

KILROY REALTY CORP
Form 424B5
May 28, 2009
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)

Registration No. 333-153584

Subject to Completion

Preliminary Prospectus Supplement dated May 28, 2009

PROSPECTUS SUPPLEMENT

(To Prospectus dated September 19, 2008)

6,000,000 Shares

Common Stock

We are selling 6,000,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol KRC . The last reported sales price of our common stock on the New York Stock Exchange on May 27, 2009 was \$21.64 per share.

Shares of our common stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See Description of Capital Stock Restrictions on Ownership and Transfer of Our Capital Stock in the accompanying prospectus.

An investment in our common stock involves various risks and prospective investors should carefully consider the matters discussed under Risk Factors beginning on page S-4 of this prospectus supplement and beginning on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2008, as well as the other risks described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein, before making a decision to invest in our common stock.

	Per Share	Total
Public offering price	\$	\$

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Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to Kilroy Realty Corporation	\$	\$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We have granted the underwriters an option to purchase a maximum of 900,000 additional shares of our common stock to cover overallotments, if any, exercisable at any time until 30 days after the date of this prospectus supplement.

The shares of common stock will be ready for delivery in book-entry form through The Depository Trust Company on or about _____, 2009.

Joint Book-Running Managers

Merrill Lynch & Co.

J.P.Morgan

The date of this prospectus supplement is _____, 2009.

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Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to we, us, our or our company mean Kilroy Realty Corporation, including the operating partnership, the finance partnership, KSLLC (each as defined below) and our other consolidated subsidiaries.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus, any document incorporated or deemed to be incorporated by reference herein and in the accompanying prospectus and any free writing prospectus that we may prepare in connection with this offering. Neither we nor the underwriters have authorized anyone to provide anyone with any additional or different information. If anyone provides you with any additional or different information, you should not rely on it. Neither this prospectus supplement nor the accompanying prospectus nor any such free writing prospectus is an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which it relates or an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where, or to any person to whom, it is unlawful to make an offer or solicitation. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus, any document incorporated or deemed to be incorporated by reference herein and in the accompanying prospectus or any free writing prospectus that we may prepare in connection with this offering is correct on any date after their respective dates. Our business, financial condition, liquidity, results of operations, funds from operations and prospects may have changed since those respective dates.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all the information that may be important to you in deciding whether to invest in our common stock. You should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, including the financial statements and related notes, before making an investment decision.

The Company

We are a Maryland corporation organized to qualify as a real estate investment trust, or REIT, which owns, operates, develops and acquires office and industrial real estate located in Southern California.

As of March 31, 2009, our stabilized portfolio of operating properties comprised 92 office buildings, or the office properties, and 42 industrial buildings, or the industrial properties, which encompassed an aggregate of approximately 8.6 million and 3.7 million rentable square feet, respectively. As of March 31, 2009, the office properties were approximately 85.4% leased to 285 tenants, and the industrial properties were approximately 92.7% leased to 60 tenants. All of our properties are located in Southern California.

Our stabilized portfolio excludes undeveloped land, development and redevelopment properties currently under construction, lease-up properties and one industrial property that we are in the process of re-entitling for residential use. We define lease-up properties as properties we recently developed or redeveloped that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. As of March 31, 2009, there was one development property in the lease-up phase, which encompasses approximately 51,000 rentable square feet of new medical office space and is located in the San Diego region of Southern California.

We own our interests in all of our office properties and industrial properties through Kilroy Realty, L.P., or the operating partnership, and Kilroy Realty Finance Partnership, L.P., or the finance partnership. We conduct substantially all of our operations through the operating partnership, in which we owned a 95.0% general partnership interest as of March 31, 2009. The remaining 5.0% common limited partnership interest in the operating partnership as of March 31, 2009 was owned by certain of our executive officers and directors, certain of their affiliates, and other outside investors. Kilroy Realty Finance, Inc., one of our wholly owned subsidiaries, is the sole general partner of the finance partnership and owns a 1.0% general partnership interest. The operating partnership owns the remaining 99.0% limited partnership interest. We conduct substantially all of our development activities through Kilroy Services, LLC, or KSLLC, which is a wholly owned subsidiary of the operating partnership. With the exception of the operating partnership, all of our subsidiaries are wholly owned.

Our principal executive offices are located at 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064. Our telephone number is (310) 481-8400. Our website is located at www.kilroyrealty.com. The information found on, or accessible through, our website is not incorporated into, and does not form a part of, this prospectus supplement, the accompanying prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission.

Recent Developments

Reduction in Quarterly Common Stock Dividends

We paid a quarterly dividend of \$0.58 per share of common stock in January 2009 that was declared in December 2008 and paid a quarterly dividend of \$0.58 per share of common stock in April 2009 that was declared in March 2009. Recognizing the need to maintain maximum financial flexibility in light of the current

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state of the capital markets, and considering the dividend requirements for the increased number of shares of common stock expected to be outstanding upon completion of this offering, we expect to reduce our dividend payments for the balance of 2009. We expect to pay a quarterly dividend of \$0.35 per share of common stock in each of the third and fourth quarters of 2009. We currently expect to pay the final two 2009 common stock dividend payments fully in cash. The decision to declare and pay any dividends on our common stock, as well as the timing, amount and composition of any such dividends, is at the sole discretion of our board of directors and will depend on our results of operations, funds from operations, liquidity, financial condition, capital requirements, any contractual prohibitions and other limitations of our indebtedness and preferred stock, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, any other applicable state or federal laws, and any other factors our board of directors deems relevant.

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The Offering

Issuer	Kilroy Realty Corporation
Common stock to be offered by us	6,000,000 shares (or 6,900,000 shares if the underwriters exercise their overallotment option in full)
Common stock outstanding after this offering	39,081,304 shares (or 39,981,304 shares if the underwriters exercise their overallotment option in full)
Use of proceeds	We expect that the net proceeds from this offering, assuming an initial public offering price of \$21.64 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on May 27, 2009, will be approximately \$123.8 million, or approximately \$142.5 million if the underwriters' overallotment option is exercised in full, after deducting underwriting discounts and commissions and our estimated expenses. We will contribute the net proceeds from this offering to our operating partnership in exchange for units of common partnership interest in the operating partnership. The operating partnership will subsequently use the net proceeds from this offering to repay a portion of the borrowings under the operating partnership's unsecured revolving credit facility. We intend to reborrow amounts under the unsecured revolving credit facility from time to time for general corporate purposes, including potentially for the repayment of long-term debt.
Restrictions on ownership and transfer	Shares of our common stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a REIT for federal income tax purposes. See Description of Capital Stock Restrictions on Ownership and Transfer of Our Capital Stock in the accompanying prospectus.
NYSE Symbol	Our common stock is listed on the New York Stock Exchange under the symbol KRC . The number of shares of common stock to be outstanding after this offering is based on 33,081,304 shares outstanding as of May 22, 2009. This number excludes: 24,000 shares of common stock underlying options outstanding as of May 22, 2009 granted under our equity compensation plans; 571,557 shares of common stock reserved and available for future issuance as of May 22, 2009 under our equity compensation plans; 592,546 shares of common stock underlying restricted stock units awarded under our stock award deferral program; 1,723,131 shares of common stock issuable upon redemption of common units of limited partnership interest of the operating partnership; and shares of common stock reserved and available for future issuance upon the exchange of our 3.250% Exchangeable Senior Notes due 2012. In addition, on May 27, 2009, our stockholders approved an amendment to our 2006 incentive award plan pursuant to which an additional 1,595,000 shares of our common stock have become reserved and available for future issuance.

For additional information regarding our common stock, see Description of Capital Stock in the accompanying prospectus. An investment in our common stock involves various risks and prospective investors should carefully consider the matters discussed under Risk Factors beginning on page S-4 of this prospectus supplement and beginning on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2008, as well as the other risks described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein, before making a decision to invest in our common stock.

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RISK FACTORS

Investment in our common stock involves risks. Before acquiring any common stock pursuant to this prospectus supplement and the accompanying prospectus, you should carefully consider the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, any document incorporated or deemed to be incorporated by reference herein and in the accompanying prospectus and any free writing prospectus that we may prepare in connection with this offering, including, without limitation, the risks of an investment in our company set forth under the captions (or similar captions) Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our current report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2009 and under the caption Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in our quarterly report on Form 10-Q for the period ended March 31, 2009 filed with the Securities and Exchange Commission, and as described in any amendment to the foregoing documents or our other filings with the Securities and Exchange Commission. The occurrence of any of these risks could materially and adversely affect our business, financial condition, liquidity, results of operations, funds from operations and prospects, as well as the trading price of our common stock and might cause you to lose all or a part of your investment in our common stock. Please also refer to the section in this prospectus supplement entitled Forward-Looking Statements.

Risks Related to this Offering

We may change the dividend policy for our common stock in the future.

We paid a quarterly dividend of \$0.58 per share of common stock in January 2009 that was declared in December 2008 and paid a quarterly dividend of \$0.58 per share of common stock in April 2009 that was declared in March 2009. Recognizing the need to maintain maximum financial flexibility in light of the current state of the capital markets, and considering the dividend requirements for the increased number of shares of common stock expected to be outstanding upon completion of this offering, we expect to reduce our dividend payments for the balance of 2009. We expect to pay a quarterly dividend of \$0.35 per share of common stock in each of the third and fourth quarters of 2009. We currently expect to pay the final two 2009 dividend payments fully in cash.

In addition, for 2008 and 2009, a recent Internal Revenue Service revenue procedure allows us to satisfy the REIT income distribution requirement by distributing up to 90% of our dividends on our common stock in shares of our common stock in lieu of paying dividends entirely in cash. Although we reserve the right to utilize this procedure in the future, we currently have no intent to do so. In the event that we pay a portion of a dividend in shares of our common stock, taxable United States stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such stockholders might have to pay the tax using cash from other sources. If a taxable United States stockholder sells the shares of our common stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the trading price of our common stock at the time of the sale. As a result, such United States taxable stockholder could have capital loss with respect to the sale of our common stock that could not be used to offset such dividend income. Furthermore, with respect to non-United States stockholders, we may be required to withhold United States tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in shares of our common stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales would put downward pressure on the trading price of our common stock.

Although we currently expect to reduce our 2009 quarterly common stock dividends as described above, the decision to declare and pay any dividends on our common stock, as well as the timing, amount and composition of any such dividends, is at the sole discretion of our board of directors and will depend on our results of operations, funds from operations, liquidity, financial condition, capital requirements, any contractual

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prohibitions and other limitations of our indebtedness and preferred stock, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, any other applicable state or federal laws and any other factors our board of directors deems relevant. Any change in our dividend policy could have a material adverse effect on the trading price of our common stock.

This offering is expected to be dilutive, and there may be future dilution of our common stock.

Giving effect to the issuance of common stock in this offering, the receipt of the expected net proceeds and the use of those proceeds, we expect that this offering will have a dilutive effect on our expected earnings per share and funds from operations per share for the year ending December 31, 2009. Additional sales (whether directly by us or in the secondary market) or issuances of our common stock or the perception that such additional sales or issuances could occur could, in turn, adversely affect the trading price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities.

The trading price of our common stock may fluctuate significantly.

The trading price of our common stock may fluctuate significantly in response to many factors, including:

actual or anticipated variations in our operating results, funds from operations, cash flows, liquidity or distributions;

changes in our earnings estimates or those of analysts;

publication of research reports about us, the real estate industry generally or the office and industrial sectors in which we operate;

increases in market interest rates that lead purchasers of our common stock to demand a higher dividend yield;

changes in market valuations of similar companies;

adverse market reaction to any securities we may issue or additional debt we incur in the future;

additions or departures of key management personnel;

actions by institutional stockholders;

speculation in the press or investment community;

continuing high levels of volatility in the capital and credit markets;

the realization of any of the other risk factors included in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus; and

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general market and economic conditions.

Many of the factors listed above are beyond our control. These factors may cause the trading price of our common stock to decline, regardless of our financial performance and condition and prospects. It is impossible to provide any assurance that the trading price of our common stock will not fall in the future, and it may be difficult for holders to resell shares of our common stock at prices they find attractive, or at all.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents that we incorporate by reference in each, contain forward-looking statements within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). Also, documents we subsequently file with the Securities and Exchange Commission and incorporate by reference will contain forward-looking statements. In particular, statements pertaining to our capital resources, portfolio performance, results of operations and the anticipated use of proceeds from this offering contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates or anticipates or the negative of these words and phrases or similar phrases. You can also identify forward-looking statements by discussions of strategies, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

general economic conditions;

defaults on or non-renewal of leases by tenants, particularly any of our largest office tenants and our largest industrial tenants;

adverse economic or real estate developments in the Southern California region;

our ability to re-lease property at or above current market rates;

increased interest rates and operating costs;

our access to capital to satisfy our liquidity needs;

significant competition, which may decrease the occupancy and rental rates of properties;

potential losses that may not be covered by insurance;

our ability to successfully complete acquisitions and operate acquired properties;

our ability to successfully complete development and redevelopment properties on schedule and within budgeted amounts;

fluctuations in availability and cost of construction materials and labor resulting from the effects of recent natural disasters and increased worldwide demand;

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our ability to maintain our status as a REIT;

future terrorist activity in the United States or war;

adverse changes to, or implementations of, income tax laws, governmental regulations or legislation;

decreases in the population in geographic areas where our properties are located;

elevated utility costs and power outages in California; and

costs to comply with governmental regulations.

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While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to update publicly or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see **Risk Factors** in this prospectus supplement.

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USE OF PROCEEDS

We expect that the net proceeds from this offering, assuming an initial public offering price of \$21.64 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on May 27, 2009, will be approximately \$123.8 million, or approximately \$142.5 million if the underwriters' overallotment option is exercised in full, after deducting underwriting discounts and commissions and our estimated expenses. We will contribute the net proceeds from this offering to our operating partnership in exchange for units of common partnership interest in the operating partnership. The operating partnership will subsequently use the net proceeds from this offering to repay a portion of the borrowings under the operating partnership's unsecured revolving credit facility. We intend to reborrow amounts under the unsecured revolving credit facility from time to time for general corporate purposes, including potentially for the repayment of long-term debt. At May 22, 2009, the unsecured revolving credit facility had a total outstanding balance of \$300 million and bore interest at a weighted average annual rate of LIBOR plus 95 basis points. The unsecured revolving credit facility matures in April 2010 with a feature to extend the maturity for one year at our option if certain conditions are met. We have used the proceeds of borrowings under the unsecured revolving credit facility for general corporate purposes.

Banc of America Securities LLC, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, and J.P. Morgan Securities Inc. are joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., is the administrative agent, Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is a syndication agent, and affiliates of Banc of America Securities LLC and J.P. Morgan Securities Inc. are lenders under the unsecured revolving credit facility. Because all of the net proceeds from this offering will be applied to repay borrowings under that unsecured revolving credit facility, affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. will receive a portion of those net proceeds through the repayment of those borrowings. See Underwriting.

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SUPPLEMENTAL DESCRIPTION OF CAPITAL STOCK

This description supplements and amends the description in the accompanying prospectus of certain of the terms and provisions of our capital stock. For more detail you should refer to our charter, which we have previously filed with the Securities and Exchange Commission and which we incorporate by reference as an exhibit to the registration statement of which the accompanying prospectus is a part.

Our rights agreement dated October 2, 1998 expired on October 2, 2008, and each share of our common stock no longer includes a right to purchase a fractional share of our Series B Junior Participating Preferred Stock (Series B Preferred Stock). All shares of our preferred stock previously classified as Series B Preferred Stock have been reclassified as unclassified and undesignated shares of our preferred stock. All shares of our preferred stock previously classified as 9.25% Series D Cumulative Redeemable Preferred Stock have been reclassified as unclassified and undesignated shares of our preferred stock.

SUPPLEMENTAL DESCRIPTION OF CERTAIN PROVISIONS OF MARYLAND LAW

AND OF OUR CHARTER AND BYLAWS

This description supplements and amends the description in the accompanying prospectus of certain of the terms and provisions of our charter and bylaws. For more detail you should refer to our charter and bylaws, which we have previously filed with the Securities and Exchange Commission and which we incorporate by reference as exhibits to the registration statement of which the accompanying prospectus is a part.

Our charter has been amended to eliminate the classification of our board of directors. As a result, our directors are no longer divided into three classes with each class serving a staggered three-year term and, instead, all directors are elected annually at each annual meeting of stockholders to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified. The amendment to our charter also fixed the number of our directors at six, which is the number of directors currently in office, until that number is increased or decreased in accordance with our bylaws.

SUPPLEMENTAL DESCRIPTION OF MATERIAL PROVISIONS OF THE PARTNERSHIP

AGREEMENT OF KILROY REALTY, L.P.

This description supplements and with respect to the caption Allocations of Net Income and Net Losses to Partners supersedes the description in the accompanying prospectus under the caption Description of Material Provisions of the Partnership Agreement of Kilroy Realty, L.P. of the material terms and provisions of the Fifth Amended and Restated Agreement of Limited Partnership of the operating partnership, as amended, which we refer to as the partnership agreement. This summary is not complete. For more detail, you should refer to the partnership agreement itself, which we have previously filed with the Securities and Exchange Commission and which is incorporated herein by reference.

On May 21, 2009, we entered into, as sole general partner of the operating partnership, the Third Amendment to the Fifth Amended and Restated Agreement of Limited Partnership, which is referred to as the third amendment, of the operating partnership. The third amendment makes technical revisions to the allocations of net income and net losses of the operating partnership so that they more closely track cash distributions. The revisions to such allocations shall apply to us and to the limited partners of the operating partnership who consent or are deemed to consent to the third amendment.

Under the partnership agreement (but subject to the third amendment), net income of the operating partnership will generally be allocated:

first, to the extent holders of units have been allocated net losses, net income shall be allocated to such holders to offset these losses, in an order of priority which is the reverse of the priority of the allocation of these losses;

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next, pro rata among the holders of our 7.450% Series A Cumulative Redeemable Preferred Units of the operating partnership, which we refer to as the Series A Preferred Units, in an amount equal to a 7.45% per annum cumulative return on the stated value of \$50.00 per Series A Preferred Unit, holders of our 7.80% Series E Cumulative Redeemable Preferred Units, which we refer to as the Series E Preferred Units, in an amount equal to a 7.80% per annum cumulative return on the stated value of \$25.00 per Series E Preferred Unit, and holders of our 7.50% Series F Cumulative Redeemable Preferred Units, which we refer to as the Series F Preferred Units, in an amount equal to 7.50% per annum cumulative return on the stated value of \$25.00 per Series F Preferred Unit, which is referred to as the preferred return; and

the remaining net income, if any, will be allocated to us and to the common limited partners in accordance with our and their respective percentage interests.

Under the partnership agreement (but subject to the third amendment), net losses of the operating partnership will generally be allocated:

first, to us and the common limited partners in accordance with their respective percentage interests, but only to the extent the allocation does not cause a partner to have a negative adjusted capital account (ignoring any limited partner capital contribution obligations);

next, pro rata among the holders of the Series A Preferred Units, Series E Preferred Units and Series F Preferred Units, but only to the extent that the allocation does not cause a partner to have a negative adjusted capital account (ignoring any limited partner capital contribution obligations);

next, to partners pro rata in proportion to their positive adjusted capital accounts, until such capital accounts are reduced to zero; and

the remainder, if any, will be allocated to us.

Notwithstanding the foregoing, the third amendment generally provides that the Adjusted Net Income of the operating partnership (as defined in the third amendment) will first be allocated to the holders of the operating partnership's Series A Preferred Units, the Series E Preferred Units and the Series F Preferred Units to the extent of their preferred returns, with the remaining items of net income or net loss allocated according to the provisions described above.

The allocations described above are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code of 1986, as amended, and the associated Treasury regulations.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The information regarding United States federal income tax considerations relating to an investment in our common stock is included in Exhibit 99.1 to our Form 8-K filed on May 28, 2009, which was filed with respect to Items 1.01, 8.01 and 9.01, and incorporated herein by reference.

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We intend to offer the shares of common stock through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. are acting as the representatives of the underwriters named below. Subject to the terms and conditions described in an underwriting agreement among us, the operating partnership and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
J.P. Morgan Securities Inc.	
Total	6,000,000

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$ _____ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$ _____ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds, before expenses, to us. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	\$	\$	\$
Underwriting discounts and commissions	\$	\$	\$
Proceeds, before expenses, to Kilroy Realty Corporation	\$	\$	\$

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The expenses of the offering, not including the underwriting discounts and commissions, are estimated at \$475,000 and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 900,000 additional shares of common stock at the public offering price on the cover page of this prospectus supplement less the underwriting discounts and commissions. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallotments. If the underwriters exercise this option, each underwriter will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Lock-Up Agreements

We, the operating partnership, our named executive officers and our directors have entered into lock-up agreements with the representatives. Under these agreements, subject to exceptions, we may not issue any new shares of common stock, the operating partnership may not issue any new common partnership units, and we, the operating partnership and those individuals may not, directly or indirectly, offer, sell, contract or grant any option to sell, pledge, transfer or otherwise dispose of or hedge any common stock or common partnership units or securities convertible into or exchangeable or exercisable for shares of common stock or publicly announce the intention to do any of the foregoing, without the prior written consent of the representatives, for a period of 60 days from the date of this prospectus supplement. This consent may be given at any time without public notice. In addition, during this 60-day restricted period, we and the operating partnership have also agreed not to file any registration statement for any shares of common stock or common partnership units or options or warrants to acquire shares of common stock or common partnership units or any securities convertible into or exercisable or exchangeable for common stock without the prior consent of the representatives. Notwithstanding the foregoing, if (x) during the last 17 days of the 60-day restricted period we issue an earnings release or material news or a material event relating to us occurs, or (y) prior to the expiration of the 60-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 60-day restricted period, the restrictions described above in this paragraph shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event unless the representatives waive such extension in writing. This waiver may be given at any time without notice.

New York Stock Exchange Listing

Our common stock is listed on the New York Stock Exchange under the symbol **KRC**.

Price Stabilization and Short Positions

Until the distribution of the shares of common stock in this offering is completed, the rules of the Securities and Exchange Commission may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with this offering, i.e., if they sell more shares than are listed on the cover of this prospectus supplement, the representatives may reduce that short position by purchasing shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of our common stock to stabilize its price or to reduce a short position may cause the trading price of our common stock to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the trading price of our common

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stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with this offering, certain of the underwriters or securities dealers may distribute this prospectus supplement and the accompanying prospectus by electronic means, such as email. Certain of the underwriters may facilitate internet distribution for this offering to certain of their respective internet subscription customers. In addition, certain of the underwriters may allocate a limited number of shares for sale to their respective online brokerage customers. An electronic prospectus supplement and the accompanying prospectus will be made available on the website maintained by any such underwriter. Other than this prospectus supplement and the accompanying prospectus in electronic format, the information on any such website is not part of this prospectus supplement or the accompanying prospectus.

Other Relationships

Banc of America Securities LLC, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, and J.P. Morgan Securities Inc. are joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., is the administrative agent, Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is a syndication agent, and affiliates of Banc of America Securities LLC and J.P. Morgan Securities Inc. are lenders under the unsecured revolving credit facility. Because all of the net proceeds from this offering will be applied to repay borrowings under that unsecured revolving credit facility, affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. will receive a portion of those net proceeds through the repayment of those borrowings.

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

Selling Restrictions

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of common stock, or the possession, circulation or distribution of this prospectus supplement, the accompanying prospectus or any other material relating to us or the shares where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this prospectus supplement, the accompanying prospectus nor any other offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell the shares offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so.

European Economic Area/United Kingdom

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Directive, as defined below (each, a Relevant Member State), an offer to the public of any shares which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any of the shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

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to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than 43,000,000 and (iii) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

by the underwriters to fewer than 100 natural or legal persons (other than qualified investors, as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer within the EEA of the shares that are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, or will authorize, the making of any offer of the shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of the shares contemplated in this prospectus supplement and the accompanying prospectus.

For the purposes of this provision and the buyer's representation below, the expression "an offer to the public" in relation to the shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any of the shares that are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus under, the offers contemplated in this prospectus supplement and the accompanying prospectus will be deemed to have represented, warranted and agreed to and with each underwriter and us that:

it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where the shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

France

This prospectus supplement and the accompanying prospectus have not been prepared in the context of a public offering of securities in France (*appel public à l'épargne*) within the meaning of Article L.411-1 and *seq.* of the French Code *monétaire et financier* and Articles 211-1 and *seq.* of the *Autorité des marchés financiers*, or AMF, regulations and have therefore not been submitted to the AMF for prior approval or otherwise. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this prospectus supplement and the accompanying prospectus nor any other offering material relating to the shares has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except only to persons licensed to provide the investment service of

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portfolio management for the account of third parties and/or to qualified investors (as defined in Article L.411-2, D.411-1 and D.411-2 of the French Code *monétaire et financier*) and/or to a limited circle of investors (as defined in Article L.411-2, D.411-4 of the French Code *monétaire et financier*) on the condition that no such prospectus supplement and the accompanying prospectus nor any other offering material relating to the shares shall be delivered by them to any person nor reproduced (in whole or in part). Such qualified investors are notified that they must act in that connection for their own account in accordance with the terms set out by Article L.411-2 of the French Code *monétaire et financier* and by Article 211-4 of the AMF regulations and may not re-transfer, directly or indirectly, the shares in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L.412-1 and L.621-8 and *seq.* of the French Code *monétaire et financier*).

Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

Switzerland

This document as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The shares will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange.

The shares are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the us from time to time.

This document, as well as any other material relating to the shares, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. Any statement contained in a document that is incorporated by reference in this prospectus supplement and the accompanying prospectus is automatically updated and superseded if information contained in this prospectus supplement, or information that we later file with the Securities and Exchange Commission prior to the termination of this offering, modifies or replaces this information. We incorporate by reference the following documents we filed with the Securities and Exchange Commission:

our Annual Report on Form 10-K for the year ended December 31, 2008;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009;

our definitive proxy statement on Schedule 14A, relating to the annual meeting of stockholders held on May 27, 2009, as filed with the Securities and Exchange Commission on April 13, 2009; and

our Current Reports on Form 8-K filed on January 29, 2009, May 6, 2009, May 27, 2009 and May 28, 2009 (but only the Form 8-K which was filed with respect to Items 1.01, 8.01 and 9.01).

We are also incorporating by reference additional documents that we file with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus supplement and the termination of this offering. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed above or filed in the future, that are not deemed filed with the Securities and Exchange Commission, including our compensation committee report and performance graph (included in the Annual Report on Form 10-K) or any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or certain related exhibits furnished pursuant to Item 9.01 of Form 8-K.

To receive a free copy of any of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including exhibits, if they are specifically incorporated by reference in the documents, call or write Kilroy Realty Corporation, 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064, Attention: Secretary (telephone (310) 481-8400).

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Latham & Watkins LLP, Los Angeles, California. Certain legal matters relating to Maryland law, including the validity of the issuance of the shares of common stock offered by this prospectus supplement, will be passed upon for us by Ballard Spahr Andrews & Ingersoll, LLP, Baltimore, Maryland. Sidley Austin LLP, San Francisco, California, will act as counsel for the underwriters.

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PROSPECTUS

Common Stock, Preferred Stock, Depositary Shares and Warrants

We may offer from time to time in one or more series or classes (i) shares of our common stock, par value \$.01 per share, (ii) shares or fractional shares of our preferred stock, par value \$.01 per share, (iii) shares of our preferred stock represented by depositary shares and (iv) warrants to purchase preferred stock or common stock, referred to collectively in this prospectus as the offered securities, separately or together, in separate series in amounts, at prices and on terms to be set forth in one or more supplements to this prospectus.

The specific terms of the offered securities with respect to which this prospectus is being delivered will be set forth in the applicable prospectus supplement and will include, where applicable (i) in the case of common stock, the specific title and any initial public offering price; (ii) in the case of preferred stock, the specific title and any dividend, liquidation, redemption, conversion, voting and other rights and any initial public offering price; (iii) in the case of depositary shares, the fractional share of preferred stock represented by each such depositary share; and (iv) in the case of warrants, the duration, offering price, exercise price and detachability. In addition, such specific terms may include limitations on actual or constructive ownership and restrictions on transfer of the offered securities, in each case as may be appropriate to preserve our status as a real estate investment trust, or REIT, for federal income tax purposes.

The applicable prospectus supplement will also contain information, where applicable, about certain United States federal income tax consequences relating to, and any listing on a securities exchange of, the offered securities covered by such prospectus supplement.

The offered securities may be offered directly, through agents we may designate from time to time or by, to or through underwriters or dealers. If any agents or underwriters are involved in the sale of any of the offered securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth in, or will be calculable from the information set forth in, the applicable prospectus supplement. See Plan of Distribution. No offered securities may be sold without delivery of this prospectus and the applicable prospectus supplement describing the method and terms of the offering of such series of offered securities.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol KRC. On September 17, 2008, the last reported sales price of our common stock on the NYSE was \$46.00 per share.

Before you invest in the offered securities, you should consider the risks discussed in Risk Factors beginning on page 1.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or completeness of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 19, 2008.

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