aggregate 1.0 million square feet of space located in the region's strongest submarkets. The development was financed, in part, with the disposition of \$114 million of non-strategic assets totaling 957,000 square feet of space.



The second of three buildings at KRC's Westside Media Center in West Los Angeles was completed in 2000.



1075 Lambert

ORANGE COUNTY

Directors and MANAGEMENT

BOARD OF DIRECTORS

JOHN B. KILROY, SR.
Chairman of the Board

JOHN R. D'EATHE
President
Freehold Development
Canada Ltd.

WILLIAM P. DICKEY
President
The Dermot Company, Inc.

MATTHEW J. HART
Executive Vice President and
Chief Financial Officer
Hilton Hotels Corporation

JOHN B. KILROY, JR.
President and Chief Executive Officer
Kilroy Realty Corporation

DALE F. KINSELLA
Partner
Greenberg, Glusker, Fields,
Claman, Machtinger & Kinsella L.L.P.

MANAGEMENT

JOHN B. KILROY, JR.
President and
Chief Executive Officer

JEFFREY C. HAWKEN
Executive Vice President
and Chief Operating Officer

RICHARD E. MORAN JR.
Executive Vice President
and Chief Financial Officer

CAMPBELL HUGH GREENUP
Executive Vice President,
Los Angeles

KATHY M. DELGADO
Senior Vice President,
Marketing and Leasing

JOHN T. FUCCI
Senior Vice President,
Asset Management

TYLER H. ROSE
Senior Vice President
and Treasurer

STEVE SCOTT
Senior Vice President,
San Diego

JUSTIN SMART
Senior Vice President,
Los Angeles Development

ANN MARIE WHITNEY
Senior Vice President
and Controller

NADINE K. KIRK
Vice President,
Legal Administration

CORPORATE Information

CORPORATE HEADQUARTERS

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El Segundo, California 90245
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Fax: (310) 322-5981
www.kilroyrealty.com

TRANSFER AGENT

Mellon Investor Services L.L.C.
P.O. Box 3315
South Hackensack, NJ 07606
www.mellon-investor.com

ANNUAL STOCKHOLDERS MEETING

The company's annual meeting of stockholders will be held at The Beverly Hilton Hotel in Beverly Hills, California, at 10:00 am on Tuesday, May 22, 2001.

MARKET INFORMATION

The company's common stock is listed on the New York Stock Exchange under the ticker symbol: KRC. The high and low quarterly closing prices for the company's common stock in 2000 and 1999 are shown below.

2000	High	Low
Fourth Quarter	\$29.13	\$25.56
Third Quarter	\$26.94	\$24.81
Second Quarter	\$26.50	\$21.19
First Quarter	\$21.56	\$19.44

1999	High	Low
Fourth Quarter	\$22.38	\$18.00
Third Quarter	\$24.31	\$20.31
Second Quarter	\$26.19	\$19.69
First Quarter	\$23.38	\$19.94

DIVIDEND REINVESTMENT AND DIRECT PURCHASE PLAN

The company has established a plan under which shareholders may automatically reinvest their dividends or make periodic additional cash investments to the company's common stock. For additional information and enrollment materials, please contact MellonBank, N.A., care of Mellon Investor Services L.L.C., at (888) 816-7506.

