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10pt;color:#000000;text-decoration:none;">Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)

10.31

Assignment of Leases and Rents, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)

10.32

Recourse Guaranty Agreement, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)

10.33

Environmental Indemnification Agreement, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)

10.34†

Kilroy Realty Corporation 2007 Deferred Compensation Plan, as amended and restated effective January 1, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2016)

10.35

General Partner Guaranty Agreement, dated February 17, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended March 31, 2017)

10.36†

Kilroy Realty 2006 Incentive Award Plan (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 23, 2017)

10.37

Second Amended and Restated Credit Agreement dated as of July 24, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended June 30, 2017)

10.38

Second Amended and Restated Guaranty dated as of July 24, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended on June 30, 2017)

10.39	Note Purchase Agreement dated May 11, 2018 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 14, 2018)
10.40	Sales Agreement, dated June 5, 2018, between and among Kilroy Realty Corporation, Kilroy Realty, L.P. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc., RBC Capital Markets, LLC, Scotia Capital (USA) Inc. and SMBC Nikko Securities America, Inc. as Agents, and the Forward Purchasers (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on June 5, 2018)
10.41	Forward Sale Agreement dated August 8, 2018, among Kilroy Realty Corporation and Barclays Bank PLC, as Forward Purchaser (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 13, 2018)
10.42	Forward Sale Agreement dated August 8, 2018, among Kilroy Realty Corporation and Citibank, N.A., as Forward Purchaser (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 13, 2018)
21.1*	List of Subsidiaries of Kilroy Realty Corporation
21.2*	List of Subsidiaries of Kilroy Realty, L.P.
23.1*	Consent of Deloitte & Touche LLP for Kilroy Realty Corporation
23.2*	Consent of Deloitte & Touche LLP for Kilroy Realty, L.P.
24.1*	Power of Attorney (included on the signature page of this Form 10-K)
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 year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Capital, (v) Consolidated Statements of Cash Flows and (vi) Notes to the Consolidated Financial Statements.(1)

* 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 Section 13 or 15(d) of the Securities Exchange Act of 1934, Kilroy Realty Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 14, 2019.

KILROY REALTY CORPORATION

By /s/ Heidi R. Roth
Heidi R. Roth
Executive Vice President and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that we, the undersigned directors and officers of Kilroy Realty Corporation, do hereby severally constitute and appoint John Kilroy, Jeffrey C. Hawken, Tyler H. Rose and Heidi R. Roth, and each of them, as our true and lawful attorneys-in-fact and agents, each with full powers of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable Kilroy Realty Corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically, but without limitation, the power and authority to sign for us or any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that said attorneys-in-fact and agents or their substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ John Kilroy John Kilroy	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 14, 2019
/s/ Tyler H. Rose Tyler H. Rose	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2019
/s/ Heidi R. Roth Heidi R. Roth	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2019
/s/ Edward F. Brennan, PhD Edward F. Brennan, PhD	Director	February 12, 2019
/s/ Jolie Hunt Jolie Hunt	Director	February 12, 2019
/s/ Scott S. Ingraham Scott S. Ingraham	Director	February 12, 2019

/s/ Gary R. Stevenson	Director	February 12, 2019
Gary R. Stevenson		
/s/ Peter B. Stoneberg	Director	February 12, 2019
Peter B. Stoneberg		

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Kilroy Realty, L.P. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 14, 2019.

KILROY REALTY, L.P.

By /s/ Heidi R. Roth
Heidi R. Roth
Executive Vice President and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that we, the undersigned directors and officers of Kilroy Realty Corporation, as sole general partner and on behalf of Kilroy Realty, L.P., do hereby severally constitute and appoint John Kilroy, Jeffrey C. Hawken, Tyler H. Rose and Heidi R. Roth, and each of them, as our true and lawful attorneys-in-fact and agents, each with full powers of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable Kilroy Realty Corporation, as sole general partner and on behalf of Kilroy Realty, L.P., to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically, but without limitation, the power and authority to sign for us or any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that said attorneys-in-fact and agents or their substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ John Kilroy John Kilroy	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 14, 2019
/s/ Tyler H. Rose Tyler H. Rose	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2019
/s/ Heidi R. Roth Heidi R. Roth	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2019
/s/ Edward F. Brennan, PhD Edward F. Brennan, PhD	Director	February 12, 2019
/s/ Jolie Hunt Jolie Hunt	Director	February 12, 2019
/s/ Scott S. Ingraham Scott S. Ingraham	Director	February 12, 2019

/s/ Gary R. Stevenson	Director	February 12, 2019
Gary R. Stevenson		
/s/ Peter B. Stoneberg	Director	February 12, 2019
Peter B. Stoneberg		

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017
AND FOR THE THREE YEARS ENDED DECEMBER 31, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Kilroy Realty Corporation
Los Angeles, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kilroy Realty Corporation (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
February 14, 2019

We have served as the Company's auditor since 1995.

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

	December 31, 2018	December 31, 2017
ASSETS		
REAL ESTATE ASSETS (Notes 2, 3 and 4):		
Land and improvements	$ 1,160,138	$ 1,076,172
Buildings and improvements	5,207,984	4,908,797
Undeveloped land and construction in progress	2,058,510	1,432,808
Total real estate assets held for investment	8,426,632	7,417,777
Accumulated depreciation and amortization	(1,391,368)	(1,264,162)
Total real estate assets held for investment, net	7,035,264	6,153,615
CASH AND CASH EQUIVALENTS (Note 23)	51,604	57,649
RESTRICTED CASH (Notes 4 and 23)	119,430	9,149
MARKETABLE SECURITIES (Notes 16 and 19)	21,779	20,674
CURRENT RECEIVABLES, NET (Note 6)	20,176	16,926
DEFERRED RENT RECEIVABLES, NET (Note 6)	267,007	246,391
DEFERRED LEASING COSTS AND ACQUISITION-RELATED INTANGIBLE ASSETS, NET (Notes 3 and 5)	197,574	183,728
PREPAID EXPENSES AND OTHER ASSETS, NET (Note 7)	52,873	114,706
TOTAL ASSETS	$ 7,765,707	$ 6,802,838
LIABILITIES AND EQUITY		
LIABILITIES:		
Secured debt, net (Notes 8, 9 and 19)	$ 335,531	$ 340,800
Unsecured debt, net (Notes 8, 9 and 19)	2,552,070	2,006,263
Unsecured line of credit (Notes 8, 9 and 19)	45,000	—
Accounts payable, accrued expenses and other liabilities (Note 18)	374,415	249,637
Accrued dividends and distributions (Notes 13 and 28)	47,559	43,448
Deferred revenue and acquisition-related intangible liabilities, net (Notes 3, 5 and 10)	149,646	145,890
Rents received in advance and tenant security deposits	60,225	56,484
Total liabilities	3,564,446	2,842,522
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY (Notes 11 and 13):		
Stockholders' Equity:		
Common stock, \$.01 par value, 150,000,000 shares authorized, 100,746,988 and 98,620,333 shares issued and outstanding, respectively	1,007	986
Additional paid-in capital	3,976,953	3,822,492
Distributions in excess of earnings	(48,053)	(122,685)
Total stockholders' equity	3,929,907	3,700,793
Noncontrolling Interests (Note 11):		
Common units of the Operating Partnership	78,991	77,948
Noncontrolling interests in consolidated property partnerships (Note 2)	192,363	181,575
Total noncontrolling interests	271,354	259,523
Total equity	4,201,261	3,960,316
TOTAL LIABILITIES AND EQUITY	$ 7,765,707	$ 6,802,838

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
REVENUES:			
Rental income	$656,631	$633,896	$574,413
Tenant reimbursements	80,982	76,559	61,079
Other property income (Note 18)	9,685	8,546	7,080
Total revenues	747,298	719,001	642,572
EXPENSES:			
Property expenses	133,787	129,971	113,932
Real estate taxes	70,820	66,449	55,206
Provision for bad debts (Note 20)	5,685	3,269	—
Ground leases (Notes 5 and 18)	6,176	6,337	3,439
General and administrative expenses (Note 15)	90,471	60,581	57,029
Acquisition-related expenses (Note 2)	—	—	1,902
Depreciation and amortization (Notes 2 and 5)	254,281	245,886	217,234
Total expenses	561,220	512,493	448,742
OTHER (EXPENSES) INCOME:			
Interest income and other net investment (loss) gain (Note 19)	(559)	5,503	1,764
Interest expense (Note 9)	(49,721)	(66,040)	(55,803)
Loss on early extinguishment of debt (Note 9)	(12,623)	(5,312)	—
Net gain (loss) on sales of land (Note 4)	11,825	449	(295)
Gains on sales of depreciable operating properties (Note 4)	142,926	39,507	164,302
Total other income (expenses)	91,848	(25,893)	109,968
NET INCOME	277,926	180,615	303,798
Net income attributable to noncontrolling common units of the Operating Partnership (Notes 2 and 11)	(5,193)	(3,223)	(6,635)
Net income attributable to noncontrolling interests in consolidated property partnerships (Notes 2 and 11)	(14,318)	(12,780)	(3,375)
Total income attributable to noncontrolling interests	(19,511)	(16,003)	(10,010)
NET INCOME ATTRIBUTABLE TO KILROY REALTY CORPORATION	258,415	164,612	293,788
Preferred dividends (Note 13)	—	(5,774)	(13,250)
Original issuance costs of redeemed preferred stock and preferred units (Note 13)	—	(7,589)	—
Total preferred dividends	—	(13,363)	(13,250)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$258,415	$151,249	$280,538
Net income available to common stockholders per share – basic (Note 21)	$2.56	$1.52	$3.00
Net income available to common stockholders per share – diluted (Note 21)	$2.55	$1.51	$2.97
Weighted average shares of common stock outstanding – basic (Note 21)	99,972,359	98,113,561	92,342,483
Weighted average shares of common stock outstanding – diluted (Note 21)	100,482,365	98,727,331	93,023,034

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	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, 2015	$192,411	92,258,690	$923	$3,047,894	$(70,262)	$3,170,966	$63,620	$3,234,586
Net income					293,788	293,788	10,010	303,798
Issuance of common stock		451,398	4	31,113		31,117		31,117
Issuance of share-based compensation awards				1,827		1,827		1,827
Non-cash amortization of share-based compensation				26,624		26,624		26,624
Exercise of stock options		286,500	3	12,205		12,208		12,208
Repurchase of common stock, stock options and restricted stock units		(137,126)	(1)	(8,874)		(8,875)		(8,875)
Settlement of restricted stock units for shares of common stock		109,044	1	(1)		—		—
Issuance of common units in connection with acquisition						—	48,033	48,033
Exchange of common units of the Operating Partnership		250,933	2	8,891		8,893	(8,893)	—
Initial contributions by noncontrolling interest in consolidated property partnership, net of transaction costs				328,997		328,997	124,452	453,449
Distributions to noncontrolling interests in consolidated property partnerships						—	(3,615)	(3,615)
Adjustment for noncontrolling interest in the Operating Partnership				8,973		8,973	(8,973)	—
Preferred dividends and distributions					(13,250)	(13,250)		(13,250)
					(318,273)	(318,273)	(8,312)	(326,585)

Dividends declared per share of common stock and common unit ($3.375 per share/unit)								
BALANCE AS OF DECEMBER 31, 2016	192,411	93,219,439	932	3,457,649	(107,997)	3,542,995	216,322	3,759,317
Net income					164,612	164,612	16,003	180,615
Redemption of Series G & H Preferred stock	(192,411)				(7,589)	(200,000)		(200,000)
Issuance of common stock		4,662,577	46	326,012		326,058		326,058
Issuance of share-based compensation awards				5,890		5,890		5,890
Non-cash amortization of share-based compensation				26,319		26,319		26,319
Exercise of stock options		285,000	4	12,175		12,179		12,179
Settlement of restricted stock units for shares of common stock		317,848	3	(3)		—		—
Repurchase of common stock, stock options and restricted stock units		(168,881)	(2)	(12,984)		(12,986)		(12,986)
Exchange of common units of the Operating Partnership		304,350	3	10,936		10,939	(10,939)	—
Contributions from noncontrolling interests in consolidated property partnerships				—		—	54,604	54,604
Distributions to noncontrolling interests in consolidated property partnerships						—	(16,542)	(16,542)
Adjustment for noncontrolling interest in the Operating Partnership				(3,502)		(3,502)	3,502	—
Preferred dividends and distributions					(5,774)	(5,774)		(5,774)
Dividends declared per share of common stock and common unit ($1.65 per share/unit)					(165,937)	(165,937)	(3,427)	(169,364)
BALANCE AS OF DECEMBER 31, 2017	—	98,620,333	986	3,822,492	(122,685)	3,700,793	259,523	3,960,316
Net income					258,415	258,415	19,511	277,926
Issuance of common stock (Note 13)		1,817,195	18	130,675		130,693		130,693

Issuance of share-based compensation awards (Note 15)				3,926		3,926		3,926
Non-cash amortization of share-based compensation (Note 15)				35,890		35,890		35,890
Exercise of stock options		1,000	—	41		41		41
Settlement of restricted stock units for shares of common stock (Note 15)		488,354	4	(4)		—		—
Repurchase of common stock and restricted stock units (Note 15)		(231,800)	(2)	(16,551)		(16,553)		(16,553)
Exchange of common units of the Operating Partnership		51,906	1	1,961		1,962	(1,962)	—
Contributions from noncontrolling interests in consolidated property partnerships						—	8,273	8,273
Distributions to noncontrolling interests in consolidated property partnerships						—	(11,803)	(11,803)
Adjustment for noncontrolling interest in the Operating Partnership (Note 2)				(1,477)		(1,477)	1,477	—
Dividends declared per share of common stock and common unit ($1.79 per share/unit) (Notes 13 and 28)					(183,783)	(183,783)	(3,665)	(187,448)
BALANCE AS OF DECEMBER 31, 2018	$—	100,746,988	$1,007	$3,976,953	$(48,053)	$3,929,907	$271,354	$4,201,261

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$277,926	$180,615	$303,798
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of real estate assets and leasing costs	249,882	241,862	213,156
Depreciation of non-real estate furniture, fixtures and equipment	4,400	4,024	4,078
Increase in provision for bad debts (Note 20)	5,685	3,269	—
Non-cash amortization of share-based compensation awards (Note 15)	27,932	19,046	21,064
Non-cash amortization of deferred financing costs and net debt discounts	1,084	3,247	2,720
Non-cash amortization of net below market rents (Note 5)	(9,748)	(8,528)	(7,166)
Loss on early extinguishment of debt (Note 9)	12,623	5,312	—
(Gain) loss on sale of land (Note 4)	(11,825)	(449)	295
Gains on sales of depreciable operating properties (Note 4)	(142,926)	(39,507)	(164,302)
Non-cash amortization of deferred revenue related to tenant-funded tenant improvements (Note 10)	(18,429)	(16,767)	(13,244)
Straight-line rents	(26,976)	(33,275)	(29,629)
Net change in other operating assets	(7,930)	(17,732)	(5,214)
Net change in other operating liabilities	48,345	5,895	19,498
Net cash provided by operating activities	410,043	347,012	345,054
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for development properties and undeveloped land	(489,236)	(397,440)	(351,012)
Expenditures for acquisitions of development properties and undeveloped land (Note 3)	(311,299)	(19,829)	(33,513)
Expenditures for acquisitions of operating properties (Note 3)	(257,340)	—	(393,767)
Expenditures for operating properties and other capital assets	(166,440)	(88,425)	(111,961)
Net proceeds received from dispositions (Note 4)	364,300	182,492	325,031
Decrease (increase) in acquisition-related deposits	36,000	(35,900)	1,902
Proceeds received from repayment of note receivable (Note 7)	15,100	—	—
Issuance of notes receivable	—	—	(16,100)
Net cash used in investing activities	(808,915)	(359,102)	(579,420)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock (Note 13)	130,693	326,058	31,117
Redemption of Series G and H Preferred stock (Note 13)	—	(200,000)	—
Net proceeds from the issuance of unsecured debt (Note 9)	648,537	674,447	—
Repayments of unsecured debt (Note 9)	(261,823)	(519,024)	—
Borrowings on unsecured revolving credit facility	765,000	270,000	305,000
Repayments on unsecured revolving credit facility	(690,000)	(270,000)	(305,000)
Borrowings on unsecured debt (Note 9)	120,000	—	—
Principal payments and repayments of secured debt (Note 9)	(3,584)	(130,371)	(74,140)
Proceeds from the issuance of secured debt (Note 9)	—	—	170,000
Financing costs	(6,262)	(11,500)	(2,159)
Repurchase of common stock and restricted stock units (Note 15)	(16,553)	(12,986)	(8,875)
Proceeds from exercise of stock options	41	12,179	12,208
Contributions from noncontrolling interests in consolidated property partnerships (Note 11)	8,273	54,604	453,449

Distributions to noncontrolling interests in consolidated property partnerships	(11,803)	(16,542)	(3,615)
Dividends and distributions paid to common stockholders and common unitholders	(179,411)	(340,697)	(137,444)
Dividends and distributions paid to preferred stockholders and preferred unitholders	—	(7,409)	(13,250)
Net cash provided by (used in) financing activities	503,108	(171,241)	427,291
Net increase (decrease) in cash and cash equivalents and restricted cash	104,236	(183,331)	192,925
Cash and cash equivalents and restricted cash, beginning of year	66,798	250,129	57,204
Cash and cash equivalents and restricted cash, end of year	$171,034	$66,798	$250,129

See accompanying notes to consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Kilroy Realty, L.P.
Los Angeles, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kilroy Realty, L.P. (the "Operating Partnership") as of December 31, 2018 and 2017, the related consolidated statements of operations, capital, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Operating Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Operating Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2019, expressed an unqualified opinion on the Operating Partnership's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on the Operating Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
February 14, 2019

We have served as the Operating Partnership's auditor since 2010.

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

	December 31, 2018	December 31, 2017
ASSETS		
REAL ESTATE ASSETS (Notes 2, 3 and 4):		
Land and improvements	$ 1,160,138	$ 1,076,172
Buildings and improvements	5,207,984	4,908,797
Undeveloped land and construction in progress	2,058,510	1,432,808
Total real estate assets held for investment	8,426,632	7,417,777
Accumulated depreciation and amortization	(1,391,368)	(1,264,162)
Total real estate assets held for investment, net	7,035,264	6,153,615
CASH AND CASH EQUIVALENTS (Note 24)	51,604	57,649
RESTRICTED CASH (Notes 4 and 24)	119,430	9,149
MARKETABLE SECURITIES (Notes 16 and 19)	21,779	20,674
CURRENT RECEIVABLES, NET (Note 6)	20,176	16,926
DEFERRED RENT RECEIVABLES, NET (Note 6)	267,007	246,391
DEFERRED LEASING COSTS AND ACQUISITION-RELATED INTANGIBLE ASSETS, NET (Notes 3 and 5)	197,574	183,728
PREPAID EXPENSES AND OTHER ASSETS, NET (Note 7)	52,873	114,706
TOTAL ASSETS	$ 7,765,707	$ 6,802,838
LIABILITIES AND CAPITAL		
LIABILITIES:		
Secured debt, net (Notes 9 and 19)	$ 335,531	$ 340,800
Unsecured debt, net (Notes 9 and 19)	2,552,070	2,006,263
Unsecured line of credit (Notes 9 and 19)	45,000	—
Accounts payable, accrued expenses and other liabilities (Note 18)	374,415	249,637
Accrued distributions (Notes 14 and 28)	47,559	43,448
Deferred revenue and acquisition-related intangible liabilities, net (Notes 3, 5 and 10)	149,646	145,890
Rents received in advance and tenant security deposits	60,225	56,484
Total liabilities	3,564,446	2,842,522
COMMITMENTS AND CONTINGENCIES (Note 18)		
CAPITAL (Notes 12 and 14):		
Common units, 100,746,988 and 98,620,333 held by the general partner and 2,025,287 and 2,077,193 held by common limited partners issued and outstanding, respectively	4,003,700	3,773,941
Total partners' capital	4,003,700	3,773,941
Noncontrolling interests in consolidated property partnerships and subsidiaries (Notes 2 and 12)	197,561	186,375
Total capital	4,201,261	3,960,316
TOTAL LIABILITIES AND CAPITAL	$ 7,765,707	$ 6,802,838

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
REVENUES:			
Rental income	$656,631	$ 633,896	$574,413
Tenant reimbursements	80,982	76,559	61,079
Other property income (Note 18)	9,685	8,546	7,080
Total revenues	747,298	719,001	642,572
EXPENSES:			
Property expenses	133,787	129,971	113,932
Real estate taxes	70,820	66,449	55,206
Provision for bad debts (Note 20)	5,685	3,269	—
Ground leases (Notes 5 and 18)	6,176	6,337	3,439
General and administrative expenses (Note 15)	90,471	60,581	57,029
Acquisition-related expenses (Note 2)	—	—	1,902
Depreciation and amortization (Notes 2 and 5)	254,281	245,886	217,234
Total expenses	561,220	512,493	448,742
OTHER (EXPENSES) INCOME:			
Interest income and other net investment (loss) gain (Note 19)	(559)	5,503	1,764
Interest expense (Note 9)	(49,721)	(66,040)	(55,803)
Loss on early extinguishment of debt (Note 9)	(12,623)	(5,312)	—
Net gain (loss) on sales of land (Note 4)	11,825	449	(295)
Gains on sales of depreciable operating properties (Note 4)	142,926	39,507	164,302
Total other income (expenses)	91,848	(25,893)	109,968
NET INCOME	277,926	180,615	303,798
Net income attributable to noncontrolling interests in consolidated property partnerships and subsidiaries (Notes 2 and 12)	(14,716)	(13,175)	(3,735)
NET INCOME ATTRIBUTABLE TO KILROY REALTY, L.P.	263,210	167,440	300,063
Preferred distributions (Note 14)	—	(5,774)	(13,250)
Original issuance costs of redeemed preferred units (Note 14)	—	(7,589)	—
Total preferred distributions	—	(13,363)	(13,250)
NET INCOME AVAILABLE TO COMMON UNITHOLDERS	$263,210	$ 154,077	$286,813
Net income available to common unitholders per unit – basic (Note 22)	$2.56	$ 1.52	$2.99
Net income available to common unitholders per unit – diluted (Note 22)	$2.55	$ 1.51	$2.96
Weighted average common units outstanding – basic (Note 22)	102,025,276	100,246,567	94,771,688
Weighted average common units outstanding – diluted (Note 22)	102,535,282	100,860,337	95,452,239

See accompanying notes to consolidated financial statements.

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

	Partners' Capital				Noncontrolling Interests in Consolidated Property Partnerships and Subsidiaries	Total Capital
	Preferred Units	Number of Common Units	Common Units	Total Partners' Capital		
BALANCE AS OF DECEMBER 31, 2015	$192,411	94,023,465	$3,031,609	$3,224,020	$ 10,566	$3,234,586
Net income			300,063	300,063	3,735	303,798
Issuance of common units		451,398	31,117	31,117		31,117
Issuance of common units in connection with acquisition		867,701	48,033	48,033		48,033
Issuance of share-based compensation awards			1,827	1,827		1,827
Non-cash amortization of share-based compensation			26,624	26,624		26,624
Exercise of stock options		286,500	12,208	12,208		12,208
Repurchase of common units and restricted stock units		(137,126)	(8,875)	(8,875)		(8,875)
Settlement of restricted stock units		109,044	—	—		—
Initial contributions from noncontrolling interest in consolidated property partnership, net of transaction costs			328,997	328,997	124,452	453,449
Distributions to noncontrolling interests in consolidated property partnerships					(3,615)	(3,615)
Preferred distributions			(13,250)	(13,250)		(13,250)
Distributions declared per common unit ($3.375per unit)			(326,585)	(326,585)		(326,585)
BALANCE AS OF DECEMBER 31, 2016	192,411	95,600,982	3,431,768	3,624,179	135,138	3,759,317
Net income			167,440	167,440	13,175	180,615
Redemption of Series G & H Preferred stock	(192,411)		(7,589)	(200,000)		(200,000)
Issuance of common units		4,662,577	326,058	326,058		326,058
Issuance of share-based compensation awards			5,890	5,890		5,890
Non-cash amortization of share-based compensation			26,319	26,319		26,319
Exercise of stock options		285,000	12,179	12,179		12,179
Settlement of restricted stock units		317,848	—	—		—
Repurchase of common units and restricted stock units		(168,881)	(12,986)	(12,986)		(12,986)

Contributions from noncontrolling interest in consolidated property partnership				—	54,604	54,604
Distributions to noncontrolling interests in consolidated property partnerships					(16,542)	(16,542)
Preferred distributions			(5,774)	(5,774)		(5,774)
Distributions declared per common unit ($1.65 per unit)			(169,364)	(169,364)		(169,364)
BALANCE AS OF DECEMBER 31, 2017	—	100,697,526	3,773,941	3,773,941	186,375	3,960,316
Net income			263,210	263,210	14,716	277,926
Issuance of common units (Note 14)		1,817,195	130,693	130,693		130,693
Issuance of share-based compensation awards (Note 15)			3,926	3,926		3,926
Non-cash amortization of share-based compensation (Note 15)			35,890	35,890		35,890
Exercise of stock options		1,000	41	41		41
Settlement of restricted stock units (Note 15)		488,354	—	—		—
Repurchase of common units and restricted stock units (Note 15)		(231,800)	(16,553)	(16,553)		(16,553)
Contributions from noncontrolling interest in consolidated property partnership			—	—	8,273	8,273
Distributions to noncontrolling interests in consolidated property partnerships					(11,803)	(11,803)
Distributions declared per common unit ($1.79 per unit) (Notes 14 and 28)			(187,448)	(187,448)		(187,448)
BALANCE AS OF DECEMBER 31, 2018	$—	102,772,275	$4,003,700	$4,003,700	$ 197,561	$4,201,261

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$277,926	$180,615	$303,798
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of real estate assets and leasing costs	249,882	241,862	213,156
Depreciation of non-real estate furniture, fixtures and equipment	4,400	4,024	4,078
Increase in provision for bad debts (Note 20)	5,685	3,269	—
Non-cash amortization of share-based compensation awards (Note 15)	27,932	19,046	21,064
Non-cash amortization of deferred financing costs and net debt discounts	1,084	3,247	2,720
Non-cash amortization of net below market rents (Note 5)	(9,748)	(8,528)	(7,166)
Loss on early extinguishment of debt (Note 9)	12,623	5,312	—
(Gain) loss on sale of land (Note 4)	(11,825)	(449)	295
Gains on sales of depreciable operating properties (Note 4)	(142,926)	(39,507)	(164,302)
Non-cash amortization of deferred revenue related to tenant-funded tenant improvements (Note 10)	(18,429)	(16,767)	(13,244)
Straight-line rents	(26,976)	(33,275)	(29,629)
Net change in other operating assets	(7,930)	(17,732)	(5,214)
Net change in other operating liabilities	48,345	5,895	19,498
Net cash provided by operating activities	410,043	347,012	345,054
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for development properties and undeveloped land	(489,236)	(397,440)	(351,012)
Expenditures for acquisitions of development properties and undeveloped land (Note 3)	(311,299)	(19,829)	(33,513)
Expenditures for acquisitions of operating properties (Note 3)	(257,340)	—	(393,767)
Expenditures for operating properties and other capital assets	(166,440)	(88,425)	(111,961)
Net proceeds received from dispositions (Note 4)	364,300	182,492	325,031
Decrease (increase) in acquisition-related deposits	36,000	(35,900)	1,902
Proceeds received from repayment of note receivable (Note 7)	15,100	—	—
Issuance of notes receivable	—	—	(16,100)
Net cash used in investing activities	(808,915)	(359,102)	(579,420)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common units (Note 14)	130,693	326,058	31,117
Redemption of Series G and H Preferred units (Note 14)	—	(200,000)	—
Net proceeds from the issuance of unsecured debt (Note 9)	648,537	674,447	—
Repayments of unsecured debt (Note 9)	(261,823)	(519,024)	—
Borrowings on unsecured revolving credit facility	765,000	270,000	305,000
Repayments on unsecured revolving credit facility	(690,000)	(270,000)	(305,000)
Borrowings on unsecured debt (Note 9)	120,000	—	—
Principal payments and repayments of secured debt (Note 9)	(3,584)	(130,371)	(74,140)
Proceeds from the issuance of secured debt (Note 9)	—	—	170,000
Financing costs	(6,262)	(11,500)	(2,159)
Repurchase of common units and restricted stock units (Note 15)	(16,553)	(12,986)	(8,875)
Proceeds from exercise of stock options	41	12,179	12,208
Contributions from noncontrolling interests in consolidated property partnerships (Note 12)	8,273	54,604	453,449

Distributions to noncontrolling interests in consolidated property partnerships	(11,803)	(16,542)	(3,615)
Distributions paid to common unitholders	(179,411)	(340,697)	(137,444)
Distributions paid to preferred unitholders	—	(7,409)	(13,250)
Net cash provided by (used in) financing activities	503,108	(171,241)	427,291
Net increase (decrease) in cash and cash equivalents and restricted cash	104,236	(183,331)	192,925
Cash and cash equivalents and restricted cash, beginning of year	66,798	250,129	57,204
Cash and cash equivalents and restricted cash, end of year	$171,034	$66,798	$250,129

See accompanying notes to consolidated financial statements.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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, Orange County, 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 December 31, 2018:

	Number of Buildings	Rentable Square Feet (unaudited)	Number of Tenants	Percentage Occupied (unaudited)	Percentage Leased (unaudited)
Stabilized Office Properties	94	13,232,580	482	94.4 %	96.6 %

	Number of Buildings	Number of Units	2018 Average Occupancy (unaudited)
Stabilized Residential Property	1	200	79.7 %

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 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 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.

As of December 31, 2018, the following properties were excluded from our stabilized portfolio. We did not have any redevelopment properties or properties held for sale at December 31, 2018.

	Number of Properties/Projects	Estimated Rentable Square Feet [1] (unaudited)
In-process development projects - tenant improvement [2]	2	1,150,000
In-process development projects - under construction [3]	3	1,290,000

(1) Estimated rentable square feet upon completion.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(2) Includes 88,000 square feet of Production, Distribution, and Repair ("PDR") space.
(3) In addition to the estimated office and PDR rentable square feet noted above, development projects under construction also include 96,000 square feet of retail space and 801 residential units.

Our stabilized portfolio also excludes our future development pipeline, which as of December 31, 2018 was comprised of five potential development sites, representing approximately 73 gross acres of undeveloped land.

As of December 31, 2018, 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 and one development project under construction 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 an office property held by a consolidated variable interest entity for a transaction intended to qualify as a like-kind exchange pursuant to Section 1031 of the Code ("Section 1031 Exchange") that closed in January 2019. Two of the three 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 December 31, 2018, the Company owned a 56% common equity interest in both 100 First LLC and 303 Second LLC. The third property partnership, Redwood City Partners, LLC ("Redwood LLC") owned two office properties in Redwood City, California. As of December 31, 2018, 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.

As of December 31, 2018, the Company owned an approximate 98.0% common general partnership interest in the Operating Partnership. The remaining approximate 2.0% common limited partnership interest in the Operating Partnership as of December 31, 2018 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.

2. Basis of Presentation and Significant Accounting Policies

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.

Accounting Pronouncements Adopted January 1, 2018

Effective January 1, 2018, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 “Revenue From Contracts with Customers (Topic 606)” (“ASU 2014-09”) and the related FASB ASU Nos. 2016-12 and 2016-20, which provide practical expedients, technical corrections, and improvements for certain aspects of ASU 2014-09, on a modified retrospective basis. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most of the existing revenue recognition guidance.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We evaluated each of the Company's revenue streams to determine the sources of revenue that are impacted by ASU 2014-09 and concluded that two revenue streams, sales of real estate and revenue from our multi-tenant parking arrangements, fall within the scope of Topic 606. We evaluated the impact of the adoption of the guidance on the timing of gain recognition for our historical dispositions and concluded there was not a significant impact to our consolidated financial statements given the straight forward nature of our historical disposition transactions. We also evaluated the impact of the guidance on the timing and pattern of revenue recognition for our multi-tenant parking arrangements and determined there was no significant impact to our consolidated financial statements. We generally provide parking for our multi-tenant properties based on the prevailing market rate per parking space, which adjusts based on prevailing market rates during the tenant's occupancy, and we recognize parking revenue as parking spaces are utilized by the tenant. Given the structure of these arrangements whereby the amount of parking revenue we recognize corresponds directly to the tenant's use, we were able to apply the practical expedient provided in Accounting Standards Codification ("ASC") 606-10-50-14(b) (the "right to invoice" practical expedient). As a result of applying this practical expedient, we are not required to disclose the transaction price allocated to future performance obligations for multi-tenant parking since we cannot predict or estimate the use of such parking spaces. During the years ended December 31, 2018, 2017 and 2016, we recognized $26.7 million, $26.7 million and $23.3 million, respectively, of parking revenue for arrangements that are within the scope of Topic 606, which is included in rental revenues on our consolidated statements of operations. We concluded that the adoption of Topic 606 did not have a material impact on our consolidated financial statements or a material impact on the notes to our consolidated financial statements.

Effective January 1, 2018, we adopted FASB ASU No. 2017-09 "Compensation - Stock Compensation (Topic 718)" on a prospective basis. Under the guidance, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions, and classification as an equity or liability instrument remain the same immediately before and after the change. The adoption of this guidance did not have an impact on our consolidated financial statements or notes to our consolidated financial statements.

Effective January 1, 2018, we adopted FASB ASU No. 2017-05 "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)" ("ASU 2017-05") on a retrospective basis. This standard clarifies the scope of the original guidance within Subtopic 610-20 "Gains and Losses from the Derecognition of Nonfinancial Assets" that was issued in connection with ASU 2014-09 which provided guidance for recognizing gains and losses from the transfer of nonfinancial assets in transactions with noncustomers. Additionally, ASU 2017-05 adds guidance pertaining to the partial sales of real estate and clarifies that nonfinancial assets within the scope of ASC 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. For example, a parent may transfer control of nonfinancial assets by transferring ownership interests in a consolidated subsidiary. We evaluated the impact of the new amendments on our historical transactions and concluded that there was no impact. As such, the adoption of this guidance did not have an impact on our consolidated financial statements or notes to our consolidated financial statements.

Effective January 1, 2018, we adopted FASB ASU No. 2016-15 ("ASU 2016-15") which provides guidance where there is diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows, on a retrospective basis. The adoption of this guidance did not have an impact on our consolidated financial statements or notes to our consolidated financial statements.

Effective January 1, 2018, we adopted FASB ASU No. 2016-01 ("ASU 2016-01") which amends the accounting guidance on the classification and measurement of financial instruments and FASB ASU No. 2018-03 ("ASU 2018-03") which provides technical corrections and improvements to ASU 2016-01, on a modified retrospective basis. The amendments require that all investments in equity securities, including other ownership interests, are reported at fair value with changes in fair value reported in net income. This requirement does not apply to investments that qualify for equity method accounting or to those that result in consolidation of the investee or for which the entity has elected the predictability exception to fair value measurement. Additionally, the amendments require that the portion of the total fair value change caused by a change in instrument-specific credit risk for financial liabilities for which the fair value option has been elected would be recognized in other comprehensive income. Any accumulated amount remaining in other comprehensive income is reclassified to earnings when the liability is extinguished. The adoption of this guidance did not have an impact on our consolidated financial statements or notes to our consolidated financial statements since our only financial instruments within the scope of ASU 2016-01 and 2018-03 are the marketable securities related to our deferred compensation plan which are classified as trading securities and marked to market at fair value through earnings each reporting period.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Partially Owned Entities and Variable Interest Entities

At December 31, 2018 the consolidated financial statements of the Company included three VIEs in addition to the Operating Partnership: 100 First LLC, 303 Second LLC and an entity established during the fourth quarter of 2018 to facilitate a Section 1031 Exchange. At December 31, 2018, the Company and the Operating Partnership were determined to be the primary beneficiaries of these three VIEs since we had the ability to control the activities that most significantly impact each of the VIEs’ economic performance. As of December 31, 2018, the three VIEs’ total assets, liabilities and noncontrolling interests included on our consolidated balance sheet were approximately $615.4 million (of which $543.9 million related to real estate held for investment), approximately $45.1 million and approximately $186.4 million, respectively. In January 2019, the Section 1031 Exchange was successfully completed and the related VIE was terminated. 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, 2017, the consolidated financial statements of the Company included two VIEs in addition to the Operating Partnership: 100 First LLC and 303 Second LLC. At December 31, 2017, the impact of consolidating the VIEs increased the Company’s total assets, liabilities and noncontrolling interests on our consolidated balance sheet by approximately $426.5 million (of which $382.1 million related to real estate held for investment on our consolidated balance sheet), approximately $27.3 million and approximately $175.4 million, respectively. The consolidated financial statements of the Operating Partnership included the same three VIEs at December 31, 2017.

Our accounting policy is to consolidate entities in which we have a controlling financial interest and significant decision making control over the entity's operations. In determining whether we have a controlling financial interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, size of our investment (including loans), authority to control decisions, and contractual and substantive participating rights of the members. In addition to evaluating control rights, we consolidate entities in which the other members have no substantive kick-out rights to remove the Company as the managing member.

Entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or the holders of the equity investment at risk do not have a controlling financial interest are VIEs. We evaluate whether an entity is a VIE and whether we are the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have the power to direct the activities of the VIE that most significantly impact the VIEs’ economic performance and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE.

If the requirements for consolidation are not met, the Company would account for investments under the equity method of accounting if we have the ability to exercise significant influence over the entity. Equity method investments would be initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. The Company did not have any equity method investments at December 31, 2018 or 2017.

Significant Accounting Policies

Acquisitions

Subsequent to our adoption of FASB ASU No. 2017-01 ("ASU 2017-01") on January 1, 2017, which was adopted on a prospective basis, acquisitions of operating properties and development and redevelopment opportunities generally no longer meet the definition of a business and are accounted for as asset acquisitions. For these asset acquisitions, we record the acquired tangible and intangible assets and assumed liabilities based on each asset's and liability's relative fair value at the acquisition date of the total purchase price plus any capitalized acquisition costs. We record the acquired tangible and intangible assets and assumed liabilities of acquisitions of operating properties and development and redevelopment opportunities that meet the accounting criteria to be accounted for as business combinations at fair value at the acquisition date.

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The acquired assets and assumed liabilities for an acquisition generally include but are not limited to (i) land and improvements, buildings and improvements, undeveloped land and construction in progress and (ii) identified tangible and intangible assets and liabilities associated with in-place leases, including tenant improvements, leasing costs, value of above-market and below-market operating leases and ground leases, acquired in-place lease values and tenant relationships, if any. Any debt assumed and equity (including common units of the Operating Partnership) issued in connection with a property acquisition is recorded at fair value on the date of acquisition.

The fair value of land and improvements is derived from comparable sales of land and improvements within the same submarket and/or region. The fair value of buildings and improvements, tenant improvements and leasing costs considers the value of the property as if it was vacant as well as current replacement costs and other relevant market rate information.

The fair value of the above-market or below-market component of an acquired in-place operating lease is based upon the present value (calculated using a market discount rate) of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining non-cancellable lease term and (ii) our estimate of the rents that would be paid using fair market rental rates and rent escalations at the date of acquisition measured over the remaining non-cancellable term of the lease for above-market operating leases and the initial non-cancellable term plus the term of any below-market fixed rate renewal options, if applicable, for below-market operating leases. Our below-market operating leases generally do not include fixed rate or below-market renewal options. The amounts recorded for above-market operating leases are included in deferred leasing costs and acquisition-related intangible assets, net on the balance sheet and are amortized on a straight-line basis as a reduction of rental income over the remaining term of the applicable leases. The amounts recorded for below-market operating leases are included in deferred revenue and acquisition-related intangible liabilities, net on the balance sheet and are amortized on a straight-line basis as an increase to rental income over the remaining term of the applicable leases plus the term of any below-market fixed rate renewal options, if applicable. The amortization of the below-market ground lease obligation is recorded as an increase to ground lease expense in the consolidated statements of operations for the periods presented. The amortization of the above-market ground lease obligation is recorded as a decrease to ground lease expense in the consolidated statements of operations for the periods presented.

The fair value of acquired in-place leases is derived based on our assessment of lost revenue and costs incurred for the period required to lease the “assumed vacant” property to the occupancy level when purchased. The amount recorded for acquired in-place leases is included in deferred leasing costs and acquisition-related intangible assets, net on the balance sheet and amortized as an increase to depreciation and amortization expense over the remaining term of the applicable leases. Fully amortized intangible assets are written off each quarter.

Subsequent to our adoption of ASU 2017-01 on January 1, 2017, transaction costs associated with our acquisitions are capitalized as part of the purchase price of the acquisition. Prior to our adoption of ASU 2017-01, costs associated with all operating property acquisitions and those development and redevelopment acquisitions that met the criteria to be accounted for as business combinations were expensed as incurred and costs associated with development acquisitions accounted for as asset acquisitions were capitalized as part of the cost of the asset.

Operating Properties

Operating properties are generally carried at historical cost less accumulated depreciation. Properties held for sale are reported at the lower of the carrying value or the fair value less estimated cost to sell. The cost of operating properties includes the purchase price or development costs of the properties. Costs incurred for the renovation and betterment of the operating properties are capitalized to our investment in that property. Maintenance and repairs are charged to expense as incurred.

When evaluating properties to be held and used for potential impairment, we first evaluate whether there are any indicators of impairment for any of our properties. If any impairment indicators are present for a specific property, we then evaluate the regional market conditions that could reasonably affect the property. If there are negative changes and trends in that regional market, we then perform an undiscounted cash flow analysis and compare the net carrying amount of the property to the property's estimated undiscounted future cash flow over the anticipated holding period. If the estimated undiscounted future cash flow is less than the net carrying amount of the property, we then perform an

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impairment loss calculation to determine if the fair value of the property is less than the net carrying value of the property. Our impairment loss calculation compares the net carrying amount of the property to the property's estimated fair value, which may be based on estimated discounted future cash flow calculations or third-party valuations or appraisals. We would recognize an impairment loss if the asset's net carrying amount exceeds the asset's estimated fair value. If we were to recognize an impairment loss, the estimated fair value of the asset (less costs to sell for assets held for sale) would become its new cost basis. For a depreciable long-lived asset, the new cost basis would be depreciated (amortized) over the remaining useful life of that asset.

Cost Capitalization

All costs clearly associated with the development, redevelopment and construction of a property are capitalized as project costs, including internal compensation costs. In addition, the following costs are capitalized as project costs during periods in which activities necessary to prepare development and redevelopment properties for their intended use are in progress: pre-construction costs essential to the development of the property, interest, real estate taxes and insurance.

- For office and retail development and redevelopment properties that are pre-leased, we cease capitalization when revenue recognition commences, which is upon substantial completion of tenant improvements deemed to be the Company's asset for accounting purposes.

- For office and retail development and redevelopment properties that are not pre-leased, we may not immediately build out the tenant improvements. Therefore, we cease capitalization when revenue recognition commences upon substantial completion of the tenant improvements deemed to be the Company's asset for accounting purposes, but in any event, no later than one year after the cessation of major construction activities. We also cease capitalization on a development or redevelopment property when activities necessary to prepare the property for its intended use have been suspended.

- For office and retail development or redevelopment properties with multiple tenants and staged leasing, we cease capitalization and begin depreciation on the portion of the development or redevelopment property for which revenue recognition has commenced.

- For residential development properties, we cease capitalization when the property is substantially complete and available for occupancy.

Once major base building construction activities have ceased and the development or redevelopment property is placed in service, the costs capitalized to construction in progress 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.

Depreciation and Amortization of Buildings and Improvements

The costs of buildings and improvements and tenant improvements are depreciated using the straight-line method of accounting over the estimated useful lives set forth in the table below. Depreciation expense for buildings and improvements for the three years ended December 31, 2018, 2017, and 2016 was $198.6 million, $190.5 million, and $172.0 million, respectively.

Asset Description	Depreciable Lives

Buildings and improvements	25 – 40 years
Tenant improvements	1 – 20 years[(1)]

(1) Tenant improvements are amortized over the shorter of the lease term or the estimated useful life.

Real Estate Assets Held for Sale, Dispositions and Discontinued Operations

A real estate asset is classified as held for sale when certain criteria are met, including but not limited to the availability of the asset for immediate sale, the existence of an active program to locate a buyer and the probable sale or transfer of the asset within one year. If such criteria are met, we present the applicable assets and liabilities related to the real estate asset held for sale, if material, separately on the balance sheet and we would cease to record depreciation

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and amortization expense. Real estate assets held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. As of December 31, 2018 and 2017, we did not have any properties classified as held for sale.

Property disposals representing a strategic shift that have (or will have) a major effect on the Company’s operations and financial results, such as a major line of business, a major geographical area or a major equity investment, are required to be presented as discontinued operations. If we were to determine that a property disposition represents a strategic shift, the revenues, expenses and net gain (loss) on dispositions of the property would be recorded in discontinued operations for all periods presented through the date of the applicable disposition. The operations of the eleven, eleven and six properties sold during the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively, are presented in continuing operations as they did not represent a strategic shift in the Company’s operations and financial results.

The net gains (losses) on dispositions of non-depreciable real estate property, including land, are reported in the consolidated statements of operations as gains (losses) on sale of land within continuing operations in the period the land is sold. The net gains (losses) on dispositions of depreciable real estate property are reported in the consolidated statements of operations as gains on sales of depreciable operating properties within continuing operations in the period the land is sold.

Revenue Recognition

We recognize revenue from rent, tenant reimbursements, parking and other revenue once all of the following criteria are met: (i) the agreement has been fully executed and delivered, (ii) services have been rendered, (iii) the amount is fixed or determinable and (iv) the collectability of the amount is reasonably assured.

Minimum annual rental revenues are recognized in rental revenues on a straight-line basis over the non-cancellable term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially complete and ready for its intended use. In order to determine whether the leased space is substantially ready for its intended use, we begin by determining whether the Company or the tenant owns the tenant improvements. When we conclude that the Company is the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is generally when Company owned tenant improvements are substantially complete. In certain instances, when we conclude that the Company is not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space.

When we conclude that the Company is the owner of tenant improvements, we record the cost to construct the tenant improvements, including costs paid for or reimbursed by the tenants, as a capital asset. For these tenant improvements, we record the amount funded by or reimbursed by the tenants as deferred revenue, which is amortized on a straight-line basis as additional rental income over the term of the related lease.

When we conclude that the tenant is the owner of tenant improvements for accounting purposes, we record our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs and acquisition-related intangible assets, net on our consolidated balance sheets and amortized as a reduction to rental income on a straight-line basis over the term of the lease.

For residential properties, we commence revenue recognition upon lease commencement. Residential rental revenue is recognized on a straight-line basis over the term of the related lease, net of any concessions.

Tenant Reimbursements

Reimbursements from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period the recoverable costs are incurred. Tenant reimbursements are generally recognized and recorded on a gross basis, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier, and have credit risk.

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Other Property Income

Other property income primarily includes amounts recorded in connection with lease terminations, tenant bankruptcy settlement payments, broken deal income and property damage settlement related payments. Lease termination fees are amortized over the remaining lease term, if applicable. If there is no remaining lease term, they are recognized when received and realized. Other property income also includes miscellaneous income from tenants, such as fees related to the restoration of leased premises to their original condition and fees for late rental payments.

Allowances for Uncollectible Tenant and Deferred Rent Receivables

We carry our current and deferred rent receivables net of allowances for uncollectible amounts. Our determination of the adequacy of these allowances is based primarily upon evaluations of individual receivables, current economic conditions, and other relevant factors. The allowances are increased or decreased through the provision for bad debts on our consolidated statements of operations. We also evaluate allowances for all other receivables which includes note receivables included in prepaid expenses and other assets on our consolidated balances sheets.

Cash and Cash Equivalents

We consider all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of cash proceeds from dispositions that are temporarily held at qualified intermediaries for purposes of facilitating potential Section 1031 Exchanges and cash held in escrow related to acquisition and disposition holdbacks. Restricted cash also includes cash held as collateral to provide credit enhancement for the Operating Partnership’s mortgage debt, including cash reserves for capital expenditures, tenant improvements and property taxes. As of December 31, 2018 we had $113.1 million of restricted cash held at qualified intermediaries for the purpose of facilitating Section 1031 Exchanges. In January 2019, the Section 1031 Exchange was completed and the cash proceeds were released from the qualified intermediary. We did not have any restricted cash held at qualified intermediaries for the purpose of facilitating Section 1031 Exchanges at December 31, 2017.

Marketable Securities / Deferred Compensation Plan

Marketable securities reported in our consolidated balance sheets represent the assets held in connection with the Kilroy Realty Corporation 2007 Deferred Compensation Plan (the “Deferred Compensation Plan”) (see Note 16 “Employee Benefit Plans” for additional information). The Deferred Compensation Plan assets are held in a limited rabbi trust and invested in various mutual and money market funds. As a result, the marketable securities are treated as trading securities for financial reporting purposes and are adjusted to fair value at the end of each accounting period, with the corresponding gains and losses recorded in interest income and other net investment gains (losses).

At the time eligible management employees (“Participants”) defer compensation or earn mandatory Company contributions, or if we were to make a discretionary contribution, we record compensation cost and a corresponding deferred compensation plan liability, which is included in accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets. This liability is adjusted to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each Participant, and the impact of adjusting the liability to fair value is recorded as an increase or decrease to compensation cost. The impact of adjusting the deferred compensation plan liability to fair value and the changes in the value of the marketable securities held in connection with the Deferred Compensation Plan generally offset and therefore do not significantly impact net income.

Deferred Leasing Costs

Costs incurred in connection with successful property leasing are capitalized as deferred leasing costs and classified as investing activities in the statement of cash flows. Deferred leasing costs consist primarily of leasing commissions and also include certain internal payroll costs and lease incentives, which are amortized using the straight-line method of accounting over the lives of the leases which generally range from one to 20 years. We reevaluate the remaining useful lives of leasing costs as the creditworthiness of our tenants and economic and market conditions change. If we

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determine that the estimated remaining life of a lease has changed, we adjust the amortization period accordingly. Fully amortized deferred leasing costs are written off each quarter.

As discussed below under “Accounting Standards Issued But Not Yet Effective at December 31, 2018,” upon the adoption of FASB ASU No. 2016-02 “Leases (Topic 842),” most deferred leasing costs (with the exception of leasing commissions paid to external third party brokers) will no longer meet the criteria for capitalization. For leases commenced prior to December 31, 2018, these costs will continue to be amortized over the remaining life of the associated lease. For leases executed prior to December 31, 2018 that have not yet commenced as of December 31, 2018, such costs will be charged to distributions in excess of earnings as of January 1, 2019.

Deferred Financing Costs

Financing costs related to the origination or assumption of long-term debt are deferred and generally amortized using the straight-line method of accounting, which approximates the effective interest method, over the contractual terms of the applicable financings. Fully amortized deferred financing costs are written off when the corresponding financing is repaid.

Debt Discounts and Premiums

Original issuance debt discounts and discounts/premiums related to recording debt acquired in connection with operating property acquisitions at fair value are generally amortized and accreted on a straight-line basis, which approximates the effective interest method. Discounts are recorded as additional interest expense from date of issuance or acquisition through the contractual maturity date of the related debt. Premiums are recorded as a reduction to interest expense from the date of issuance or acquisition through the contractual maturity date of the related debt.

Noncontrolling Interests - Common Units of the Operating Partnership in the Company's Consolidated Financial Statements

Common units of the Operating Partnership within noncontrolling interests in the Company’s consolidated financial statements represent the common limited partnership interests in the Operating Partnership not held by the Company (“noncontrolling common units”). Noncontrolling common units are presented in the equity section of the Company’s consolidated balance sheets and are reported at their proportionate share of the net assets of the Operating Partnership. Noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or shares of common stock must be further evaluated to determine whether equity or temporary equity classification on the balance sheet is appropriate. Since the common units contain such a provision, we evaluated the accounting guidance and determined that the common units qualify for equity presentation in the Company’s consolidated financial statements. Net income attributable to noncontrolling common units is allocated based on their relative ownership percentage of the Operating Partnership during the reported period. The noncontrolling interest ownership percentage is determined by dividing the number of noncontrolling common units by the total number of common units outstanding. The issuance or redemption of additional shares of common stock or common units results in changes to the noncontrolling interest percentage as well as the total net assets of the Company. As a result, all equity transactions result in an allocation between equity and the noncontrolling interest in the Company’s consolidated balance sheets and statements of equity to account for the changes in the noncontrolling interest ownership percentage as well as the change in total net assets of the Company.

Noncontrolling Interests in Consolidated Property Partnerships

Noncontrolling interests in consolidated property partnerships represent the equity interests held by unrelated third parties in our three consolidated property partnerships (see Note 11 “Noncontrolling Interests on the Company’s Consolidated Financial Statements” and see Note 12 “Noncontrolling Interests on the Operating Partnership’s Consolidated Financial Statements”). Noncontrolling interests in consolidated property partnerships are not redeemable and are presented as permanent equity in the Company's consolidated balance sheets. We account for the noncontrolling interests in consolidated property partnerships using the hypothetical liquidation at book value (“HLBV”) method to attribute the earnings or losses of the consolidated property partnerships between the controlling and noncontrolling interests. Under the HLBV method, the amounts reported as noncontrolling interests in consolidated property partnerships in the consolidated balance sheets represent the amounts the noncontrolling interests would hypothetically receive at each balance sheet reporting date under the liquidation provisions of the governing agreements assuming the net assets of the consolidated property partnerships were liquidated at recorded amounts and distributed between the controlling and noncontrolling interests in accordance with the governing documents. The net income attributable to noncontrolling interests in consolidated property partnerships in the consolidated statements of operations is associated with the increase or decrease in the noncontrolling interest holders' contractual claims on the respective entities' balance sheets assuming a hypothetical liquidation at the end of that reporting period when compared with their claims on the respective entities' balance sheets assuming a hypothetical liquidation at the beginning of that reporting period, after removing any contributions or distributions.

Common Partnership Interests on the Operating Partnership's Consolidated Balance Sheets

The common units held by the Company and the noncontrolling common units held by the common limited partners are both presented in the permanent equity section of the Operating Partnership's consolidated balance sheets in partners' capital. The redemption rights of the noncontrolling common units permit us to settle the redemption obligation in either cash or shares of the Company's common stock at our option (see Note 11 "Noncontrolling Interests on the Company's Consolidated Financial Statements" for additional information).

Noncontrolling Interests on the Operating Partnership's Consolidated Financial Statements

Noncontrolling interests in the Operating Partnership's consolidated financial statements include the noncontrolling interest in property partnerships (see Note 12 "Noncontrolling Interests on the Operating Partnership's Consolidated Financial Statements") and the Company's 1.0% general partnership interest in the Finance Partnership. The 1.0% general partnership interest in the Finance Partnership noncontrolling interest is presented in the permanent equity section of the Operating Partnership's consolidated balance sheets given that these interests are not convertible or redeemable into any other ownership interest of the Company or the Operating Partnership.

Equity Offerings

Underwriting commissions and offering costs incurred in connection with common equity offerings and our at-the-market stock offering program (see Note 13 "Stockholders' Equity of the Company") are reflected as a reduction of additional paid-in capital. Issuance costs incurred in connection with preferred equity offerings are reflected as a reduction of the carrying value of the preferred equity.

Sales of our common stock under forward equity sale agreements (such as those under the forward equity offering executed in August 2018 and discussed at Note 13) meet the derivatives and hedging guidance scope exception to be accounted for as equity instruments based on the following assessment: (i) none of the agreements' exercise contingencies were based on observable markets or indices besides those related to the market for our own stock price and operations; and (ii) none of the settlement provisions precluded the agreements from being indexed to our own stock.

The net proceeds from any equity offering of the Company are generally contributed to the Operating Partnership in exchange for a number of common units equivalent to the number of shares of common stock issued and are reflected in the Operating Partnership's consolidated financial statements as an increase in partners' capital.

Share-based Incentive Compensation Accounting

Compensation cost for all share-based awards, including options, requires measurement at estimated fair value on the grant date. Compensation cost is recognized on a straight-line basis over the service vesting period, which represents the requisite service period. The grant date fair value of market measure-based share-based compensation plans are calculated using a Monte Carlo simulation pricing model. The grant date fair value of stock option grants is calculated using the Black-Scholes valuation model. Equity awards settled in cash are valued at the fair value of our common stock on the period end date through the settlement date. Equity awards settled in cash are remeasured at each reporting period and are recognized as a liability in the consolidated balance sheet during the vesting period until settlement. Forfeitures of all share-based awards are recognized when they occur.

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For share-based awards in which the performance period precedes the grant date, we recognize compensation cost over the requisite service period, which includes both the performance and service vesting periods, using the accelerated attribution expense method. The requisite service period begins on the date the Executive Compensation Committee authorizes the award and adopts any relevant performance measures.

For share-based awards with performance-based measures, the total estimated compensation cost is based on our most recent estimate of the probable achievement of the pre-established specific corporate performance measures. These estimates are based on actual results and our latest internal forecasts for each performance measure. For share-based awards with market measures, the total estimated compensation cost is based on the fair value of the award at the grant date. For share-based awards with performance-based measures and market measures, the total estimated compensation cost is based on the fair value per share at the grant date multiplied by our most recent estimate of the number of shares to be earned based on actual results and the probable achievement of the pre-established corporate performance measures based on our latest internal forecasts.

In accordance with the provisions of our share-based incentive compensation plan, we accept the return of shares of Company common stock, at the current quoted market price, from employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

For share-based awards granted by the Company, the Operating Partnership issues a number of common units equal to the number of shares of common stock ultimately granted by the Company in respect of such awards.

Basic and Diluted Net Income Available to Common Stockholders per Share

Basic net income available to common stockholders per share is computed by dividing net income available to common stockholders, after preferred distributions and the allocation of income to participating securities, by the weighted-average number of shares of common stock outstanding for the period. Diluted net income available to common stockholders per share is computed by dividing net income available for common stockholders, after preferred distributions and the allocation of income to participating securities, by the sum of the weighted-average number of shares of common stock outstanding for the period plus the assumed exercise of all dilutive securities. The impact of the outstanding common units is considered in the calculation of diluted net income available to common stockholders per share. The common units are not reflected in the diluted net income available to common stockholders per share calculation because the exchange of common units into common stock is on a one for one basis, and the common units are allocated net income on a per share basis equal to the common stock (see Note 21 "Net Income Available to Common Stockholders Per Share of the Company"). Accordingly, any exchange would not have any effect on diluted net income (loss) available to common stockholders per share.

Nonvested share-based payment awards (including nonvested restricted stock units ("RSUs"), vested market-measure RSUs and vested dividend equivalents issued to holders of RSUs) containing nonforfeitable rights to dividends or dividend equivalents are accounted for as participating securities and included in the computation of basic and diluted net income available to common stockholders per share pursuant to the two-class method. The dilutive effect of shares issuable under executed forward equity sale agreements and stock options are reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. The dilutive effect of the outstanding nonvested shares of common stock ("nonvested shares") and RSUs that have not yet been granted but are contingently issuable under the share-based compensation programs is reflected in the weighted average diluted shares calculation by application of the treasury stock method at the beginning of the quarterly period in which all necessary conditions have been satisfied.

Basic and Diluted Net Income Available to Common Unitholders per Unit

Basic net income available to common unitholders per unit is computed by dividing net income available to common unitholders, after preferred distributions and the allocation of income to participating securities, by the weighted-average number of vested common units outstanding for the period. Diluted net income available to common unitholders per unit is computed by dividing net income available to common unitholders, after preferred distributions and the allocation of income to participating securities, by the sum of the weighted-average number of common units outstanding for the period plus the assumed exercise of all dilutive securities.

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The dilutive effect of stock options, outstanding nonvested shares, RSUs, awards containing nonforfeitable rights to dividend equivalents and shares issuable under executed forward equity sale agreements are reflected in diluted net income available to common unitholders per unit in the same manner as noted above for net income available to common stockholders per share.

Fair Value Measurements

The fair values of our financial assets and liabilities are disclosed in Note 19, "Fair Value Measurements and Disclosures," to our consolidated financial statements. The only financial assets recorded at fair value on a recurring basis in our consolidated financial statements are our marketable securities. We elected not to apply the fair value option for any of our eligible financial instruments or other items.

We determine the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. This hierarchy requires the use of observable market data when available. The following is the fair value hierarchy:

- Level 1 – quoted prices for identical instruments in active markets;

- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

- Level 3 – fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We determine the fair value for the marketable securities using quoted prices in active markets for identical assets. Our other financial instruments, which are only disclosed at fair value, are comprised of secured debt, unsecured senior notes, unsecured line of credit and unsecured term loan facility.

We generally determine the fair value of our secured debt, unsecured debt, and unsecured line of credit by performing discounted cash flow analyses using an appropriate market discount rate. We calculate the market rate by obtaining period-end treasury rates for maturities that correspond to the maturities of our fixed-rate debt and then adding an appropriate credit spread based on information obtained from third-party financial institutions. These credit spreads take into account factors, including but not limited to, our credit profile, the tenure of the debt, amortization period, whether the debt is secured or unsecured, and the loan-to-value ratio of the debt to the collateral. These calculations are significantly affected by the assumptions used, including the discount rate, credit spreads and estimates of future cash flow. We calculate the market rate of our unsecured line of credit, unsecured term loan facility, and unsecured term loan by obtaining the period-end London Interbank Offered Rate ("LIBOR") and then adding an appropriate credit spread based on our credit ratings, and the amended terms of our unsecured line of credit, unsecured term loan facility, and unsecured term loan agreement. We determine the fair value of each of our publicly traded unsecured senior notes based on their quoted trading price at the end of the reporting period, if such prices are available.

Carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities.

Income Taxes

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. To qualify as a REIT, we must distribute annually at least 90% of our adjusted taxable income, as defined in the Code, to our stockholders and satisfy certain other organizational and operating requirements. We generally will not be subject to federal income taxes if we distribute 100% of our taxable income for each year to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes (including any applicable alternative minimum tax) on our taxable income at regular corporate rates and we may not be able to qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and property

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and to federal income taxes and excise taxes on our undistributed taxable income. We believe that we have met all of the REIT distribution and technical requirements for the years ended December 31, 2018, 2017 and 2016, and we were not subject to any federal income taxes (see Note 25 “Tax Treatment of Distributions” for additional information). We intend to continue to adhere to these requirements and maintain the Company’s REIT status. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

In addition, any taxable income from our taxable REIT subsidiaries, which were formed in 2002 and 2018, are subject to federal, state, and local income taxes. For the years ended December 31, 2018, 2017 and 2016 the taxable REIT subsidiaries had de minimis taxable income.

Uncertain Tax Positions

We include favorable tax positions in the calculation of tax liabilities if it is more likely than not that our adopted tax position will prevail if challenged by tax authorities.

We evaluated the potential impact of identified uncertain tax positions for all tax years still subject to audit under state and federal income tax law and concluded that we did not have any unrecognized tax benefits or any additional tax liabilities as of December 31, 2018 or 2017. As of December 31, 2018, the years still subject to audit are 2014 through 2018 under the California state income tax law and 2015 through 2018 under the federal income tax law.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Segments

We currently operate in one operating segment, our office properties segment.

Concentration of Credit Risk

All of our properties and development and redevelopment projects are owned and all of our business is currently conducted in the state of California with the exception of the ownership and operation of eight office properties and one development project under construction located in the state of Washington. The ability of tenants to honor the terms of their leases is dependent upon the economic, regulatory, and social factors affecting the communities in which our tenants operate.

As of December 31, 2018, our 15 largest tenants represented approximately 45.7% of total annualized base rental revenues, of which 5.9% was attributable to our largest tenant.

We have deposited cash with financial institutions that is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 per institution. As of December 31, 2018 and 2017, we had cash accounts in excess of FDIC insured limits.

Accounting Standards Issued But Not Yet Effective at December 31, 2018

Accounting Pronouncements Adopted January 1, 2019

ASU No. 2016-02 “Leases (Topic 842)”

On February 25, 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”) to amend the accounting guidance for leases. The accounting applied by a lessor is largely unchanged under ASU 2016-02. However, the standard requires lessees to recognize lease assets and lease liabilities for leases classified as operating leases on the balance sheet. Lessees will recognize in the statement of financial position a liability to make lease payments and

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a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it will recognize lease expense for such leases generally on a straight-line basis over the lease term. For leases with a term of 12 months or less where we are the lessee, we plan to make this policy election. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018.

In July 2018, the FASB issued ASU No. 2018-11 which (1) simplifies transition requirements for both lessees and lessors by adding an option that permits an organization to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements and (2) provides a practical expedient for lessors that permits lessors to make an accounting policy election to not separate nonlease components from the associated lease components, if the following two criteria are met: (1) the timing and pattern of transfer of the lease and nonlease components are the same and (2) the lease component would be classified as an operating lease if accounted for separately. For leases where we are the lessor, we plan to elect the optional transition relief and apply the practical expedients provided by ASU 2018-11. As a result, leases where we are the lessor will be accounted for in a similar method to existing standards with the underlying leased asset being reported and recognized as a real estate asset.

In December 2018, the FASB issued ASU 2018-20 which clarifies lessor treatment of sales taxes and other similar taxes collected from lessees, lessor costs paid directly by lessees and recognition of variable payments for contracts with lease and nonlease components. This will result in a gross-up of amounts recorded to tenant reimbursements and property expenses in our consolidated statements of operations related to certain services that, under existing GAAP guidance, were presented on a net basis and such change will not have an impact to net income.

ASU 2016-02 also specifies that upon adoption, lessors will no longer be able to capitalize and amortize certain leasing related costs and instead will only be permitted to capitalize and amortize incremental direct leasing costs. As a result, we have concluded that upon the adoption of the standard, we will be required to expense as incurred certain leasing costs we are currently able to capitalize and amortize as deferred leasing costs under existing guidance. This change had a material impact on the Company's consolidated financial statements upon adoption of the standard on January 1, 2019.

The election of the package of practical expedients described above permits us to continue to account for our leases that commenced before January 1, 2019 under the existing lease accounting guidance for the remainder of their lease terms, and to apply the new lease accounting guidance to leases commencing or modified after January 1, 2019. On January 1, 2019, we recognized a cumulative adjustment to distributions in excess of earnings, as required by ASU 2016-02, to write-off lease origination costs that were capitalized in connection with leases that had not commenced before January 1, 2019. These costs were capitalized in accordance with the lease accounting standards existing prior to January 1, 2019, and would not qualify for capitalization under the new lease accounting guidance. This adjustment did not have a material impact to our consolidated financial statements.

For leases where we are the lessee, specifically for our four ground leases, the adoption of the standard will significantly change the accounting on our consolidated balance sheets since both existing ground leases and any future ground leases will be required to be recorded on the Company's consolidated balance sheets as an obligation of the Company. Existing ground leases executed before the January 1, 2019 adoption date will continue to be accounted for as operating leases and the new guidance will not have a material impact on our recognition of ground lease expense or our results of operations. However, we will be required to recognize a right of use asset and a lease liability on our consolidated balance sheets equal to the present value of the minimum lease payments required in accordance with each ground lease. The adoption of this ASU will result in the recognition of operating lease right of use assets and related liabilities of approximately $80 million to $95 million in the aggregate as of January 1, 2019. We do not expect there will be a material impact to our consolidated statements of operations or consolidated cash flows as a result of adoption of this new guidance. In addition, we currently believe that for new ground leases entered into after the adoption date of the new standard, such leases could be required to be accounted for as financing-type leases, resulting in ground lease expense recorded using the effective interest method instead of on a straight-line basis over the term of the lease. This could have a significant impact on our results of operations if we enter into material new ground leases after the date of adoption since ground lease expense calculated using the effective interest method results in an increased amount of ground lease expense in the earlier years of a ground lease as compared to the current straight-line method.

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Accounting Pronouncements Effective 2020 and Beyond

ASU No. 2016-13 “Financial Instruments - Credit Losses (Topic 326)”
On June 16, 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”) to amend 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.” ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not anticipate that the guidance will have an impact on the consolidated financial statements or notes to the consolidated financial statements.
ASU No. 2018-13 “Fair Value Measurement (Topic 820)”
On August 28, 2018, the FASB issued ASU No. 2018-13 (“ASU 2018-13”) to amend 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, which the Board finalized on August 28, 2018. The Board used the guidance in the Concepts Statement to improve the effectiveness of ASC 820’s disclosure requirements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for any eliminated or modified disclosures. The Company currently anticipates that the guidance will not have a significant impact on the disclosures in the notes to the consolidated financial statements.
ASU No. 2018-15 “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)”
On August 29, 2018, the FASB issued ASU No. 2018-15 (“ASU 2018-15”) to amend 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). ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of ASU 2018-15 on the consolidated financial statements and notes to the consolidated financial statements.
3. Acquisitions

Operating Property Acquisitions

During the year ended December 31, 2018, we acquired the four operating properties listed below in two transactions from unrelated third parties. We did not acquire any operating properties during the year ended December 31, 2017.

Property	Date of Acquisition	Number of Buildings	Rentable Square Feet (unaudited)	Occupancy as of December 31, 2018	Purchase Price (in millions) [(1)]

				(unaudited)		
2018 Acquisitions						
345, 347 & 349 Oyster Point Boulevard, South San Francisco, CA	January 31, 2018	3	145,530	78.5	%	$ 111.0
345 Brannan Street, San Francisco, CA [2]	December 21, 2018	1	110,030	99.7	%	146.0
Total [3]		4	255,560			$ 257.0

(1) Excludes acquisition-related costs.

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(2) At December 31, 2018, this property was temporarily being held in a separate VIE to facilitate potential Section 1031 Exchanges. During January 2019, the Company completed the Section 1031 Exchange related to this VIE. See Note 2 “Basis of Presentation and Significant Accounting Policies.”
(3) The results of operations for the properties acquired during 2018 contributed $8.0 million and $1.7 million to revenue and net income, respectively, for the year ended December 31, 2018.

The related assets, liabilities and results of operations of the acquired properties are included in the consolidated financial statements as of the date of acquisition. The following table summarizes the estimated fair values of the assets and liabilities assumed at the respective acquisition dates for our 2018 operating property acquisitions:

	Total 2018 Operating Property Acquisitions [1]
Assets	
Land and improvements	$ 80,269
Buildings and improvements [2]	172,059
Deferred leasing costs and acquisition-related intangible assets [3]	13,593
Total assets acquired	$ 265,921
Liabilities	
Acquisition-related intangible liabilities [4]	$ 8,921
Total liabilities assumed	8,921
Net assets and liabilities acquired	$ 257,000

(1) The purchase price of the two acquisitions completed during the year ended December 31, 2018 were individually less than 5% and in aggregate less than 10% of the Company’s total assets as of December 31, 2017.
(2) Represents buildings, building improvements and tenant improvements.
(3) Represents in-place leases (approximately $11.8 million with a weighted average amortization period of 1.3 years years) and leasing commissions (approximately $1.8 million with a weighted average amortization period of 6.6 years years).
(4) Represents below-market leases (approximately $8.9 million with a weighted average amortization period of 9.8 years years).

Development Project Acquisitions

On June 1, 2018, we acquired the following 39-acre development site, which is located adjacent to the three operating properties we acquired in January 2018, from an unrelated third party. The acquisition was funded with proceeds from the Company’s unsecured revolving credit facility and the Company’s at-the-market stock offering program.

Project	Date of Acquisition	City/Submarket	Type	Purchase Price (in millions) [1]
Kilroy Oyster Point	June 1, 2018	South San Francisco	Land	$ 308.2

(1) Excludes acquisition-related costs. In connection with this acquisition, we also recorded $40.6 million in accrued liabilities and environmental remediation liabilities at the date of acquisition, which are not included in the purchase price above. As of December 31, 2018, the purchase price and our current estimate of assumed liabilities are included in undeveloped land and construction in progress and the assumed liabilities are included in accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

On October 10, 2017, the Company completed the acquisition of a 1.2 acre development site located in the Little Italy neighborhood of downtown San Diego, California in three separate transactions from separate unrelated third parties for a total purchase price of $19.4 million and the assumption of $1.4 million of accrued liabilities.

Acquisition Costs

During the years ended December 31, 2018, 2017, and 2016, we capitalized $3.8 million, $4.6 million, and $0.5 million, respectively, of acquisition costs. During the year ended December 31, 2016, we expensed $1.9 million of acquisition costs.

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4. Dispositions

Operating Property Dispositions

The following table summarizes the operating properties sold during the years ended December 31, 2018, 2017 and 2016:

Location	Month of Disposition	Number of Buildings	Rentable Square Feet (unaudited)	Sales Price (in millions) [1]
2018 Dispositions				
1310-1327 Chesapeake Terrace, Sunnyvale, CA	November	4	266,982	$ 160.3
Plaza Yarrow Bay Properties [2]	November	4	279,924	134.5
23925, 23975, & 24025 Park Sorrento, Calabasas, CA	December	3	225,340	78.2
Total 2018 Dispositions		11	772,246	$ 373.0
2017 Dispositions				
5717 Pacific Center Boulevard, San Diego, CA	January	1	67,995	$ 12.1
Sorrento Mesa and Mission Valley Properties [3]	September	10	675,143	174.5
Total 2017 Dispositions		11	743,138	$ 186.6
2016 Dispositions				
Torrey Santa Fe Properties [4]	January	4	465,812	$ 262.3
4930, 4939 & 4955 Directors Place, San Diego, CA [5]	July	2	136,908	49.0
Total 2016 Dispositions		6	602,720	$ 311.3

(1) Represents gross sales price before the impact of broker commissions and closing costs.
(2) The Plaza Yarrow Bay Properties include the following properties: 10210, 10220 and 10230 NE Points Drive & 3933 Lake Washington Boulevard NE in Kirkland, Washington.
(3) The Sorrento Mesa and Mission Valley Properties includes the following properties: 10390, 10394, 10398, 10421, 10445 and 10455 Pacific Center Court, 2355, 2365, 2375 and 2385 Northside Drive and Pacific Corporate Center - Lot 8, a 5.0 acre undeveloped land parcel.
(4) The Torrey Santa Fe Properties include the following properties: 7525, 7535, 7545 and 7555 Torrey Santa Fe.
(5) Includes two operating properties totaling 136,908 rentable square feet and a 7.0 acre undeveloped land parcel.

The total gains on the sales of the operating properties sold during the years ended December 31, 2018, 2017 and 2016 were $142.9 million, $39.5 million and $164.3 million, respectively.

Land Dispositions

During the year ended December 31, 2018, in connection with the Plaza Yarrow Bay Properties disposition listed above, we recognized a gain on sale of land of $11.8 million. During the year ended December 31, 2017, in connection with the Sorrento Mesa and Mission Valley Properties disposition listed above, we recognized a gain on sale of land of $0.4 million. The following table summarizes the land dispositions completed during the year ended December 31, 2016:

Properties	Submarket	Month of Disposition	Gross Site Acreage (unaudited)	Sales Price[1] (in millions)
2016 Land Dispositions				
Carlsbad Oaks - Lot 7	Carlsbad	January	7.6	$ 4.5
Carlsbad Oaks - Lots 4 & 5	Carlsbad	June	11.2	6.0
Carlsbad Oaks - Lot 8	Carlsbad	June	13.2	8.9
Total 2016 Land Dispositions [2][3]			32.0	$ 19.4

(1) Represents gross sales price before the impact of commissions and closing costs.
(2) In connection with these land dispositions, $2.3 million of secured debt was assumed by the buyers.
(3) The 2016 land dispositions resulted in a net loss on sales of $0.3 million.

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Restricted Cash Related to Dispositions

As of December 31, 2018, approximately $113.1 million of net proceeds related to the operating property dispositions during the year ended December 31, 2018 were temporarily being held at a qualified intermediary at our direction, for the purpose of facilitating a Section 1031 Exchange. The cash proceeds were included in restricted cash on our consolidated balance sheets at December 31, 2018. During January 2019, the Section 1031 Exchange related to this VIE was successfully completed and the cash proceeds were released from the qualified intermediary. We did not have any restricted cash related to dispositions or Section 1031 Exchanges as of December 31, 2017.

5. Deferred Leasing Costs and Acquisition-related Intangible Assets and Liabilities, net

The following table summarizes our deferred leasing costs and acquisition-related intangible assets (acquired value of leasing costs, above-market operating leases, in-place leases and below-market ground lease obligation) and intangible liabilities (acquired value of below-market operating leases and above-market ground lease obligation) as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Deferred Leasing Costs and Acquisition-related Intangible Assets, net:		
Deferred leasing costs	$266,905	$ 248,598
Accumulated amortization	(100,805)	(101,917)
Deferred leasing costs, net	166,100	146,681
Above-market operating leases	2,836	4,199
Accumulated amortization	(2,150)	(3,068)
Above-market operating leases, net	686	1,131
In-place leases	66,526	82,097
Accumulated amortization	(36,174)	(46,625)
In-place leases, net	30,352	35,472
Below-market ground lease obligation	490	490
Accumulated amortization	(54)	(46)
Below-market ground lease obligation, net	436	444
Total deferred leasing costs and acquisition-related intangible assets, net	$197,574	$ 183,728
Acquisition-related Intangible Liabilities, net: [1]		
Below-market operating leases	$53,523	$ 65,440
Accumulated amortization	(29,978)	(40,495)
Below-market operating leases, net	23,545	24,945
Above-market ground lease obligation	6,320	6,320
Accumulated amortization	(727)	(626)
Above-market ground lease obligation, net	5,593	5,694
Total acquisition-related intangible liabilities, net	$29,138	$ 30,639

(1) Included in deferred revenue and acquisition-related intangible liabilities, net in the consolidated balance sheets.

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The following table sets forth amortization related to deferred leasing costs and acquisition-related intangibles for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Deferred leasing costs [1]	$34,341	$31,675	$28,639
Above-market operating leases [2]	444	2,240	1,509
In-place leases [1]	15,915	18,650	11,676
Below-market ground lease obligation [3]	8	8	8
Below-market operating leases [4]	(10,192)	(10,768)	(8,674)
Above-market ground lease obligation [5]	(101)	(101)	(101)
Total	$40,415	$41,704	$33,057

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(1) The amortization of deferred leasing costs and in-place leases is recorded to depreciation and amortization expense and the amortization of lease incentives is recorded as a reduction to rental income in the consolidated statements of operations for the periods presented.

(2) The amortization of above-market operating leases is recorded as a decrease to rental income in the consolidated statements of operations for the periods presented.

(3) The amortization of the below-market ground lease obligation is recorded as an increase to ground lease expense in the consolidated statements of operations for the periods presented.

(4) The amortization of below-market operating leases is recorded as an increase to rental income in the consolidated statements of operations for the periods presented.

(5) The amortization of the above-market ground lease obligation is recorded as a decrease to ground lease expense in the consolidated statements of operations for the periods presented.

The following table sets forth the estimated annual amortization expense related to deferred leasing costs and acquisition-related intangibles as of December 31, 2018 for future periods:

Year	Deferred Leasing Costs	Above-Market Operating Leases [1]	In-Place Leases	Below-Market Ground Lease Obligation [2]	Below-Market Operating Leases [3]	Above-Market Ground Lease Obligation [4]
	(in thousands)					
2019	31,980	192	16,675	8	(7,779)	(100)
2020	26,868	38	5,963	8	(4,621)	(100)
2021	21,787	38	2,861	8	(1,938)	(100)
2022	18,683	38	1,589	8	(1,486)	(100)
2023	14,914	38	648	8	(988)	(100)
Thereafter	51,868	342	2,616	396	(6,733)	(5,093)
Total	$166,100	$ 686	$30,352	$ 436	$ (23,545)	$ (5,593)

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(1) Represents estimated annual amortization related to above-market operating leases. Amounts will be recorded as a decrease to rental income in the consolidated statements of operations.

(2) Represents estimated annual amortization related to below-market ground lease obligations. Amounts will be recorded as an increase to ground lease expense in the consolidated statements of operations.

(3) Represents estimated annual amortization related to below-market operating leases. Amounts will be recorded as an increase to rental income in the consolidated statements of operations.

(4) Represents estimated annual amortization related to above-market ground lease obligations. Amounts will be recorded as a decrease to ground lease expense in the consolidated statements of operations.

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6. Receivables

Current Receivables, net

Current receivables, net is primarily comprised of contractual rents and other lease-related obligations due from tenants. The balance consisted of the following as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Current receivables	$24,815	$ 19,235
Allowance for uncollectible tenant receivables	(4,639)	(2,309)
Current receivables, net	$20,176	$ 16,926

Deferred Rent Receivables, net

Deferred rent receivables, net consisted of the following as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Deferred rent receivables	$270,346	$ 249,629
Allowance for deferred rent receivables	(3,339)	(3,238)
Deferred rent receivables, net	$267,007	$ 246,391

7. Prepaid Expenses and Other Assets, Net

Prepaid expenses and other assets, net consisted of the following at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Furniture, fixtures and other long-lived assets, net	$36,833	$ 39,686
Notes receivable [1]	2,113	19,912
Prepaid expenses & acquisition deposits	13,927	55,108
Total Prepaid Expenses and Other Assets, Net	$52,873	$ 114,706

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(1) During the year ended December 31, 2018, a note receivable with a balance of $15.1 million was repaid to the Company. Notes receivable are shown net of a valuation allowance of approximately $2.9 million as of December 31, 2018.

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8. Secured and Unsecured Debt of the Company

In this Note 8, the “Company” refers solely to Kilroy Realty Corporation and not to any of our subsidiaries. The Company itself does not hold any indebtedness. All of our secured and unsecured debt is held directly by the Operating Partnership.

The Company generally guarantees all the Operating Partnership’s unsecured debt obligations including the unsecured revolving credit facility, the $150.0 million unsecured term loan facility and all of the unsecured senior notes. At December 31, 2018 and 2017, the Operating Partnership had $2.6 billion and $2.0 billion, respectively, outstanding in total, including unamortized discounts and deferred financing costs, under these unsecured debt obligations.

In addition, although the remaining $0.3 billion of the Operating Partnership’s debt as of December 31, 2018 and 2017, is secured and non-recourse to the Company, the Company provides limited customary secured debt guarantees for items such as voluntary bankruptcy, fraud, misapplication of payments and environmental liabilities.

Debt Covenants and Restrictions

One of the covenants contained within the unsecured revolving credit facility and the unsecured term loan facility as discussed further below in Note 9 prohibits 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.

9. Secured and Unsecured Debt of the Operating Partnership

Secured Debt

The following table sets forth the composition of our secured debt as of December 31, 2018 and 2017:

Type of Debt	Annual Stated Interest Rate (1)	GAAP Effective Rate (1)(2)	Maturity Date	December 31, 2018	December 31, 2017
				(in thousands)	
Mortgage note payable	3.57%	3.57%	December 2026	$170,000	$170,000
Mortgage note payable (3)	4.48%	4.48%	July 2027	91,332	93,081
Mortgage note payable (3)(4)	6.05%	3.50%	June 2019	75,238	78,894
Total secured debt				$336,570	$341,975
Unamortized Deferred Financing Costs				(1,039)	(1,175)
Total secured debt, net				$335,531	$340,800

(1) All interest rates presented are fixed-rate interest rates.
(2) Represents the effective interest rate including the amortization of initial issuance discounts/premiums excluding the amortization of deferred financing costs.

(3) The secured debt and the related properties that secure the debt are held in a special purpose entity and the properties are not available to satisfy the debts and other obligations of the Company or the Operating Partnership.

(4) As of December 31, 2018 and 2017, the mortgage loan had unamortized debt premiums of $0.8 million and $2.6 million, respectively. In February 2019, the Company repaid this mortgage note payable at par.

The Operating Partnership's secured debt was collateralized by operating properties with a combined net book value of approximately $324.6 million as of December 31, 2018.

Although our mortgage loans are secured and non-recourse to the Company and the Operating Partnership, the Company provides limited customary secured debt guarantees for items such as voluntary bankruptcy, fraud, misapplication of payments and environmental liabilities.

As of December 31, 2018, all of the Operating Partnership's secured loans contained restrictions that would require the payment of prepayment penalties for the acceleration of outstanding debt. The mortgage notes payable are secured

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by deeds of trust on certain of our properties and the assignment of certain rents and leases associated with those properties.

Unsecured Senior Notes

The following table summarizes the balance and significant terms of the registered unsecured senior notes issued by the Operating Partnership and outstanding, including unamortized discounts of $6.6 million and $6.3 million and unamortized deferred financing costs of $15.4 million and $12.5 million as of December 31, 2018 and 2017, respectively:

	Issuance date	Maturity date	Stated coupon rate	Effective interest rate (1)	Net Carrying Amount as of December 31, 2018	Net Carrying Amount as of December 31, 2017
					(in thousands)	
4.750% Unsecured Senior Notes (2)	November 2018	December 2028	4.750%	4.800%	$400,000	$—
Unamortized discount and deferred financing costs					(4,960)	—
Net carrying amount					$395,040	$—
4.350% Unsecured Senior Notes (3)	October 2018	October 2026	4.350%	4.350%	$200,000	$—
Unamortized discount and deferred financing costs					(1,375)	—
Net carrying amount					$198,625	$—
4.300% Unsecured Senior Notes (3)	July 2018	July 2026	4.300%	4.300%	$50,000	$—
Unamortized discount and deferred financing costs					(342)	—
Net carrying amount					$49,658	$—
3.450% Unsecured Senior Notes (4)	December 2017	December 2024	3.450%	3.470%	$425,000	$425,000
Unamortized discount and deferred financing costs					(3,493)	(4,047)
Net carrying amount					$421,507	$420,953
3.450% Unsecured Senior Notes (5)	February 2017	February 2029	3.450%	3.450%	$75,000	$75,000
Unamortized discount and deferred financing costs					(432)	(475)
Net carrying amount					$74,568	$74,525

3.350% Unsecured Senior Notes (5)	February 2017	February 2027	3.350%	3.350%	$175,000	$175,000
Unamortized discount and deferred financing costs					(941)	(1,056)
Net carrying amount					$174,059	$173,944
4.375% Unsecured Senior Notes (6)	September 2015	October 2025	4.375%	4.444%	$400,000	$400,000
Unamortized discount and deferred financing costs					(3,738)	(4,292)
Net carrying amount					$396,262	$395,708
4.250% Unsecured Senior Notes (7)	July 2014	August 2029	4.250%	4.350%	$400,000	$400,000
Unamortized discount and deferred financing costs					(5,632)	(6,164)
Net carrying amount					$394,368	$393,836
3.800% Unsecured Senior Notes (8)	January 2013	January 2023	3.800%	3.800%	$300,000	$300,000
Unamortized discount and deferred financing costs					(1,108)	(1,382)
Net carrying amount					$298,892	$298,618
6.625% Unsecured Senior Notes (9)	May 2010	June 2020	6.625%	6.744%	$—	$250,000
Unamortized discount and deferred financing costs					—	(1,321)
Net carrying amount					$—	$248,679
Total Unsecured Senior Notes, Net					$2,402,979	$2,006,263

(1) Represents the effective interest rate including the amortization of initial issuance discounts, excluding the amortization of deferred financing costs.
(2) Interest on these notes is payable semi-annually in arrears on June 15th and December 15th of each year, beginning on June 15, 2019.
(3) Interest on these notes is payable semi-annually in arrears on April 18th and October 18th of each year, beginning in April 18, 2019.
(4) Interest on these notes is payable semi-annually in arrears on June 15th and December 15th of each year.
(5) Interest on these notes is payable semi-annually in arrears on February 17th and August 17th of each year.
(6) Interest on these notes is payable semi-annually in arrears on April 1st and October 1st of each year.
(7) Interest on these notes is payable semi-annually in arrears on February 15th and August 15th of each year.
(8) Interest on these notes is payable semi-annually in arrears on January 15th and July 15th of each year.
(9) Interest on these notes is payable semi-annually in arrears on June 1st and December 1st of each year.

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Unsecured Senior Notes - Registered Offerings

In November 2018, the Operating Partnership issued $400.0 million of aggregate principal amount of unsecured senior notes in a registered public offering, as shown on the table above. The outstanding balance of the unsecured senior notes is included in unsecured debt, net of initial issuance discount of $1.5 million, on our consolidated balance sheets. The unsecured senior notes, which are scheduled to mature on December 15, 2028, require semi-annual interest payments each June and December based on a stated annual interest rate of 4.750%. The Operating Partnership may redeem the notes at any time prior to December 15, 2028, either in whole or in part, subject to the payment of an early redemption premium subject to a par call option.

In December 2018, we used a portion of the net proceeds from the issuance of our $400.0 million, 4.750% unsecured senior notes to early redeem, at our option, the $250.0 million aggregate principal amount of our outstanding 6.625% unsecured senior notes that were scheduled to mature on June 1, 2020. In connection with our early redemption, we incurred a $12.6 million loss on early extinguishment of debt comprised of an $11.8 million premium paid to the note holders at the redemption date and a $0.8 million write-off of the unamortized discount and unamortized deferred financing costs.

In December 2017, the Operating Partnership issued $425.0 million of aggregate principal amount of unsecured senior notes in a registered public offering, as shown on the table above. The outstanding balance of the unsecured senior notes is included in unsecured debt, net of initial issuance discount of $0.6 million, on our consolidated balance sheet. The unsecured senior notes, which are scheduled to mature on December 15, 2024, require semi-annual interest payments each June and December based on a stated annual interest rate of 3.450%. The Operating Partnership may redeem the notes at any time prior to September 15, 2024, either in whole or in part, subject to the payment of an early redemption premium.

In December 2017, we used a portion of the net proceeds from the issuance of our $425.0 million, 3.450% unsecured senior notes to early redeem, at our option, the $325.0 million aggregate principal amount of our outstanding 4.800% unsecured senior notes that were scheduled to mature on July 15, 2018. In connection with our early redemption, we incurred a $5.3 million loss on early extinguishment of debt comprised of $5.0 million premium paid to the note holders at the redemption date and $0.3 million write-off of the unamortized discount and unamortized deferred financing costs.

Unsecured Senior Notes - Private Placement

In May 2018, the Operating Partnership entered into a note purchase agreement in a private placement (the “2018 Note Purchase Agreement”) in connection with the issuance and sale of $50.0 million principal amount of the Operating Partnership’s 4.30% Senior Notes, Series A, due July 18, 2026 (the “Series A Notes due 2026”), and $200.0 million principal amount of the Operating Partnership’s 4.35% Senior Notes, Series B, due October 18, 2026 (the “Series B Notes due 2026” and, together with the Series A Notes, the “Series A and B Notes due 2026”), as shown in the table above. The Company drew the full amount of the Series A Notes due 2026 on July 18, 2018. On October 22, 2018, the Company drew the full amount of the Series B Notes due 2026. The Series A and B Notes due 2026 mature on their respective due dates, unless earlier redeemed or prepaid pursuant to the terms of the 2018 Note Purchase Agreement. Interest on the Series A and B Notes due 2026 is payable semi-annually in arrears on April 18 and October 18 of each year beginning April 18, 2019. As of December 31, 2018, there was $50.0 million and $200.0 million issued and outstanding aggregate principal amount of Series A and Series B Notes due 2026, respectively.

In September 2016, the Operating Partnership entered into a note purchase agreement in a private placement (the "2016 Note Purchase Agreement"), in connection with the issuance and sale of $175.0 million principal amount of the Operating Partnership's 3.35% Senior Notes, Series A, due February 17, 2027 (the "Series A Notes due 2027"), and $75.0 million principal amount of the Operating Partnership's 3.45% Senior Notes, Series B, due February 17, 2029 (the "Series B Notes due 2029" and, together with the Series A Notes due 2027, the "Series A and B Notes due 2027 and 2029"), as shown on the table above. In February 2017, the Operating Partnership issued the $175.0 million principal amount of its Series A Notes due 2027 and the $75.0 million principal amount of its Series B Notes due 2029. The Series A and B Notes due 2027 and 2029 mature on their respective due dates unless earlier redeemed or prepaid pursuant to the terms of the 2016 Note Purchase Agreement. Interest on the Series A and B Notes due 2027 and 2029 is payable semi-annually in arrears on February 17 and August 17 of each year. As of December 31, 2018, there was

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

$175.0 million and $75.0 million issued and outstanding aggregate principal amount of Series A and B Notes, respectively.

The Operating Partnership may, at its option and upon notice to the purchasers of the Series A and B Notes due 2026 and Series A and B Notes due 2027 and 2029, prepay at any time all, or from time to time any part of the principal amounts then outstanding (in an amount not less than 5% of the aggregate principal amount of the Series A and B Notes due 2026 and Series A and B Notes due 2027 and 2029 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 2016 & 2018 Note Purchase Agreements.

In connection with the issuance of the Series A and B Notes due 2026 and Series A and B Notes due 2027 and 2029, the Company entered into an agreement whereby it will guarantee the payment by the Operating Partnership of all amounts due with respect to the Series A and B Notes due 2026 and Series A and B Notes due 2027 and the performance by the Operating Partnership of its obligations under the 2016 & 2018 Note Purchase Agreements.

Unsecured Revolving Credit Facility and Term Loan Facility

In July 2017, the Operating Partnership amended and restated the terms of its unsecured revolving credit facility and unsecured term loan facility (together, the “Facility”). The amendment and restatement increased the size of the unsecured revolving credit facility from $600.0 million to $750.0 million, maintained the size of the unsecured term loan facility of $150.0 million, reduced the borrowing costs and extended the maturity date of the Facility to July 2022.

The following table summarizes the balance and terms of our unsecured revolving credit facility as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Outstanding borrowings	$45,000	$ —
Remaining borrowing capacity	705,000	750,000
Total borrowing capacity [(1)]	$750,000	$ 750,000
Interest rate [(2)]	3.48 %	2.56 %
Facility fee-annual rate [(3)]	0.200%	
Maturity date	July 2022	

(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 December 31, 2018 and 2017.

(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 December 31, 2018 and 2017, $4.7 million and $6.0 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 and to potentially repay long-term debt.

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During the first quarter of 2018, we borrowed the full $150.0 million borrowing capacity of our unsecured term loan facility. In connection with the funding of the outstanding borrowings, we transferred $30.0 million of outstanding borrowings under the unsecured revolving credit facility to the balance of our unsecured term loan facility. As a result, only $120.0 million of cash proceeds were received from the funding of the unsecured term loan facility. The following table summarizes the balance and terms of our unsecured term loan facility as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	
Outstanding borrowings	$150,000	$ —
Remaining borrowing capacity	—	150,000
Total borrowing capacity [1]	$150,000	$ 150,000
Interest rate [2]	3.49 %	2.66 %
Undrawn facility fee-annual rate [3]	0.200%	
Maturity date	July 2022	

(1) As of December 31, 2018 and 2017, $0.9 million and $1.2 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 December 31, 2018 and 2017.

(3) Prior to borrowing the full capacity of our unsecured term loan facility, the undrawn facility fee was calculated based on any unused borrowing capacity and was paid on a quarterly basis.

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 and Series A and B Notes due 2027 and 2029 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 December 31, 2018 and 2017.

Debt Maturities

The following table summarizes the stated debt maturities and scheduled amortization payments as of December 31, 2018:

Year	(in thousands)
2019	$ 76,309
2020	5,137
2021	5,342
2022	200,554

2023	305,775
Thereafter	2,362,694
Total aggregate principal value [1]	$ 2,955,811

(1) Includes gross principal balance of outstanding debt before the effect of the following at December 31, 2018: $17.4 million of unamortized deferred financing costs for the unsecured term loan facility, unsecured senior notes and secured debt, $6.6 million of unamortized discounts for the unsecured senior notes and $0.8 million of unamortized premiums for the secured debt.

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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 years ended 2018, 2017 and 2016. The interest expense capitalized was recorded as a cost of development and increased the carrying value of undeveloped land and construction in progress.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Gross interest expense	$117,789	$112,577	$105,263
Capitalized interest and deferred financing costs	(68,068)	(46,537)	(49,460)
Interest expense	$49,721	$66,040	$55,803

10. Deferred Revenue and Acquisition-Related Intangible Liabilities, net

Deferred revenue and acquisition-related intangible liabilities, net consisted of the following at December 31, 2018 and 2017:

	December 31,	
	2018	2017
	(in thousands)	
Deferred revenue related to tenant-funded tenant improvements	$104,558	$104,260
Other deferred revenue	15,950	10,991
Acquisition-related intangible liabilities, net (1)	29,138	30,639
Total	$149,646	$145,890

(1) See Note 5 “Deferred Leasing Costs and Acquisition-related Intangible Assets and Liabilities, net” for additional information regarding our acquisition-related intangible liabilities.

Deferred Revenue Related to Tenant-funded Tenant Improvements

During the years ended December 31, 2018, 2017, and 2016, $18.4 million, $16.8 million and $13.2 million, respectively, of deferred revenue related to tenant-funded tenant improvements was amortized and recognized as rental income. The following is the estimated amortization of deferred revenue related to tenant-funded tenant improvements as of December 31, 2018 for the next five years and thereafter:

Year Ending	(in thousands)
2019	$ 16,973
2020	16,265
2021	14,612
2022	13,603
2023	11,857
Thereafter	31,248
Total	$ 104,558

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

Common Units of the Operating Partnership

The Company owned a 98.0% and 97.9% common general partnership interest in the Operating Partnership as of December 31, 2018 and 2017, respectively. The remaining 2.0% and 2.1% common limited partnership interest as of December 31, 2018 and 2017, respectively, was owned by non-affiliated investors and certain of our executive officers and directors in the form of noncontrolling common units. There were 2,025,287 and 2,077,193 common units outstanding held by these investors, executive officers and directors as of December 31, 2018 and 2017, respectively. The decrease in the common units from December 31, 2017 to December 31, 2018 was attributable to 51,906 common unit redemptions.

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 $126.4 million and $154.5 million as of December 31, 2018 and 2017, 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.

Noncontrolling Interest in Consolidated Property Partnerships

On August 30, 2016, the Operating Partnership entered into agreements with Norges Bank Real Estate Management ("NBREM") whereby NBREM invested, through two REIT subsidiaries, in two existing companies that owned the Company's 100 First Street and 303 Second Street office properties located in San Francisco, California. Based on a gross valuation of the properties of approximately $1.2 billion, NBREM contributed a total of $452.9 million, for a 44% common equity interest in the companies, which was net of approximately $55.3 million of its proportionate share of the existing mortgage debt on 303 Second Street as of the transaction date. In November 2017, NBREM contributed $54.4 million to fund their proportionate share of the Company's repayment of this mortgage debt.
The transaction was structured with a staggered closing. On August 30, 2016, the first tranche of the transaction closed and NBREM contributed $191.4 million plus a working capital contribution of $2.1 million for a 44% common ownership interest in 100 First LLC. On November 30, 2016, the second tranche of the transaction closed and NBREM contributed $261.5 million, which was net of its proportionate share of the existing mortgage debt secured by the 303 Second Street property of approximately $55.3 million, plus a working capital contribution of $2.9 million for a 44% common ownership interest in 303 Second LLC.
The transactions did not meet the criteria to qualify as sales of real estate because the Company continues to effectively control the properties and therefore continued to account for the 100 First Street and 303 Second Street office properties on a consolidated basis in its financial statements. At formation, the Company accounted for the transactions as equity transactions and recognized noncontrolling interests in its consolidated balance sheets. In connection with the transaction, the Company provides customary property management, leasing and construction management services for both properties. 100 First Street is a 467,095 square foot office tower, and 303 Second Street

is a 740,047 square foot office property, both located in the South of Market submarket in San Francisco, California. The noncontrolling interests in 100 First LLC and 303 Second LLC as of December 31, 2018 and 2017 were $186.4 million and $175.4 million, respectively, which is recognized in noncontrolling interests in consolidated property partnerships on the Company's consolidated balance sheets. The remaining amount of noncontrolling interests in consolidated property partnerships represents the third party equity interest in Redwood LLC. This noncontrolling interest was $6.0 million and $6.2 million as of December 31, 2018 and 2017, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

12. Noncontrolling Interests on the Operating Partnership's Consolidated Financial Statements

Consolidated Property Partnerships

On August 30, 2016, the Operating Partnership entered into agreements with NBREM whereby NBREM invested, through two REIT subsidiaries, in two existing companies that owned the Company's 100 First Street and 303 Second Street office properties located in San Francisco, California. Based on a gross valuation of the two properties of approximately $1.2 billion, NBREM contributed a total of $452.9 million for a 44% common equity interest in the companies, which is net of approximately $55.3 million of its proportionate share of the existing mortgage debt. In November 2017, the Company repaid the mortgage debt secured by the 303 Second Street office property. Prior to the repayment, NBREM contributed $54.4 million to fund their proportionate share of the repayment. Refer to Note 11 for additional information regarding these transactions.

13. Stockholders' Equity of the Company

Preferred Stock

On August 15, 2017, the Company redeemed all 4,000,000 shares of its 6.375% Series H Cumulative Redeemable Preferred Stock ("Series H Preferred Stock"). The shares of Series H Preferred Stock were redeemed at a redemption price equal to their stated liquidation preference of $25.00 per share, representing $100.0 million in aggregate. The redemption payment did not include any additional accrued dividends because the redemption date was also the dividend payment date.

On March 30, 2017 (the "Series G Redemption Date"), the Company redeemed all 4,000,000 shares of its 6.875% Series G Cumulative Redeemable Preferred Stock ("Series G Preferred Stock"). The shares of Series G Preferred Stock were redeemed at a redemption price equal to their stated liquidation preference of $25.00 per share, representing $100.0 million in aggregate, plus all accrued and unpaid dividends to the Series G Redemption Date.

In connection with the redemption of the Series G and Series H Preferred Stock, during the year ended December 31, 2017 we recorded non-cash charges of $7.6 million as a reduction to net income available to common stockholders for the original issuance costs of the Series H and Series G Preferred Stock.

Common Stock

Forward Equity Offering

On August 8, 2018, the Company entered into forward equity sale agreements with certain financial institutions acting as forward purchasers in connection with an offering of 5,000,000 shares of common stock at an initial gross offering price of $360.5 million, or $72.10 per share, before underwriting discounts, commissions and offering expenses. The forward purchasers borrowed and sold an aggregate of 5,000,000 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. The Company currently expects to fully physically settle the forward sale agreements and receive cash proceeds upon one or more settlement dates, at the Company's discretion, prior to the final settlement date under the forward sale agreements of August 1, 2019. The forward sale price that we expect to receive upon physical settlement of the agreements, which was initially $71.68 per share, will be subject to adjustment for (i) a floating interest rate factor equal to a specified daily rate less a spread, (ii) the forward purchasers' stock borrowing costs and (iii) scheduled dividends during the term of the forward equity sale agreements. The full amount of this offering remains available for future settlement as of the date of this filing. Upon issuance of shares, the Company will contribute the net proceeds from these issuances to the Operating Partnership in exchange for an equal number of units in the Operating Partnership.

Common Stock Issuances

In January 2017, the Company completed an underwritten public offering of 4,427,500 shares of its common stock. The net offering proceeds, after deducting underwriting discounts and offering expenses, were approximately $308.8

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million. We used a portion of the proceeds to partially fund our $1.90 per share of special dividends declared by our Board of Directors in December 2016 and used the remaining proceeds for general corporate uses, to fund development expenditures and to repay outstanding indebtedness.

At-The-Market Stock Offering Program

Under our at-the-market stock offering programs, which commenced in December 2014 and June 2018 we may offer and sell shares of our common stock from time to time in “at-the-market” offerings. During the year ended December 31, 2018, the Company completed its existing at-the-market stock offering program (the “2014 At-The-Market Program”) under which we sold an aggregate of $300.0 million in gross sales of shares, and in June 2018 commenced a new at-the-market stock offering program (the “2018 At-The-Market Program”) under which we may offer and sell shares of our common stock with an aggregate gross sales price of up to $500.0 million.

In connection with the 2018 At-The-Market-Program, the Company may, at its discretion, enter into forward equity sale agreements. The use of a forward equity sale agreements would allow 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 receiving the proceeds from the sale of shares until a later date, allowing the Company to better align such funding with its capital needs.

The following table sets forth information regarding sales of our common stock under our at-the-market offering programs for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in millions, except share data)		
Shares of common stock sold during the period	1,817,195	235,077	451,398
Weighted average price per share of common stock	$ 73.64	$ 75.40	$ 71.50
Aggregate gross proceeds	$ 133.8	$ 17.7	$ 32.3
Aggregate net proceeds after selling commissions	$ 132.1	$ 17.5	$ 31.9

The proceeds from sales were used to fund acquisitions, development expenditures and general corporate purposes including repayment of borrowings under the unsecured revolving credit facility. During the year ended December 31, 2018, under the 2014 At-The-Market Program, we sold 1,369,729 shares of common stock and completed the program. Since commencement of the 2018 At-The-Market Program through December 31, 2018, we have sold 447,466 shares of common stock, none of which were sold under forward equity sale agreements. Approximately $466.2 million remains available to be sold under this program. 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 the 2018 At-The-Market program.

Common Stock Repurchases

On February 23, 2016, the Company’s Board of Directors approved a 4,000,000 share increase to the Company’s existing share repurchase program bringing the total current repurchase authorization to 4,988,025 shares. The

Company did not repurchase shares of common stock under this program during the years ended December 31, 2018 or December 31, 2017. In March 2016, the Company repurchased 52,199 shares of common stock at a weighted average price of $55.45 per share of common stock for $2.9 million. As of December 31, 2018, 4,935,826 shares remain eligible for repurchase under the Company’s share repurchase program.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Accrued Dividends and Distributions

The following tables summarize accrued dividends and distributions for the noted outstanding shares of common stock and noncontrolling units as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
	(in thousands)	
Dividends and Distributions payable to:		
Common stockholders	$45,840	$41,914
Noncontrolling common unitholders of the Operating Partnership	922	883
RSU holders [(1)]	797	651
Total accrued dividends and distribution to common stockholders and noncontrolling unitholders	$47,559	$43,448

(1) The amount includes the value of the dividend equivalents that will be paid with additional RSUs (see Note 15 "Share-Based Compensation" for additional information).

	December 31,	
	2018	2017
Outstanding Shares and Units:		
Common stock [(1)]	100,746,988	98,620,333
Noncontrolling common units	2,025,287	2,077,193
RSUs [(2)]	1,711,628	1,488,724

(1) The amount includes nonvested shares.

(2) The amount includes nonvested RSUs. Does not include 1,018,337 and 665,110 market measure-based RSUs because not all the necessary performance conditions have been met as of December 31, 2018 and 2017, respectively. Refer to Note 15 "Share-Based Compensation" for additional information.

14. Partners' Capital of the Operating Partnership

Preferred Units

On August 15, 2017, the Company redeemed all 4,000,000 shares of its 6.375% Series H Preferred Stock. For each share of Series H Preferred Stock that was outstanding, the Company had an equivalent number of 6.375% Series H Preferred Units ("Series H Preferred Units") outstanding with substantially similar terms as the Series H Preferred Stock. In connection with the redemption of the Series H Preferred Stock, the Series H Preferred Units held by the Company were redeemed by the Operating Partnership.

On March 30, 2017, the Company redeemed all 4,000,000 shares of its 6.875% Series G Preferred Stock. For each share of Series G Preferred Stock that was outstanding, the Company had an equivalent number of 6.875% Series G Preferred Units ("Series G Preferred Units") outstanding with substantially similar terms as the Series G Preferred Stock. In connection with the redemption of the Series G Preferred Stock, the Series G Preferred Units held by the Company were redeemed by the Operating Partnership.

In connection with the redemption of the Series G and Series H Preferred Stock, during the year ended December 31, 2017 we recorded non-cash charges of $7.6 million as a reduction to net income available to common unitholders for the original issuance costs of the Series H and Series G Preferred Stock.

Common Units

Issuance of Common Units

In January 2017, the Company completed an underwritten public offering of 4,427,500 shares of its common stock (see Note 13 “Stockholders’ Equity of the Company”). The net offering proceeds of approximately $308.8 million were contributed by the Company to the Operating Partnership in exchange for 4,427,500 common units.

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In March 2016, the Operating Partnership issued 867,701 common units in connection with a development acquisition. Each common unit was valued at $55.36, which was based on a trailing ten-day average of the closing quoted price per share of the Company’s common stock, par value $.01 per share, as reported on the NYSE, as calculated in accordance with the Partnership Agreement.

At-The-Market Stock Offering Program

During the years ended December 31, 2018, 2017 and 2016, the Company utilized its at-the-market stock offering programs to issue shares of common stock (see Note 13 “Stockholders’ Equity of the Company” for additional information). The net offering proceeds and property acquired using net offering proceeds contributed by the Company to the Operating Partnership in exchange for common units for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in millions, except share and per share data)		
Shares of common stock contributed by the Company	1,817,195	235,077	451,398
Common units exchanged for shares of common stock by the Company	1,817,195	235,077	451,398
Aggregate gross proceeds	$133.8	$ 17.7	$ 32.3
Aggregate net proceeds after selling commissions	$132.1	$ 17.5	$ 31.9

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:

	December 31, 2018	December 31, 2017
Company owned common units in the Operating Partnership	100,746,988	98,620,333
Company owned general partnership interest	98.0 %	97.9 %
Noncontrolling common units of the Operating Partnership	2,025,287	2,077,193
Ownership interest of noncontrolling interest	2.0 %	2.1 %

For a further discussion of the noncontrolling common units during the years ended December 31, 2018 and 2017, refer to Note 11 “Noncontrolling Interests on the Company’s Consolidated Financial Statements.”

Accrued Distributions

The following tables summarize accrued distributions for the noted common units as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands)	

Distributions payable to:		
General partner	$45,840	$ 41,914
Common limited partners	922	883
RSU holders [1]	797	651
Total accrued distributions to common unitholders	$47,559	$ 43,448

(1) The amount includes the value of the dividend equivalents that will be paid with additional RSUs (see Note 15 “Share-Based Compensation” for additional information).

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	December 31, 2018	December 31, 2017
Outstanding Units:		
Common units held by the general partner	100,746,988	98,620,333
Common units held by the limited partners	2,025,287	2,077,193
RSUs (1)	1,711,628	1,488,724

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(1) Does not include 1,018,337 and 665,110 market measure-based RSUs because not all the necessary performance conditions have been met as of December 31, 2018 and 2017, respectively. Refer to Note 15 “Share-Based Compensation” for additional information.

15. Share-Based and Other Compensation

Stockholder Approved Share-Based Incentive Compensation Plan

As of December 31, 2018, 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 9.2 million shares of our common stock for possible issuance under our 2006 Incentive Award Plan. As of December 31, 2018, approximately 0.6 million shares were 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.

The Executive Compensation Committee (the “Compensation Committee”) of the Company's Board of Directors may grant the following share-based awards to eligible individuals, as provided under the 2006 Plan: incentive stock options, nonqualified stock options, restricted stock (nonvested shares), stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units (“RSUs”), profit interest units, performance bonus awards, performance-based awards and other incentive awards. For each award granted under our share-based incentive compensation programs, the Operating Partnership simultaneously issues to the Company a number of common units equal to the number of shares of common stock ultimately paid by the Company in respect of such awards.

2018, 2017 and 2016 Share-Based Compensation Grants

In connection with entering into an amended employment agreement (the “Amended Employment Agreement”), on December 27, 2018, the Compensation Committee of the Company’s Board of Directors awarded John Kilroy, the Chairman of the Board of Directors, Chief Executive Officer and President of the Company and the Operating Partnership 483,871 RSUs, providing an additional retention incentive during the term of the agreement and enticing Mr. Kilroy to delay his retirement. Of these RSUs awarded, 266,130 RSUs (at the target level of performance) are subject to market-based vesting requirements and 217,741 RSUs are subject to time-based vesting requirements. In addition to Mr. Kilroy’s award, the Compensation Committee of the Company’s Board of Directors awarded 161,290 RSUs to certain members of management. Of these RSUs awarded, 80,647 RSUs (at the target level of performance) are subject to market-based vesting requirements (together totaling 346,777 target RSUs with Mr. Kilroy’s award, the

"December 2018 Market-Based RSUs") and 80,643 RSUs are subject to time-based vesting requirements (together totaling 298,384 RSUs with Mr. Kilroy's award, the "December 2018 Time-Based RSUs").

In January and February 2018, the Executive Compensation Committee of the Company's Board of Directors awarded 282,038 RSUs to certain officers of the Company under the 2006 Plan, which included 158,205 RSUs (at the target level of performance) that are subject to market and/or performance-based vesting requirements (the "2018 Performance-Based RSUs") and 123,833 RSUs that are subject to time-based vesting requirements (the "2018 Time-Based RSUs"). Additionally, during 2018, 14,999 RSUs were granted to the board of directors and certain members of management subject to time vesting requirements.

In February 2017, the Executive Compensation Committee of the Company's Board of Directors awarded 229,976 RSUs to certain officers of the Company under the 2006 Plan, which included 130,956 RSUs (at the target level of performance) that are subject to time-based, market-measure based and performance-based vesting requirements (the

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"2017 Performance-Based RSUs") and 99,020 RSUs that are subject to time-based vesting requirements (the "2017 Time-Based RSUs"). Additionally, during 2017, 43,081 RSUs were granted to the board of directors and certain members of management subject to time vesting requirements.

On January 28, 2016, the Executive Compensation Committee of the Company's Board of Directors awarded 294,821 RSUs to certain officers of the Company under the 2006 Plan, which included 168,077 RSUs (at the target level of performance) that are subject to time-based, market-measure based and performance-based vesting requirements (the "2016 Performance-Based RSUs") and 126,744 RSUs that are subject to time-based vesting requirements ("2016 Time-Based RSUs"). Additionally, during 2016, 47,003 RSUs were granted to the board of directors and certain members of management subject to time vesting requirements.

December 2018 Market-Based RSU Grant

Between 0% and 200% of the total 346,777 target number of December 2018 Market-Based RSUs will be eligible to vest based on the Company's relative total shareholder return ("TSR") versus a comparative group of companies that consist of companies in the SNL US REIT Office Index over the performance period. An initial number of RSUs (the "Initial Number of RSUs") will be determined at the end of 2021 based on a three-year performance period (2019 through 2021). Once the Initial Number of RSUs is determined, 75% of the Initial Number of RSUs will be scheduled to vest on January 5, 2022. The remaining 25% of the Initial Number of RSUs will be scheduled to vest on January 5, 2023, subject to adjustment based on the Company's relative TSR for the entire four-year performance period (2019 through 2022). The December 2018 Market-Based RSUs are also subject to service vesting requirements through the scheduled vest dates.

Each December 2018 Market-Based RSU represents the right to receive one share of our common stock in the future, subject to, and as modified by, the Company's level of achievement of the applicable market conditions. The December 27, 2018 grant date fair value of the December 2018 Market-Based RSUs was $23.8 million. The fair value was calculated using a Monte Carlo simulation pricing model based on the assumptions in the table below. For the year ended December 31, 2018, we recorded compensation expense based upon the $68.66 grant date fair value per share. Compensation expense for the December 2018 Market-Based RSUs is recognized using a graded vesting approach, where 75% of the fair value will be recognized on a straight-line basis over the three-year initial performance period through the end of 2021, and the remaining 25% of the fair value will be recognized on a straight-line basis over the four-year final performance period through the end of 2022. The following table summarizes the assumptions utilized in the Monte Carlo simulation pricing models:

	December 2018 Market-Based RSU Award Fair Value Assumptions
Valuation date	December 27, 2018
Fair value per share on valuation date	$68.66
Expected share price volatility	23.0%
Risk-free interest rate	2.4%

The computation of expected volatility was based on a blend of the historical volatility of our shares of common stock over a period of twice the performance period and implied volatility data based on the observed pricing of six month publicly-traded options on shares of our common stock. The risk-free interest rate was based on the yield curve on zero-coupon U.S. Treasury STRIP securities in effect at December 27, 2018.

2018, 2017 and 2016 Annual Performance-Based RSU Grants

The 2018 Performance-Based RSUs are scheduled to vest at the end of a three-year period (consisting of calendar years 2018-2020). A target number of 2018 Performance-Based RSUs were awarded, and the final number of 2018 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, 2018 that applies to 100% of the Performance-Based RSUs awarded (the “2018 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 “2018 Debt to EBITDA Ratio Performance Condition” and together with the 2018 FFO Performance Condition, the “2018 Performance Conditions”) and a market measure that applies to the other 50% of

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the award based upon the relative ranking of the Company's TSR for the three-year performance period compared to the TSR of an established comparison group of companies over the same period (the "2018 Market Condition"). The 2018 Performance-Based RSUs are also subject to a three-year service vesting provision 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 2018 FFO Performance Condition was achieved 175% of target for one participant and 150% of target for all other participants. The number of 2018 Performance-Based RSUs ultimately earned could fluctuate from the current estimated number of 2018 Performance-Based RSUs granted based upon the levels of achievement for the 2018 Debt to EBITDA Ratio Performance Condition, the 2018 Market Condition and the extent to which the service vesting condition is satisfied.

The 2017 Performance-Based RSUs are scheduled to cliff vest at the end of a three-year period (consisting of calendar years 2017-2019) based upon (1) the achievement of pre-defined FFO per share goals for the year ended December 31, 2017 that applies to 100% of the 2017 Performance-Based RSUs awarded (the "2017 FFO Performance Condition") and (2) also based upon either the average FAD per share growth that applies to 30% of the award or the Company's average debt to EBITDA ratio that applies to a separate 30% of the award (together, the "Other 2017 Performance Conditions" and together with the 2017 FFO Performance Condition, the "2017 Performance Conditions") or the relative TSR versus a comparative group of companies that consist of companies in the SNL US REIT Office Index that applies to the remaining 40% of the award (the "2017 Market Condition") for the three-year period ending December 31, 2019. The 2017 FFO Performance Condition was achieved at a weighted average of approximately 131% of target for the 2017 Performance-Based RSUs. The number of 2017 Performance-Based RSUs ultimately earned could fluctuate from the current estimated number of 2017 Performance-Based RSUs granted based upon the levels of achievement for the Other 2017 Performance Conditions, the 2017 Market Condition and the extent to which the service vesting condition is satisfied.

The 2016 Performance-Based RSUs are also scheduled to cliff vest at the end of a three-year service period based upon the achievement of pre-defined FFO per share goals for the year ended December 31, 2016 (the "2016 Performance Condition") and also upon the average annual relative total stockholder return versus a comparative group of companies that consist of companies in the SNL US REIT Office Index (the "2016 Market Condition") for the three-year period ending December 31, 2018. Based upon the combined results of the final 2016 Performance Condition and 2016 Market Condition, the 2016 Performance-Based RSUs achieved 144% of their target level of performance.

As of December 31, 2018, the estimated number of RSUs earned for the 2018 and 2017 Performance-Based RSUs and the actual number of RSUs earned for the 2016 Performance-Based RSUs was as follows:

	2018 Performance-Based RSUs	2017 Performance-Based RSUs	2016 Performance-Based RSUs
Service vesting period	February 14, 2018 - January, 2021	February 24, 2017 - January, 2020	January 28, 2016 - January, 2019
Target RSUs granted	158,205	130,956	168,077
Estimated RSUs earned (1)	254,235	170,994	241,438
Date of valuation	February 14, 2018	February 24, 2017	January 28, 2016

(1) Estimated RSUs earned for the 2018 Performance-Based RSUs are based on the actual achievement of the 2018 FFO Performance Condition and assumes target level achievement of the 2018 Debt to EBITDA Ratio

Performance Condition and the 2018 Market Condition. Estimated RSUs earned for the 2017 Performance-Based RSUs are based on the actual achievement of the 2017 FFO Performance Condition and assume target level achievement of the 2017 Market Condition and Other 2017 Performance Conditions. The 2016 Performance-Based RSUs earned are based on actual performance of the 2016 Performance Condition and the 2016 Market Condition.

Each Performance-Based RSU represents the right to receive one share of our common stock in the future, subject to, and as modified by, the Company's level of achievement of the applicable performance and market conditions. The fair values of the 2018 Performance-Based RSUs, 2017 Performance-Based RSUs and 2016 Performance-Based RSUs were $10.8 million at February 14, 2018, $10.3 million at February 24, 2017 and $9.6 million at January 28, 2016, respectively. The fair values for the awards with market conditions were calculated using a Monte Carlo simulation pricing model based on the assumptions in the table below. The determination of the fair value of the 2018, 2017 and 2016 Performance-Based RSUs takes into consideration the likelihood of achievement of the 2018, 2017 and 2016 Performance Conditions and the 2018, 2017 and 2016 Market Conditions, respectively, as discussed above. The following table summarizes the assumptions utilized in the Monte Carlo simulation pricing models:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	2018 Award Fair Value Assumptions	2017 Award Fair Value Assumptions	2016 Award Fair Value Assumptions
Valuation date	February 14, 2018	February 24, 2017	January 28, 2016
Fair value per share on valuation date	$70.08	$80.89	$57.08
Expected share price volatility	20.00%	21.00%	26.00%
Risk-free interest rate	2.37%	1.39%	1.13%

The computation of expected volatility was based on a blend of the historical volatility of our shares of common stock over a period of twice the remaining performance period as of the grant date and implied volatility data based on the observed pricing of six month publicly-traded options on shares of our common stock. The risk-free interest rate was based on the yield curve on zero-coupon U.S. Treasury STRIP securities in effect at February 14, 2018, February 24, 2017 and January 28, 2016.

Compensation expense for the Performance-Based RSUs is recognized on a straight-line basis over the requisite service period for each participant, which is generally the three-year service period. However, for one participant there was a shorter service period for their 2017 and 2018 Performance-Based RSUs. As of December 31, 2018, the number of 2018 Performance-Based RSUs estimated to be earned based on the Company’s estimate of the performance conditions measured against the applicable goals was 254,235, and the compensation cost recorded to date for this program was based on that estimate. For the portion of the 2018 Performance-Based RSUs subject to the 2018 Market Condition, for the year ended December 31, 2018, we recorded compensation expense based upon the $70.08 fair value per share at February 14, 2018. Compensation expense will be variable for the portion of the 2018 Performance-Based RSUs subject to the 2018 Debt to EBITDA Ratio Performance Condition, based upon the outcome of that condition. As of December 31, 2018, the number of 2017 Performance-Based RSUs estimated to be earned based on the Company’s estimate of the performance conditions measured against the applicable goals was 170,994, and the compensation cost recorded to date for this program was based on that estimate. For the portion of the 2017 Performance-Based RSUs subject to the 2017 Market Condition, for the years ended December 31, 2018 and 2017, we recorded compensation expense based upon the $80.89 fair value per share at February 24, 2017. Compensation expense will be variable for the portion of the 2017 Performance-Based RSUs subject to the Other 2017 Performance Conditions, based upon the outcome of those conditions. For the years ended December 31, 2018, 2017 and 2016, we recorded compensation expense for the 2016 Performance-Based RSUs based upon $57.08 fair value per share at January 28, 2016 multiplied by the 241,438 RSUs, which is net of forfeitures, estimated to be earned at December 31, 2016.

December 2018 and Annual 2018, 2017 and 2016 Time-Based RSU Grants

The annual 2018, 2017 and 2016 Time-Based RSUs are scheduled to vest in equal installments over the periods listed below. The December 2018 Time-Based RSUs are scheduled to vest 50% on January 5, 2022 and 50% on January 5, 2023. Compensation expense for the December 2018 and annual 2018, 2017 and 2016 Time-Based RSUs is recognized on a straight-line basis over the requisite service period, which is generally the explicit service period. However, for one participant there was a shorter service period for their 2017 and 2018 Time-Based RSUs. Each Time-Based RSU represents the right to receive one share of our common stock in the future, subject to continued employment through the applicable vesting date. The total fair value of the Time-Based RSUs is based on the Company's closing share price on the NYSE on the respective fair valuation dates as detailed in the table below:

	December 2018 Time-Based RSU Grant	2018 Time-Based RSU Grant [1]	2017 Time-Based RSU Grant [2]	2016 Time-Based RSU Grant
Service vesting period	December 27, 2018 - January 5, 2023	January & February 2018 - January 5, 2021	February 2017 - January 5, 2020	January 28, 2016 - January 5, 2019
Fair value on valuation date (in millions)	$ 18.5	$ 8.4	$ 7.5	$ 7.1
Fair value per share	$ 62.00	$ 70.37	$ 73.30	$ 56.23
Date of fair valuation	December 27, 2018	January & February 2018	February 2017	January 28, 2016

(1) The 2018 Time-Based RSUs consist of 56,015 RSUs granted on January 29, 2018 at a fair value per share of $70.37 and 67,818 RSUs granted on February 14, 2018 at a fair value per share of $66.46.

(2) The 2017 Time-Based RSUs consist of 41,119 RSUs granted on February 3, 2017 at a fair value per share of $73.30 and 57,901 RSUs granted on February 24, 2017 at a fair value per share of $77.16.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Summary of Performance and Market-Measure Based RSUs

A summary of our performance and market-measure based RSU activity from January 1, 2018 through December 31, 2018 is presented below:

	Nonvested RSUs			
	Amount	Weighted-Average Fair Value Per Share (1)	Vested RSUs	Total RSUs
Outstanding at January 1, 2018	665,110	$ 68.83	55,672	720,782
Granted	601,012	68.51	1,067	602,079
Vested	(261,875)	74.25	261,875	—
Settled (2)			(285,818)	(285,818)
Issuance of dividend equivalents (3)	14,090	71.75	2,976	17,066
Forfeited	—		(11)	(11)
Outstanding as of December 31, 2018 (4)	1,018,337	$ 67.29	35,761	1,054,098

(1) Represents the grant-date fair value for all awards, excluding the 2014 Performance-Based RSU Grant, which was re-measured upon stockholder approval of the amended 2006 Plan on May 22, 2014, as an insufficient number of shares were available to settle these RSUs upon initial grant on January 29, 2014.

(2) Represents vested RSUs that were settled in shares of the Company's common stock. Total shares settled include 139,933 shares that were tendered in accordance with the terms of the 2006 Plan to satisfy minimum statutory tax withholding requirements related to the RSUs settled. We accept the return of RSUs at the current quoted closing share price of the Company's common stock to satisfy tax obligations.

(3) Represents the issuance of dividend equivalents earned on the underlying RSUs. The dividend equivalents vest based on terms specified under the related RSU award agreement.

(4) Outstanding RSUs as of December 31, 2018 represent the actual achievement of the FFO performance conditions and assumes target levels for the market and other performance conditions. The number of restricted stock units ultimately earned is subject to change based upon actual performance over the three-year vesting period. Dividend equivalents earned will vest along with the underlying award and are also subject to changes based on the number of RSUs ultimately earned for each underlying award.

A summary of our performance and market-measure based RSU activity for years ended December 31, 2018, 2017 and 2016 is presented below:

	RSUs Granted		RSUs Vested	
Years ended December 31,	Non-Vested RSUs Granted (1)	Weighted-Average Fair Value Per Share (2)	Vested RSUs	Total Vest-Date Fair Value (in thousands)
2018	601,012	$ 68.51	(265,918)	$ 18,906
2017	170,994	78.97	(194,991)	14,270
2016	258,393	57.36	(36,914)	2,788

(1) Non-vested RSUs granted during the years ended December 31, 2018 and 2017 are based on the actual achievement of the FFO performance conditions and assumes target level achievement for the market and other performance conditions. Non-vested RSUs granted during the year ended December 31, 2016 are based on the final performance of both the 2016 Performance and Market Conditions, and are non-vested as of December 31, 2018 as they were subject to the Compensation Committee’s confirmation of final performance.

(2) Represents the grant-date fair value for all awards, excluding the 2014 Performance-Based RSU Grant, which was re-measured upon stockholder approval of the amended 2006 Plan on May 22, 2014, as an insufficient number of shares were available to settle these RSUs upon initial grant on January 29, 2014.

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Summary of Time-Based RSUs

A summary of our time-based RSU activity from January 1, 2018 through December 31, 2018 is presented below:

	Nonvested RSUs			
	Amount	Weighted Average Fair Value Per Share (1)	Vested RSUs	Total RSUs
Outstanding at January 1, 2018	331,546	$ 66.83	1,080,928	1,412,474
Granted	437,216	64.21	—	437,216
Vested	(187,209)	63.85	187,209	—
Settled (2)			(202,536)	(202,536)
Issuance of dividend equivalents (3)	6,316	71.75	26,922	33,238
Forfeited	(1,090)	70.62	—	(1,090)
Canceled (4)			(3,435)	(3,435)
Outstanding as of December 31, 2018	586,779	$ 65.87	1,089,088	1,675,867

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(1) Represents the grant-date fair value for all awards, excluding the 2014 Performance-Based RSU Grant, which was re-measured upon stockholder approval of the amended 2006 Plan on May 22, 2014, as an insufficient number of shares were available to settle these RSUs upon initial grant on January 29, 2014.

(2) Represents vested RSUs that were settled in shares of the Company's common stock. Total shares settled include 85,598 shares that were tendered in accordance with the terms of the 2006 Plan to satisfy minimum statutory tax withholding requirements related to the RSUs settled. We accept the return of RSUs at the current quoted closing share price of the Company's common stock to satisfy tax obligations.

(3) Represents the issuance of dividend equivalents earned on the underlying RSUs. The dividend equivalents vest based on terms specified under the related RSU award agreement.

(4) For shares vested but not yet settled, we accept the return of RSUs at the current quoted closing share price of the Company's common stock to satisfy minimum statutory tax-withholding requirements related to either the settlement or vesting of RSUs in accordance with the terms of the 2006 Plan.

A summary of our time-based RSU activity for the years ended December 31, 2018, 2017 and 2016 is presented below:

	RSUs Granted		RSUs Vested	
Year ended December 31,	Non-Vested RSUs Issued	Weighted-Average Grant Date Fair Value Per Share	Vested RSUs	Total Vest-Date Fair Value (1) (in thousands)
2018	437,216	$ 64.21	(214,131)	$ 14,768
2017	142,101	74.91	(228,095)	16,735

2016	173,747	58.29	(130,784)	8,438

(1) Total fair value of RSUs vested was calculated based on the quoted closing share price of the Company's common stock on the NYSE on the day of vesting. Excludes the issuance of dividend equivalents earned on the underlying RSUs. The dividend equivalents vest based on terms specified under the related RSU award agreement.

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Summary of Nonvested Restricted Stock

A summary of our nonvested restricted stock activity from January 1, 2018 through December 31, 2018 is presented below:

	Nonvested Restricted Stock	Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2018	22,884	$ 55.23
Transferred from time-based RSUs	—	—
Vested [(1)]	(22,884)	55.23
Outstanding as of December 31, 2018	—	$ —

(1) The total shares vested includes 9,637 shares that were tendered in accordance with the terms of the 2006 Plan to satisfy minimum statutory tax withholding requirements related to the restricted shares that have vested. We accept the return of shares at the current quoted closing share price of the Company's common stock to satisfy tax withholding obligations.

A summary of our nonvested and vested restricted stock activity for years ended December 31, 2018, 2017 and 2016 is presented below:

	Shares Granted		Shares Vested	
Years ended December 31,	Nonvested Shares Issued	Weighted-Average Grant Date Fair Value Per Share	Vested Shares	Total Fair Value at Vest Date[(1)] (in thousands)
2018	—	$ —	(22,884)	$ 1,652
2017	—	—	(24,261)	1,781
2016	—	—	(24,262)	1,527

(1) Total fair value of shares vested was calculated based on the quoted closing share price of the Company's common stock on the NYSE on the date of vesting.

Share-Based Compensation Cost Recorded During the Period

The total compensation cost for all share-based compensation programs was $35.9 million, $26.3 million and $26.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Of the total share-based compensation costs, $8.0 million, $7.3 million and $5.6 million was capitalized as part of real estate assets and deferred leasing costs for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, there was approximately $60.5 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 3.0 years. The remaining compensation cost related to these nonvested incentive awards had been recognized in periods prior to December 31, 2018. The $60.5 million of unrecognized compensation costs does not reflect the future compensation cost related to share-based awards that were granted subsequent to December 31, 2018.

Other Compensation

On December 27, 2018, the Executive Compensation Committee of the Company's Board approved, and the Company and the Operating Partnership entered into the Amended Employment Agreement with John Kilroy, which amends and supersedes the existing employment agreement dated January 1, 2012. Except as noted below, the Amended Employment Agreement continues Mr. Kilroy's employment on terms substantially similar to those of the existing employment agreement, with a new term scheduled to continue through December 31, 2023. The Amended Employment Agreement includes a cash retirement benefit of $13.2 million, or $16.2 million for a retirement at or after attaining age 73, with at least twelve months' advance notice or at or after the end of the term of the agreement. For the year ended December 31, 2018, the Company recognized $12.1 million of compensation expense in general and administrative expenses on the consolidated statement of operations, representing the present value of the potential cash retirement benefit amount that was earned based on prior service.

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16. Employee Benefit Plans

401(k) Plan

We have a retirement savings plan designed to qualify under Section 401(k) of the Code (the “401(k) Plan”). Our employees are eligible to participate in the 401(k) Plan on the first day of the month after three months of service. The 401(k) Plan allows eligible employees (“401(k) Participants”) to defer up to 60% of their eligible compensation on a pre-tax basis, subject to certain maximum amounts allowed by the Code. The 401(k) Plan provides for a matching contribution by the Company in an amount equal to 50 cents of each one dollar of participant contributions up to a maximum of 10% of the 401(k) Participant’s annual salary. 401(k) Participants vest immediately in the amounts contributed by us. For each of the years ended December 31, 2018, 2017, and 2016, we contributed \$1.5 million, \$1.3 million and \$1.2 million, respectively, to the 401(k) Plan.

Deferred Compensation Plan

In 2007, we adopted the Deferred Compensation Plan, under which directors and certain management employees may defer receipt of their compensation, including up to 70% of their salaries and up to 100% of their director fees and bonuses, as applicable. In addition, employee participants will receive mandatory Company contributions to their Deferred Compensation Plan accounts equal to 10% of their gross monthly salaries, without regard to whether such employees elect to defer salary or bonus compensation under the Deferred Compensation Plan. Our Board may, but has no obligation to, approve additional discretionary contributions by the Company to Participant accounts. We hold the Deferred Compensation Plan assets in a limited rabbi trust, which is subject to the claims of our creditors in the event of bankruptcy or insolvency.

See Note 19 “Fair Value Measurements and Disclosures” for further discussion of our Deferred Compensation Plan assets as of December 31, 2018 and 2017. Our liability of \$21.7 million and \$20.6 million under the Deferred Compensation Plan was fully funded as of December 31, 2018 and 2017, respectively.

17. Future Minimum Rent

We have operating leases with tenants that expire at various dates through 2043 and are either subject to scheduled fixed increases or adjustments in rent based on the Consumer Price Index. Generally, the leases grant tenants renewal options. Leases also provide for additional rents based on certain operating expenses. Future contractual minimum rent under operating leases as of December 31, 2018 for future periods is summarized as follows:

Year Ending	(in thousands)
2019	$ 566,783
2020	632,875
2021	631,835
2022	620,684
2023	586,371
Thereafter	3,240,143
Total (1)	$ 6,278,691

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

18. Commitments and Contingencies

General

As of December 31, 2018, we had commitments of approximately $960.1 million, excluding our ground lease commitments, for contracts and executed leases directly related to our operating and development properties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

(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.

The minimum commitment under our ground leases as of December 31, 2018 for five years and thereafter is as follows:

Year Ending	(in thousands)
2019	$ 5,154
2020	5,154
2021	5,154
2022	5,154
2023	5,154
Thereafter	233,619
Total [1][2][3][4][5]	$ 259,389

(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 December 31, 2018.
(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 December 31, 2018 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 December 31, 2018 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 10 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 December 31, 2018 for the remainder of the lease term since we cannot predict future adjustments.

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 December 31, 2018 and 2017, we had accrued environmental remediation liabilities of approximately $83.2 million and $28.3 million, respectively, 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 December 31, 2018 and 2017 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.

Litigation

We and our properties are subject to litigation arising in the ordinary course of business. To our knowledge, neither we nor any of our properties are presently subject to any litigation or threat of litigation which, if determined unfavorably to us, would have a material adverse effect on our cash flow, financial condition, or results of operations.

Insurance

We maintain commercial general liability, auto liability, employers' liability, umbrella/excess liability, special form property, difference in conditions including earthquake and flood, environmental, rental loss, and terrorism insurance covering all of our properties. Management believes the policy specifications and insured limits are reasonable given the relative risk of loss, the cost of the coverage, and industry practice. We do not carry insurance for generally uninsurable losses such as loss from governmental action, nuclear hazard, and war and military action. Policies are subject to various terms, conditions, and exclusions and some policies may involve large deductibles or co-payments.

Property Damage Settlement

During the year ended December 31, 2016, we settled an outstanding property damage matter and received cash proceeds totaling $5.0 million, which is included in other property income on our consolidated statements of operations.

19. 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 (see Note 16 “Employee Benefit Plans” for additional information). The following table sets forth the fair value of our marketable securities as of December 31, 2018 and 2017:

	Fair Value (Level 1) [(1)]	
	2018	2017
Description	(in thousands)	
Marketable securities [(2)]	$ 21,779	$ 20,674

(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 (losses) gains 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 (loss) gain on marketable securities recorded during the years ended December 31, 2018, 2017 and 2016:

	December 31,		
	2018	2017	2016
Description	(in thousands)		
Net (loss) gain on marketable securities	$ (1,851)	$ 3,023	$ 1,130

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 December 31, 2018 and 2017:

	December 31,			
	2018		2017	
	Carrying Value	Fair Value [(1)]	Carrying Value	Fair Value [(1)]
	(in thousands)			
Liabilities				
Secured debt, net	$ 335,531	$ 335,885	$ 340,800	$ 346,858
Unsecured debt, net	2,552,070	2,546,386	2,006,263	2,077,199
Unsecured line of credit [(1)]	45,000	45,058	—	—

(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.

20. Other Significant Events

During the year ended December 31, 2018, we recognized $5.7 million of provision for bad debts. The provision for bad debts was primarily due to a $7.0 million provision for one tenant recognized during the second quarter of 2018, partially offset by a $1.4 million decrease in the provision for bad debts for one lease due to the assignment of the lease to a credit tenant during the second quarter of 2018.

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

21. 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 years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except unit and per unit amounts)		
Numerator:			
Net income attributable to Kilroy Realty Corporation	$258,415	$164,612	$293,788
Total preferred dividends	—	(13,363)	(13,250)
Allocation to participating securities [(1)]	(2,004)	(1,975)	(3,839)
Numerator for basic and diluted net income available to common stockholders	$256,411	$149,274	$276,699
Denominator:			
Basic weighted average vested shares outstanding	99,972,359	98,113,561	92,342,483
Effect of dilutive securities	510,006	613,770	680,551
Diluted weighted average vested shares and common stock equivalents outstanding	100,482,365	98,727,331	93,023,034
Basic earnings per share:			
Net income available to common stockholders per share	$2.56	$1.52	$3.00
Diluted earnings per share:			
Net income available to common stockholders per share	$2.55	$1.51	$2.97

(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, shares issuable under executed forward equity sale agreements and other securities are considered in our diluted earnings per share calculation for the years ended December 31, 2018, 2017, and 2016. Certain market measure-based RSUs are not included in dilutive securities as of December 31, 2018, 2017, and 2016 as not all performance metrics had been met by the end of the applicable reporting periods.

See Note 15 "Share-Based Compensation" for additional information regarding the stock options and other share-based compensation.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

22. 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 years ended 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except unit and per unit amounts)		
Numerator:			
Net income attributable to Kilroy Realty, L.P.	$263,210	$ 167,440	$300,063
Total preferred distributions	—	(13,363)	(13,250)
Allocation to participating securities [(1)]	(2,004)	(1,975)	(3,839)
Numerator for basic and diluted net income available to common unitholders	$261,206	$ 152,102	$282,974
Denominator:			
Basic weighted average vested units outstanding	102,025,276	100,246,567	94,771,688
Effect of dilutive securities	510,006	613,770	680,551
Diluted weighted average vested units and common unit equivalents outstanding	102,535,282	100,860,337	95,452,239
Basic earnings per unit:			
Net income available to common unitholders per unit	$2.56	$ 1.52	$2.99
Diluted earnings per unit:			
Net income available to common unitholders per unit	$2.55	$ 1.51	$2.96

(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, shares issuable under executed forward equity sale agreements and other securities are considered in our diluted earnings per share calculation for the years ended December 31, 2018, 2017 and 2016. Certain market measure-based RSUs are not included in dilutive securities as of December 31, 2018, 2017 and 2016 as not all performance metrics had been met by the end of the applicable reporting periods.

See Note 15 "Share-Based Compensation" for additional information regarding the stock options and other share-based compensation.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

23. Supplemental Cash Flow Information of the Company

Supplemental cash flow information follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL CASH FLOWS INFORMATION:			
Cash paid for interest, net of capitalized interest of $65,627, $44,757, and $47,675 as of December 31, 2018, 2017 and 2016, respectively	$44,697	$67,336	$54,295
NON-CASH INVESTING TRANSACTIONS:			
Accrual for expenditures for operating properties and development and redevelopment properties	$158,626	$116,089	$62,589
Tenant improvements funded directly by tenants	$13,968	$15,314	$18,050
Assumption of other assets and liabilities in connection with operating and development property acquisitions, net (Note 3)	$40,624	$1,443	$5,863
Accrual for receivable related to development properties	$—	$—	$1,350
NON-CASH FINANCING TRANSACTIONS:			
Accrual of dividends and distributions payable to common stockholders and common unitholders (Notes 13 and 28)	$47,559	$43,448	$220,650
Exchange of common units of the Operating Partnership into shares of the Company's common stock	$1,962	$10,939	$8,893
Accrual of dividends and distributions payable to preferred stockholders and preferred unitholders (Note 13)	$—	$—	$1,656
Issuance of common units of the Operating Partnership in connection with an acquisition	$—	$—	$48,033
Secured debt assumed by buyers in connection with land disposition (Note 4)	$—	$—	$2,322

The following is a reconciliation of our cash and cash equivalents and restricted cash at the beginning and end of the years ended 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:			
Cash and cash equivalents at beginning of period	$57,649	$193,418	$56,508
Restricted cash at beginning of period	9,149	56,711	696
Cash and cash equivalents and restricted cash at beginning of period	$66,798	$250,129	$57,204
Cash and cash equivalents at end of period	$51,604	$57,649	$193,418
Restricted cash at end of period	119,430	9,149	56,711
Cash and cash equivalents and restricted cash at end of period	$171,034	$66,798	$250,129

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

24. Supplemental Cash Flow Information of the Operating Partnership:

Supplemental cash flow information follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
SUPPLEMENTAL CASH FLOWS INFORMATION:			
Cash paid for interest, net of capitalized interest of $65,627, $44,757, and $47,675 as of December 31, 2018, 2017 and 2016, respectively	$44,697	$67,336	$54,295
NON-CASH INVESTING TRANSACTIONS:			
Accrual for expenditures for operating properties and development and redevelopment properties	$158,626	$116,089	$62,589
Tenant improvements funded directly by tenants	$13,968	$15,314	$18,050
Assumption of other assets and liabilities in connection with operating and development property acquisitions, net (Note 3)	$40,624	$1,443	$5,863
Accrual for receivable related to development properties	$—	$—	$1,350
NON-CASH FINANCING TRANSACTIONS:			
Accrual of dividends and distributions payable to common stockholders and common unitholders (Notes 14 and 28)	$47,559	$43,448	$220,650
Accrual of dividends and distributions payable to preferred stockholders and preferred unitholders (Note 14)	$—	$—	$1,656
Issuance of common units in connection with a development property acquisition	$—	$—	$48,033
Secured debt assumed by buyers in connection with land disposition (Note 4)	$—	$—	$2,322

The following is a reconciliation of our cash and cash equivalents and restricted cash at the beginning and end of the years ended 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:			
Cash and cash equivalents at beginning of period	$57,649	$193,418	$56,508
Restricted cash at beginning of period	9,149	56,711	696
Cash and cash equivalents and restricted cash at beginning of period	$66,798	$250,129	$57,204
Cash and cash equivalents at end of period	$51,604	$57,649	$193,418
Restricted cash at end of period	119,430	9,149	56,711
Cash and cash equivalents and restricted cash at end of period	$171,034	$66,798	$250,129

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

25. Tax Treatment of Distributions

The following table reconciles the dividends declared per share of common stock to the dividends paid per share of common stock during the years ended December 31, 2018, 2017 and 2016 as follows:

	Year Ended December 31,		
Dividends	2018	2017	2016
Dividends declared per share of common stock	$1.790	$1.650	$3.375
Less: Dividends declared in the current year and paid in the following year	(0.455)	(0.425)	(2.275)
Add: Dividends declared in the prior year and paid in the current year [(1)]	0.425	2.275	0.350
Dividends paid per share of common stock	$1.760	$3.500	$1.450

(1) The fourth quarter 2016 dividend of $2.275 per share of common stock consists of a special cash dividend of $1.90 per share of common stock and a regular quarterly cash dividend of $0.375 per share of common stock. The $1.90 per share special distribution is treated as paid in two tax years for income tax purposes: $1.587 is treated as paid on December 31, 2016 and $0.313 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 unaudited income tax treatment for the dividends to common stockholders reportable for the years ended December 31, 2018, 2017 and 2016 as identified in the table above was as follows:

	Year Ended December 31,					
Shares of Common Stock	2018		2017		2016	
Ordinary income [(1)]	$1.474	83.73 %	$1.356	70.87 %	$1.500	49.40 %
Qualified dividend	0.003	0.19	0.002	0.11	0.002	0.06
Return of capital	0.275	15.64	0.344	18.00	—	—
Capital gains [(2)]	0.008	0.44	—	—	1.212	39.89
Unrecaptured section 1250 gains	—	—	0.211	11.02	0.323	10.65
	$1.760	100.00%	$1.913	100.00%	$3.037	100.00%

(1) The Tax Cuts and Jobs Act enacted on December 22, 2017 generally allows a deduction for noncorporate taxpayers equal to 20% of ordinary dividends distributed by a REIT (excluding capital gain dividends and qualified dividend income). The amount of dividend eligible for this deduction is referred to as the Section 199A Dividend. For the year ended December 31, 2018, the Section 199A Dividend is equal to the total ordinary income dividend.
(2) Capital gains are comprised entirely of 20% rate gains.

The 6.875% Series G Cumulative Redeemable Preferred Stock was issued in March 2012 and redeemed in March 2017. The unaudited income tax treatment for the dividends to Series G preferred stockholders reportable for the years ended December 31, 2017 and 2016 was as follows:

	Year Ended December 31,			
Preferred Shares	2017		2016	
Ordinary income	$0.371	86.43 %	$0.848	49.31 %
Qualified dividend	0.001	0.14	0.001	0.06
Capital gains [(1)]	—	—	0.687	39.97

Unrecaptured section 1250 gains	0.058	13.43	0.183	10.66
	$0.430	100.00%	$1.719	100.00%

(1) Capital gains are comprised entirely of 20% rate gains.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The 6.375% Series H Cumulative Redeemable Preferred Stock was issued in August 2012 and redeemed in August 2017. The unaudited income tax treatment for the dividends to Series H preferred stockholders reportable for the years ended December 31, 2017 and 2016 was as follows:

	Year Ended December 31,			
Preferred Shares	2017		2016	
Ordinary income	$1.033	86.43 %	$0.786	49.31 %
Qualified dividend	0.002	0.14	0.001	0.06
Capital gains [(1)]	—	—	0.637	39.97
Unrecaptured section 1250 gains	0.160	13.43	0.170	10.66
	$1.195	100.00%	$1.594	100.00%

(1) Capital gains are comprised entirely of 20% rate gains.

26. Quarterly Financial Information of the Company (Unaudited)

Summarized quarterly financial data for the years ended December 31, 2018 and 2017 was as follows:

	2018 Quarter Ended [(1)]			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
Revenues	$182,822	$187,072	$ 186,562	$ 190,842
Net income	40,971	31,755	38,310	166,890
Net income attributable to Kilroy Realty Corporation	36,246	27,549	34,400	160,220
Net income available to common stockholders	36,246	27,549	34,400	160,220
Net income available to common stockholders per share – basic	0.36	0.27	0.34	1.59
Net income available to common stockholders per share – diluted	0.36	0.27	0.33	1.58

	2017 Quarter Ended [(1)]			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
Revenues	$179,308	$180,598	$ 181,534	$ 177,561
Net income	37,281	35,306	75,488	32,540
Net income attributable to Kilroy Realty Corporation	33,525	31,448	71,110	28,529
Preferred dividends and distributions	(7,196)	(1,615)	(4,552)	—
Net income available to common stockholders	26,329	29,833	66,558	28,529
Net income available to common stockholders per share – basic	0.27	0.30	0.67	0.28
Net income available to common stockholders per share – diluted	0.26	0.30	0.67	0.28

(1) The summation of the quarterly financial data may not equal the annual number reported on the consolidated statements of operations due to rounding. For the year ended December 31, 2018, the summation of the quarterly net income available to common stockholders per share does not equal the annual number reported on the consolidated statements of operations due to the Company’s at-the-market stock offering programs that occurred during the year.

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

27. Quarterly Financial Information of the Operating Partnership (Unaudited)

Summarized quarterly financial data for the years ended December 31, 2018 and 2017 was as follows:

	2018 Quarter Ended (1)			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per unit amounts)			
Revenues	$182,822	$187,072	$ 186,562	$ 190,842
Net income	40,971	31,755	38,310	166,890
Net income attributable to the Operating Partnership	36,893	28,015	34,993	163,309
Net income available to common unitholders	36,893	28,015	34,993	163,309
Net income available to common unitholders per unit – basic	0.36	0.27	0.34	1.58
Net income available to common unitholders per unit – diluted	0.36	0.27	0.33	1.57

	2017 Quarter Ended (1)			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per unit amounts)			
Revenues	$179,308	$180,598	$ 181,534	$ 177,561
Net income	37,281	35,306	75,488	32,540
Net income attributable to the Operating Partnership	34,054	31,971	72,402	29,013
Preferred distributions	(7,196)	(1,615)	(4,552)	—
Net income available to common unitholders	26,858	30,356	67,850	29,013
Net income available to common unitholders per unit – basic	0.26	0.30	0.67	0.28
Net income available to common unitholders per unit – diluted	0.26	0.30	0.67	0.28

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(1) The summation of the quarterly financial data may not equal the annual number reported on the consolidated statements of operations due to rounding. For the year ended December 31, 2018, the summation of the quarterly net income available to common stockholders per share does not equal the annual number reported on the consolidated statements of operations due to the Company’s at-the-market stock offering programs that occurred during the year.

28. Subsequent Events

On January 15, 2019, $47.5 million of dividends were paid out to common stockholders, common unitholders and RSU holders of record on December 31, 2018.

In February 2019, the Executive Compensation Committee granted 144,982 Time-Based RSUs and 143,396 Performance-Based RSUs to key employees under the 2006 Plan. The compensation cost related to the RSUs is expected to be recognized over a period of three years.

On February 11, 2019, the Company repaid at par a secured mortgage note payable due in June 2019 for $74.3 million.

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2018, 2017 and 2016
(in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Recoveries (Deductions)	Balance at End of Period
Allowance for Uncollectible Tenant Receivables for the year ended December 31,				
2018 – Allowance for uncollectible tenant receivables	$ 2,309	$ 2,604	$ (274)	$ 4,639
2017 – Allowance for uncollectible tenant receivables	1,712	1,517	(920)	2,309
2016 – Allowance for uncollectible tenant receivables	2,080	—	(368)	1,712
Allowance for Deferred Rent Receivables for the year ended December 31,				
2018 – Allowance for deferred rent	$ 3,238	$ 165	$ (64)	$ 3,339
2017 – Allowance for deferred rent	1,524	1,752	(38)	3,238
2016 – Allowance for deferred rent	1,882	—	(358)	1,524

(1) In addition, for the year ended December 31, 2018, $2.9 million was charged to costs and expenses for a valuation allowance for a note receivable.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018

Property Location	Initial Cost: Encumb-rances	Initial Cost: Land and improve-ments	Initial Cost: Buildings and Improve-ments	Costs Capitalized Subsequent to Acquisition/ Improvement	Gross Amounts at Which Carried at Close of Period: Land and improve-ments	Gross Amounts at Which Carried at Close of Period: Buildings and Improve-ments	Total	Accumulated Depreciation	Depreci-ation Life (1)	Date of Acquisition (A)/ Construction (C) (2)	Rentable Square Feet (3) (unaudited)
	($ in thousands)										
Office Properties:											
2829 Townsgate Rd., Thousand Oaks, CA		$5,248	$8,001	$8,267	$5,248	$16,268	$21,516	$11,862	35	1997 (A)	84,098
2240 E. Imperial Highway, El Segundo, CA		1,044	11,763	29,509	1,048	41,268	42,316	25,671	35	1983 (C)	122,870
2250 E. Imperial Highway, El Segundo, CA		2,579	29,062	36,148	2,547	65,242	67,789	52,858	35	1983 (C)	298,728
2260 E. Imperial Highway, El Segundo, CA		2,518	28,370	36,672	2,547	65,013	67,560	14,064	35	1983 (C)	298,728
909 N. Pacific Coast Highway, El Segundo, CA	(4)	3,577	34,042	48,056	3,577	82,098	85,675	38,602	35	2005 (C)	244,136
999 N. Pacific Coast Highway, El Segundo, CA	(4)	1,407	34,326	16,497	1,407	50,823	52,230	23,178	35	2003 (C)	128,588
6115 W. Sunset Blvd., Los Angeles, CA (5)		1,313	3	16,458	2,455	15,319	17,774	1,483	35	2015 (C)	26,105
6121 W. Sunset Blvd., Los Angeles, CA (5)		11,120	4,256	43,952	8,703	50,625	59,328	5,631	35	2015 (C)	91,173
1525 N. Gower Street, Los Angeles, CA (5)		1,318	3	9,642	1,318	9,645	10,963	870	35	2016 (C)	9,610
1575 N. Gower Street, Los Angeles, CA (5)		22,153	51	119,406	22,153	119,457	141,610	8,149	35	2016 (C)	251,245
1500 N. El Centro Ave., Los Angeles, CA (5)		9,235	21	58,582	9,235	58,603	67,838	4,026	35	2016 (C)	104,504
1550 N. El Centro Ave., Los Angeles, CA (5) (6)		16,970	39	135,583	16,970	135,622	152,592	9,911	35	2016 (C)	—

6255 W. Sunset Blvd., Los Angeles, CA		18,111	60,320	44,535	18,111	104,855	122,966	29,278	35	2012	(A)	323,920
3750 Kilroy Airport Way, Long Beach, CA		—	1,941	11,153	—	13,094	13,094	10,395	35	1989	(C)	10,457
3760 Kilroy Airport Way, Long Beach, CA		—	17,467	13,714	—	31,181	31,181	25,635	35	1989	(C)	165,278
3780 Kilroy Airport Way, Long Beach, CA		—	22,319	23,008	—	45,327	45,327	37,365	35	1989	(C)	219,777
3800 Kilroy Airport Way, Long Beach, CA		—	19,408	20,838	—	40,246	40,246	23,575	35	2000	(C)	192,476
3840 Kilroy Airport Way, Long Beach, CA		—	13,586	10,364	—	23,950	23,950	15,417	35	1999	(C)	136,026
3880 Kilroy Airport Way, Long Beach, CA		—	9,704	11,277	—	20,981	20,981	3,820	35	1997	(A)	96,035
3900 Kilroy Airport Way, Long Beach, CA		—	12,615	11,983	—	24,598	24,598	17,147	35	1997	(A)	129,893
Kilroy Airport Center, Phase IV, Long Beach, CA (7)		—	—	4,997	—	4,997	4,997	4,997	35	—	—	—
8560 W. Sunset Blvd, West Hollywood, CA		9,720	50,956	600	9,720	51,556	61,276	4,209	35	2016	(A)	71,875
8570 W. Sunset Blvd, West Hollywood, CA		31,693	27,974	925	31,693	28,899	60,592	2,085	35	2016	(A)	43,603
8580 W. Sunset Blvd, West Hollywood, CA		10,013	3,695	135	10,013	3,830	13,843	264	35	2016	(A)	7,126
8590 W. Sunset Blvd, West Hollywood, CA		39,954	27,884	1,092	39,954	28,976	68,930	2,267	35	2016	(A)	56,095
12100 W. Olympic Blvd., Los Angeles, CA	170,000(8)	352	45,611	18,518	9,633	54,848	64,481	27,316	35	2003	(C)	152,048
12200 W. Olympic Blvd., Los Angeles, CA	(8)	4,329	35,488	23,707	3,977	59,547	63,524	37,257	35	2000	(C)	150,832
12233 W. Olympic Blvd., Los Angeles, CA		22,100	53,170	3,986	22,100	57,156	79,256	11,832	35	2012	(A)	151,029
12312 W. Olympic Blvd.,	(8)	3,325	12,202	11,341	3,399	23,469	26,868	12,017	35	1997	(A	76,644

Los Angeles, CA												)	
1633 26th St., Santa Monica, CA			2,080	6,672	3,139	2,040	9,851	11,891	6,908	35	1997	(A)	43,857
2100/2110 Colorado Ave., Santa Monica, CA	91,332	(9)	5,474	26,087	14,620	5,476	40,705	46,181	24,031	35	1997	(A)	102,864
3130 Wilshire Blvd., Santa Monica, CA			8,921	6,579	15,992	9,188	22,304	31,492	14,674	35	1997	(A)	90,074
501 Santa Monica Blvd., Santa Monica, CA		(4)	4,547	12,044	14,129	4,551	26,169	30,720	15,614	35	1998	(A)	76,803
2211 Michelson, Irvine, CA		(9)	9,319	82,836	6,629	9,319	89,465	98,784	27,097	35	2010	(A)	271,556
12225 El Camino Real, Del Mar, CA			1,700	9,633	3,493	1,673	13,153	14,826	8,905	35	1998	(A)	58,401

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION – (Continued)
December 31, 2018

	Initial Cost				Gross Amounts at Which Carried at Close of Period							
Property Location	Encumb-rances	Land and improve-ments	Buildings and Improve-ments	Costs Capitalized Subsequent to Acquisition/ Improvement	Land and improve-ments	Buildings and Improve-ments	Total	Accumulated Depreciation	Depreci-ation Life [(1)]	Date of Acquisition (A)/ Construction (C) [(2)]		Rentable Square Feet [(3)] (unaudited)
	($ in thousands)											
12235 El Camino Real, Del Mar, CA		1,507	8,543	8,965	1,540	17,475	19,015	9,681	35	1998	(A)	53,751
12340 El Camino Real, Del Mar, CA		4,201	13,896	9,858	4,201	23,754	27,955	11,257	35	2002	(C)	89,272
12390 El Camino Real, Del Mar, CA		3,453	11,981	3,896	3,453	15,877	19,330	8,995	35	2000	(C)	70,140
12348 High Bluff Dr., Del Mar, CA		1,629	3,096	6,141	1,629	9,237	10,866	6,206	35	1999	(C)	38,806
12400 High Bluff Dr., Del Mar, CA	(4)	15,167	40,497	14,337	15,167	54,834	70,001	27,243	35	2004	(C)	209,220
3579 Valley Centre Dr., Del Mar, CA		2,167	6,897	7,449	2,858	13,655	16,513	9,512	35	1999	(C)	52,418
3611 Valley Centre Dr., Del Mar, CA		4,184	19,352	18,881	5,259	37,158	42,417	24,251	35	2000	(C)	129,656
3661 Valley Centre Dr., Del Mar, CA		4,038	21,144	16,178	4,725	36,635	41,360	20,619	35	2001	(C)	128,364
3721 Valley Centre Dr., Del Mar, CA		4,297	18,967	14,569	4,254	33,579	37,833	15,893	35	2003	(C)	115,193
3811 Valley Centre Dr.,		3,452	16,152	20,105	4,457	35,252	39,709	21,545	35	2000	(C	112,067

Del Mar, CA										)	
12770 El Camino Real, Del Mar, CA	9,360	—	33,628	9,360	33,628	42,988	1,950	35	2015	(C)	73,032
12780 El Camino Real, Del Mar, CA	18,398	54,954	14,775	18,398	69,729	88,127	11,995	35	2013	(A)	140,591
12790 El Camino Real, Del Mar, CA	10,252	21,236	1,426	10,252	22,662	32,914	4,794	35	2013	(A)	78,836
13280 Evening Creek Dr. South, I-15 Corridor, CA	3,701	8,398	4,730	3,701	13,128	16,829	5,167	35	2008	(C)	41,196
13290 Evening Creek Dr. South, I-15 Corridor, CA	5,229	11,871	5,919	5,229	17,790	23,019	5,950	35	2008	(C)	61,180
13480 Evening Creek Dr. North, I-15 Corridor, CA	7,997	—	52,143	7,997	52,143	60,140	18,660	35	2008	(C)	154,157
13500 Evening Creek Dr. North, I-15 Corridor, CA	7,581	35,903	15,331	7,580	51,235	58,815	20,471	35	2004	(A)	137,658
13520 Evening Creek Dr. North, I-15 Corridor, CA	7,581	35,903	15,427	7,580	51,331	58,911	22,819	35	2004	(A)	146,701
2305 Historic Decatur Rd., Point Loma, CA	5,240	22,220	7,309	5,240	29,529	34,769	9,248	35	2010	(A)	107,456
4690 Executive	1,623	7,926	3,668	1,623	11,594	13,217	7,324	35	1999	(A	47,846

Dr., University Towne Centre, CA											)	
4100 Bohannon Dr., Menlo Park, CA	(4)	4,835	15,526	525	4,860	16,026	20,886	3,954	35	2012	(A)	47,379
4200 Bohannon Dr., Menlo Park, CA	(4)	4,798	15,406	3,222	4,662	18,764	23,426	4,915	35	2012	(A)	45,451
4300 Bohannon Dr., Menlo Park, CA	(4)	6,527	20,958	2,955	6,470	23,970	30,440	6,996	35	2012	(A)	63,079
4400 Bohannon Dr., Menlo Park, CA	(4)	4,798	15,406	2,943	4,939	18,208	23,147	5,066	35	2012	(A)	48,146
4500 Bohannon Dr., Menlo Park, CA	(4)	6,527	20,957	2,025	6,470	23,039	29,509	5,665	35	2012	(A)	63,078
4600 Bohannon Dr., Menlo Park, CA	(4)	4,798	15,406	3,326	4,939	18,591	23,530	4,924	35	2012	(A)	48,147
4700 Bohannon Dr., Menlo Park, CA	(4)	6,527	20,958	1,422	6,470	22,437	28,907	5,492	35	2012	(A)	63,078
1290 - 1300 Terra Bella Ave., Mountain View, CA		28,730	27,555	29	28,730	27,584	56,314	3,589	35	2016	(A)	114,175
331 Fairchild Dr., Mountain View, CA	(4)	18,396	17,712	7,955	18,396	25,667	44,063	4,674	35	2013	(C)	87,147
680 E. Middlefield Rd., Mountain View, CA		34,605	—	56,464	34,605	56,464	91,069	7,908	35	2014	(C)	170,090
690 E. Middlefield Rd., Mountain		34,755	—	56,707	34,755	56,707	91,462	7,942	35	2014	(C)	170,823

View, CA										
1701 Page Mill Rd, Palo Alto, CA	—	99,522	25	—	99,547	99,547	6,000	35	2016	(A) 128,688
3150 Porter Drive, Palo Alto, CA	—	21,715	4	—	21,719	21,719	1,591	35	2016	(A) 36,897
900 Jefferson Ave., Redwood City, CA (10)	16,668	—	109,313	18,063	107,918	125,981	11,977	35	2015	(C) 228,505
900 Middlefield Rd., Redwood City, CA (10)	7,959	—	49,862	8,626	49,195	57,821	5,204	35	2015	(C) 118,764
303 Second St., San Francisco, CA (11)	63,550	154,153	70,133	63,550	224,286	287,836	71,553	35	2010	(A) 740,047

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION – (Continued)
December 31, 2018

	Initial Cost				Gross Amounts at Which Carried at Close of Period					
Property Location	Encumb-rances	Land and improve-ments	Buildings and Improve-ments	Costs Capitalized Subsequent to Acquisition/ Improvement	Land and improve-ments	Buildings and Improve-ments	Total	Accumulated Depreciation		Dep atio Life
	($ in thousands)									
100 First St., San Francisco, CA (12)		49,150	131,238	63,503	49,150	194,741	243,891	53,081		35
250 Brannan St., San Francisco, CA		7,630	22,770	4,466	7,630	27,236	34,866	9,786		35
201 Third St., San Francisco, CA		19,260	84,018	66,543	19,260	150,561	169,821	46,541		35
301 Brannan St., San Francisco, CA		5,910	22,450	5,109	5,910	27,559	33,469	8,375		35
360 Third St., San Francisco, CA		—	88,235	112,885	28,504	172,616	201,120	39,931		35
333 Brannan St., San Francisco, CA		18,645	—	78,426	18,645	78,426	97,071	6,451		35
350 Mission Street, San Francisco, CA		52,815	—	213,459	52,815	213,459	266,274	17,818		35
100 Hooper Street, San Francisco, CA (15)		78,564	—	179,739	78,564	179,739	258,303	1,043	1,043	35
345 Brannan St., San Francisco, CA		29,405	113,179	—	29,405	113,179	142,584	—	—	35
345 Oyster Point Blvd., South San Francisco, CA		13,745	18,575	2	13,745	18,577	32,322	611		35
347 Oyster Point Blvd, South San Francisco, CA		14,071	18,289	8	14,071	18,297	32,368	602		35
349 Oyster Point Blvd.,		23,112	22,601	771	23,112	23,372	46,484	919		35

South San Francisco, CA										
505 Mathilda Ave., Sunnyvale, CA			37,843	1,163	50,450	37,943	51,513	89,456	6,388	35
555 Mathilda Ave., Sunnyvale, CA			37,843	1,163	50,447	37,943	51,510	89,453	6,387	35
605 Mathilda Ave., Sunnyvale, CA			29,014	891	77,281	29,090	78,096	107,186	14,036	35
599 Mathilda Ave., Sunnyvale, CA			13,538	12,559	58	13,538	12,617	26,155	3,568	35
601 108th Ave., Bellevue, WA			—	214,095	33,860	—	247,955	247,955	70,018	35
10900 NE 4th St., Bellevue, WA			25,080	150,877	36,619	25,080	187,496	212,576	46,105	35
837 N. 34th St., Lake Union, WA			—	37,404	3,817	—	41,221	41,221	9,697	35
701 N. 34th St., Lake Union, WA			—	48,027	7,989	—	56,016	56,016	13,785	35
801 N. 34th St., Lake Union, WA			—	58,537	1,657	—	60,194	60,194	14,159	35
320 Westlake Avenue North, WA	74,479	(13)	14,710	82,018	5,063	14,710	87,081	101,791	16,693	35
321 Terry Avenue North, Lake Union, WA		(13)	10,430	60,003	9,987	10,430	69,990	80,420	13,046	35
401 Terry Avenue North, Lake Union, WA			22,500	77,046	—	22,500	77,046	99,546	12,888	35
TOTAL OPERATING PROPERTIES	335,811		1,117,915	2,777,476	2,472,731	1,160,138	5,207,984	6,368,122	1,391,368	
Undeveloped land and construction in progress	—		940,092	—	1,118,418	940,092	1,118,418	2,058,510	—	
TOTAL ALL PROPERTIES	$335,811	(14)	$2,058,007	$2,777,476	$3,591,149	$2,100,230	$6,326,402	$8,426,632	$1,391,368	

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION – (Continued)
December 31, 2018

(1) The initial costs of buildings and improvements are depreciated over 35 years using a straight-line method of accounting; improvements capitalized subsequent to acquisition are depreciated over the shorter of the lease term or useful life, generally ranging from one to 20 years.
(2) Represents our date of construction or acquisition, or of our predecessor, the Kilroy Group.
(3) Includes square footage from our stabilized portfolio.
(4) These properties secure intercompany promissory notes between KRLP and consolidated property partnerships.
(5) These properties include the costs of a shared parking structure for a complex comprised of five office buildings and one residential tower. The costs of the parking structure are allocated amongst the six buildings.
(6) This property represents the 200-unit Columbia Square - Residential tower that stabilized in 2016.
(7) These costs represent infrastructure costs incurred in 1989. During the third quarter of 2009, we exercised our option to terminate the ground lease at Kilroy Airport Center, Phase IV in Long Beach, California. We had previously leased this land, which is adjacent to our Office Properties at Kilroy Airport Center, Long Beach, for potential future development opportunities.
(8) These properties secure a $170.0 million mortgage note.
(9) These properties secure a $91.3 million mortgage note
(10) These properties are owned by Redwood City Partners LLC, a consolidated property partnership.
(11) This property is owned by 303 Second Street Member LLC, a consolidated property partnership.
(12) This property is owned by 100 First Street Member LLC, a consolidated property partnership.
(13) These properties secure a $74.5 million mortgage note, which was repaid at par in February 2019.
(14) Represents gross aggregate principal amount before the effect of the unamortized premium of approximately $0.8 million and deferred financing costs of $1.0 million as of December 31, 2018.
(15) This property is currently in the tenant improvement phase of our in-process development projects and not yet in the stabilized portfolio. The estimated rentable square feet for this property is 400,000 rentable square feet.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION – (Continued)
December 31, 2018

As of December 31, 2018, the aggregate gross cost of property included above for federal income tax purposes approximated $7.0 billion. This amount excludes approximately$0.1 billion of gross costs attributable to a property held in a VIE at December 31, 2018 to facilitate a potential Section 1031 Exchange.

The following table reconciles the historical cost of total real estate held for investment from January 1, 2016 to December 31, 2018:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Total real estate held for investment, beginning of year	$7,417,777	$7,060,754	$6,328,146
Additions during period:			
Acquisitions	581,671	19,829	460,957
Improvements, etc.	991,008	533,939	386,836
Total additions during period	1,572,679	553,768	847,793
Deductions during period:			
Cost of real estate sold	(286,623)	(191,610)	(68,200)
Properties held for sale	—	—	(13,193)
Other	(277,201)	(5,135)	(33,792)
Total deductions during period	(563,824)	(196,745)	(115,185)
Total real estate held for investment, end of year	$8,426,632	$7,417,777	$7,060,754

The following table reconciles the accumulated depreciation from January 1, 2016 to December 31, 2018:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Accumulated depreciation, beginning of year	$1,264,162	$1,139,853	$994,241
Additions during period:			
Depreciation of real estate	198,578	190,515	171,983
Total additions during period	198,578	190,515	171,983
Deductions during period:			
Write-offs due to sale	(71,372)	(66,206)	(22,471)
Properties held for sale	—	—	(3,900)
Other	—	—	—
Total deductions during period	(71,372)	(66,206)	(26,371)
Accumulated depreciation, end of year	$1,391,368	$1,264,162	$1,139,853

EXHIBIT INDEX

Exhibit Number	Description
3.(i)1	Kilroy Realty Corporation Articles of Restatement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended June 30, 2012)
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 August 15, 2012, as amended (previously filed by Kilroy Realty Corporation on Form 10-Q for the quarter ended June 30, 2014)
4.1	Kilroy Realty Corporation Form of Certificate for Common Stock (previously filed by Kilroy Realty Corporation as an exhibit to the Registration Statement on Amendment No. 3 to Form S-11 (No. 333-15553))
4.2	Registration Rights Agreement, dated January 31, 1997 (previously filed by Kilroy Realty Corporation as an exhibit to the Registration Statement on Amendment No. 3 to Form S-11 (No. 333-15553))
4.3	Form of Certificate for Partnership Units 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)
4.4	Registration Rights Agreement, dated July 31, 2012 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended June 30, 2012)
4.5	Officers' Certificate pursuant to Sections 101, 201, 301 and 303 of the Indenture dated March 1, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee, establishing a series of securities entitled "3.800% Notes due 2023," including the form of 3.800% Notes due 2023 and the form of related guarantee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on January 14, 2013)
4.6	Indenture, dated March 1, 2011, by and among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit to the Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on October 2, 2013)
4.7	Supplemental Indenture, dated July 5, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit to the Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on October 2, 2013)
4.8	Officers' Certificate pursuant to Sections 102, 201, 301 and 303 of the Indenture dated March 1, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association,

as trustee, establishing a series of securities entitled "4.25% Senior Notes due 2029," including the form of 4.25% Senior Notes due 2029 and the form of related guarantee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 6, 2014)

Exhibit Number	Description
4.9	Officers' Certificate, dated September 16, 2015, pursuant to Sections 102, 201, 301 and 303 of the Indenture dated March 1, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee, establishing a series of securities entitled "4.375% Senior Notes due 2025," including the form of 4.375% Senior Notes due 2025 and the form of related guarantee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on September 16, 2015)
4.10	Officers' Certificate, dated December 11, 2017, pursuant to Sections 102, 201, 301 and 303 of the Indenture dated March 1, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee, establishing a series of securities entitled "3.450% Senior Notes due 2024," including the form of 3.450% Senior Notes due 2024 and the form of related guarantee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 11, 2017)
4.11	Officers' Certificate, dated November 29, 2018, pursuant to Sections 102, 201, 301 and 303 of the Indenture dated March 1, 2011, as amended and supplemented, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee, establishing a series of securities entitled "4.750% Senior Notes due 2028," including the form of 4.750% Senior Note due 2028 and the form of related guarantee (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on November 29, 2018)
4.12	The Company is party to agreements in connection with long-term debt obligations, none of which individually exceeds ten percent of the total assets of the Company on a consolidated basis. Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Company agrees to furnish copies of these agreements to the Commission upon request
10.1	Pledge Agreement by and among Kilroy Realty, L.P., John B. Kilroy, Sr., John B. Kilroy, Jr. and Kilroy Industries (previously filed by Kilroy Realty Corporation as an exhibit to the Registration Statement on Amendment No. 3 to Form S-11 (No. 333-15553))
10.2†	1997 Stock Option and Incentive Plan of the Registrant and Kilroy Realty, L.P. (previously filed by Kilroy Realty Corporation as an exhibit to the Registration Statement on Amendment No. 3 to Form S-11 (No. 333-15553))
10.3	License Agreement by and among the Registrant and the other persons named therein (previously filed by Kilroy Realty Corporation as an exhibit to the Registration Statement on Amendment No. 4 to Form S-11 (No. 333-15553))
10.4†	Form of Restricted Stock Award Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on February 8, 2007)
10.5†	Kilroy Realty Corporation Stock Award Deferral Program (previously filed by Kilroy Realty Corporation as an exhibit to Form 8-K as filed with the Securities and Exchange Commission on January 2, 2008)
10.6†	Form of Indemnification Agreement of Kilroy Realty Corporation with certain officers and directors (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-K for the year ended December 31, 2009)
10.7†	Kilroy Realty Corporation Form of Stock Option Grant Notice and Stock Option Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on February 24, 2012)
10.8†	Form of Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended June 30, 2013)
10.9†	Form of Stock Award Deferral Program Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended June 30, 2013)
10.10†	Form of Performance-Vest Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2014)

10.11†	Form of Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2014)

Exhibit Number	Description
10.12†	Form of Restricted Stock Unit Agreement for Non-Employee Members of the Board of Directors (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2014)
10.13†	Form of Performance-Vest Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2015)
10.14†	Form of Restricted Stock Unit Agreement (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2015)
10.15†	Form of Restricted Stock Unit Agreement for Non-Employee Members of the Board of Directors (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2015)
10.16†	Amended and Restated Employment Agreement and Non-Competition Agreement by and between Kilroy Realty Corporation, Kilroy Realty, L.P. and Jeffrey C. Hawken effective as of December 31, 2015 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-K for the year ended December 31, 2015)
10.17†	Kilroy Realty Corporation 2006 Incentive Award Plan Restricted Stock Unit Agreement by and between Kilroy Realty Corporation and Jeffrey C. Hawken, dated January 9, 2016 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2016)
10.18†	Amended and Restated Employment Agreement and Non-Competition Agreement by and between Kilroy Realty Corporation, Kilroy Realty, L.P. and Tyler H. Rose effective as of January 28, 2016 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2016)
10.19†	Amended and Restated Employment Agreement and Non-Competition Agreement by and between Kilroy Realty Corporation, Kilroy Realty, L.P. and Justin W. Smart effective as of January 28, 2016 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2016)
10.20†	Kilroy Realty Corporation Director Compensation Policy effective as of April 1, 2018 (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended March 31, 2018.
10.21†	Employment Agreement, as amended and restated December 27, 2018, by and between Kilroy Realty Corporation, Kilroy Realty, L.P. and John B. Kilroy, Jr. (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 31, 2018)
10.22†	Kilroy Realty Corporation 2006 Incentive Award Plan Restricted Stock Unit Agreement by and between Kilroy Realty Corporation and John B. Kilroy, Jr., dated December 27, 2018 (with retirement as to Time-Based RSUs) (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 31, 2018)
10.23†	Kilroy Realty Corporation 2006 Incentive Award Plan Restricted Stock Unit Agreement by and between Kilroy Realty Corporation and John B. Kilroy, Jr., dated December 27, 2018 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 31, 2018)
10.24†*	Form of Restricted Stock Unit Agreement for 2006 Incentive Award Plan
10.25	Note Purchase Agreement dated September 14, 2016 (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on September 14, 2016)
10.26	Amendment to Note Purchase Agreement dated May 11, 2018 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 14, 2018)
10.27	Form of Time Sharing Agreement of Kilroy Realty, L.P. (previously filed by Kilroy Realty Corporation as an exhibit on Form 10-Q for the quarter ended September 30, 2016)
10.28	Promissory Note, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)

Exhibit Number	Description
10.29	Loan Agreement, dated November 29, 2016, by and between KR WMC, LLC and Massachusetts Mutual Life Insurance Company (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)
10.30	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)
10.31	Assignment of Leases and Rents, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)
10.32	Recourse Guaranty Agreement, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)
10.33	Environmental Indemnification Agreement, dated November 29, 2016 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2017)
10.34†	Kilroy Realty Corporation 2007 Deferred Compensation Plan, as amended and restated effective January 1, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-K for the year ended December 31, 2016)
10.35	General Partner Guaranty Agreement, dated February 17, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended March 31, 2017)
10.36†	Kilroy Realty 2006 Incentive Award Plan (previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 23, 2017)
10.37	Second Amended and Restated Credit Agreement dated as of July 24, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended June 30, 2017)
10.38	Second Amended and Restated Guaranty dated as of July 24, 2017 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 10-Q for the quarter ended on June 30, 2017)
10.39	Note Purchase Agreement dated May 11, 2018 (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 14, 2018)
10.40	Sales Agreement, dated June 5, 2018, between and among Kilroy Realty Corporation, Kilroy Realty, L.P. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc., RBC Capital Markets, LLC, Scotia Capital (USA) Inc. and SMBC Nikko Securities America, Inc. as Agents, and the Forward Purchasers (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on June 5, 2018)
10.41	Forward Sale Agreement dated August 8, 2018, among Kilroy Realty Corporation and Barclays Bank PLC, as Forward Purchaser (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 13, 2018)
10.42	Forward Sale Agreement dated August 8, 2018, among Kilroy Realty Corporation and Citibank, N.A., as Forward Purchaser (previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P., as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on August 13, 2018)
21.1*	List of Subsidiaries of Kilroy Realty Corporation
21.2*	List of Subsidiaries of Kilroy Realty, L.P.
23.1*	Consent of Deloitte & Touche LLP for Kilroy Realty Corporation
23.2*	Consent of Deloitte & Touche LLP for Kilroy Realty, L.P.
24.1*	Power of Attorney (included on the signature page of this Form 10-K)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty Corporation

Exhibit Number	Description
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 year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Capital, (v) Consolidated Statements of Cash Flows and (vi) Notes to the Consolidated Financial Statements.[(1)]

* 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.