

# Investor Intelligence Report Kilroy Realty Corp

**"Voice of the Shareholder"**

3Q 2023 at December 04th

Brendan Wood International  
First Intelligence

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Brendan Wood & Partners

# The Brendan Wood Shareholder Confidence Panel

<p><b>BWI Panel</b></p> <p><b>Institutional &amp; Private Wealth Investors</b></p> <p><b>Secondary Markets Professionals Research, Sales &amp; Trading</b></p>	<p><b>GLOBAL PANEL</b></p> <p>2000+ Debriefs with Decision Makers</p> <p>&gt;\$56 Trillion in Assets</p> <p>70% Sector Specialists</p> <p>30% Generalists</p> <p>Average 9 Yrs Professional Experience, 25% more than 15 Years</p> <p>+/- 600 Professionals, including... +/- 400 TopGuns</p>	<p><b>GLOBAL RESOURCES PANEL</b></p> <p>350+ Debriefs with Decision Makers</p> <p>&gt;\$15 Trillion in Assets</p> <p>80% Sector Specialists</p> <p>20% Generalists</p> <p>Average 11 Yrs Professional Experience, 35% more than 15 Years</p> <p>+/- 100 Professionals, including... +/- 100 TopGuns</p>
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## Geographic Breakdown of the BWI Panel 2023:

US	42%
Canada	21%
Europe/Middle East/Africa	32%
Pacific Rim	4%
Latin America	1%+

## Global Resources Panel:

35%
34%
27%
3%
1%+

# WHAT DO BRENDAN WOOD COMPANY SCORES MEAN?

## METHODOLOGY

The core mission of BWI performance and quality metrics is to illustrate and explain the emerging investor “commitment to own” particular stocks.

Eleven critical performance metrics are used to determine the relative strength of investor commitment to a company as an investment target. To help investors rate companies in a sector on a relative basis “one metric at a time”, a visual technique is used. For example, the visual tool shows investors a consensus vertical hierarchy representing how each investment target company in a sector is rated by investors against a criterion such as “Quality of Strategy” ... AS AN INFLUENCE ON THE INVESTOR COMMITMENT TO OWN THE NAME. The investor is then asked to adjust the consensus rating hierarchy to match their own particular view of how each company scores against the “Quality of Strategy” criterion. They may agree or disagree with the consensus. The investor then makes their personal adjustments which are added to our cumulative data instantly. To make this task fast and accurate the visual scoring hierarchy is broken down into top decile, four quartiles and a bottom decile, therefore six potential levels of performance against each investment selection criterion. The quartile display is instantly recognizable by investors as indicating both absolute and relative bases of the influence of a company’s level of competitive performance against a critical investment selection criterion.

The above methodology forces the (dependent variable) absolute benchmark of “commitment to own” on each quality of a corporate investment target.

## WHY A COMPANY SCORE MAY BE FIRST IN ITS SECTOR BUT RATE IN THE SECOND QUARTILE?

This means that the sector itself (all companies included) ranks in the second quartile or below of investor selection attractiveness against a particular criterion of investability.

## ADVANTAGE OF BRENDAN WOOD INTERNATIONAL METHODOLOGY?

This process identifies the emerging competitiveness of individual sectors, sub-sectors and most importantly of companies as investment targets on both an absolute and relative ‘best in sector’ basis against investors’ selection criteria for the year ahead. Such calibrated data allows BW partners to help corporate management to accurately analyze their company’s attractiveness as a target for the year ahead as an individual story and relative to its comparables and sector. The isolation of performance against individual metrics enables management to identify and address the key metrics which drive the “commitment to own” their particular stock.

## APPARENT CONTRADICTION BETWEEN QUARTERLY RESULTS AND ROLLING YEAR RESULTS?

Quarterly results = the results in the quarter. Rolling years results = the results for a full year of data.

# What is Your Commitment to Own This Stock in The Year Ahead?

Kilroy Realty Corp

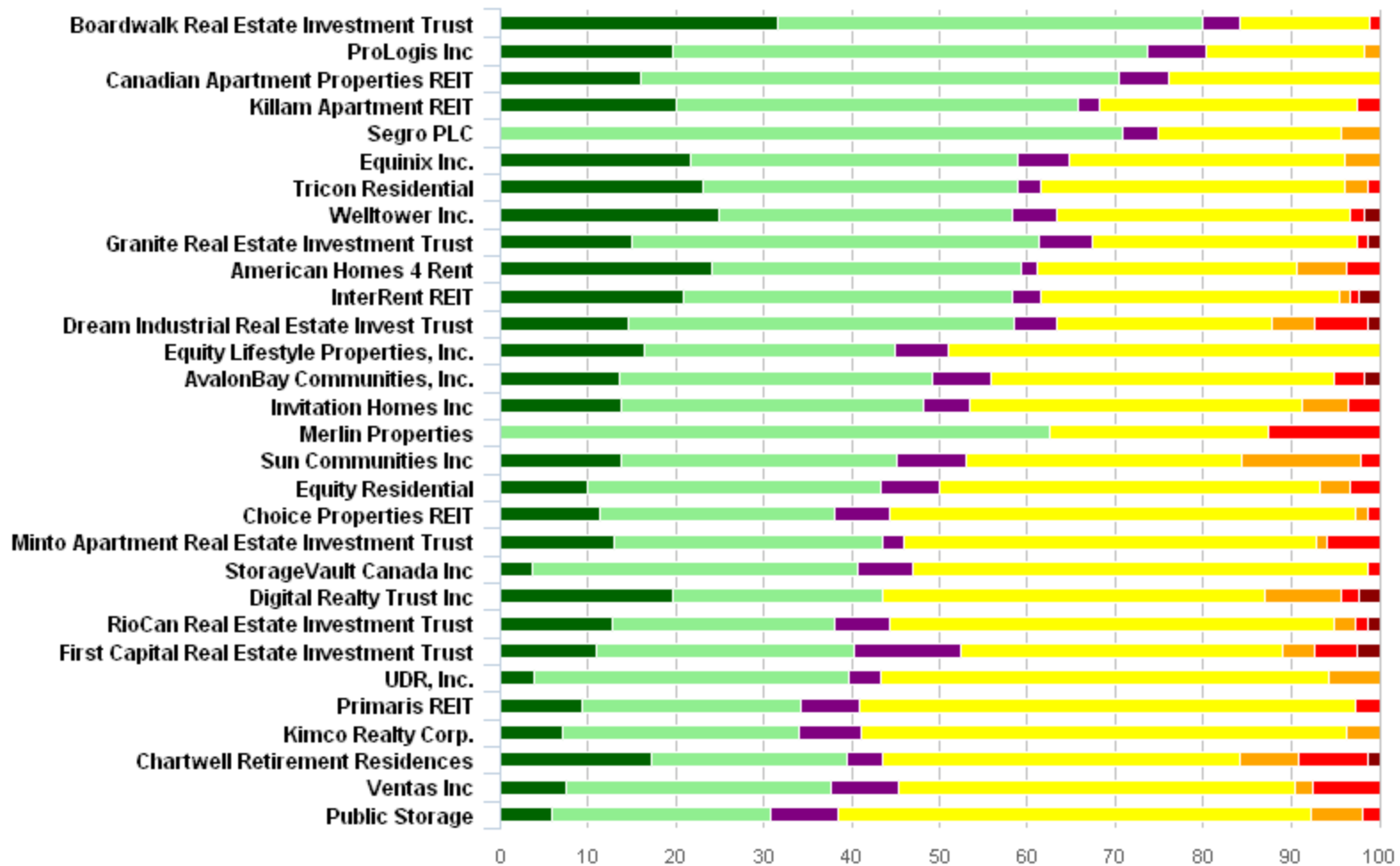


- 1. Do not Own, Serious Lack Confidence in the Company
- 2. Do not Own, Lack Confidence in the Company
- 3. Own it, Selling it due to Decreasing Confidence
- 4. Neutral, Benchmark it but DO NOT see company as a Target
- 5. Own it with Confidence BUT DOWNSIZING to re-weight portfolio
- 6. Own it or Intend to Own it
- 7. Own it with Increasing Confidence

# What is Your Commitment to Own This Stock in The Year Ahead?

Rolling Year Data

Buyers/Sellers by Sector

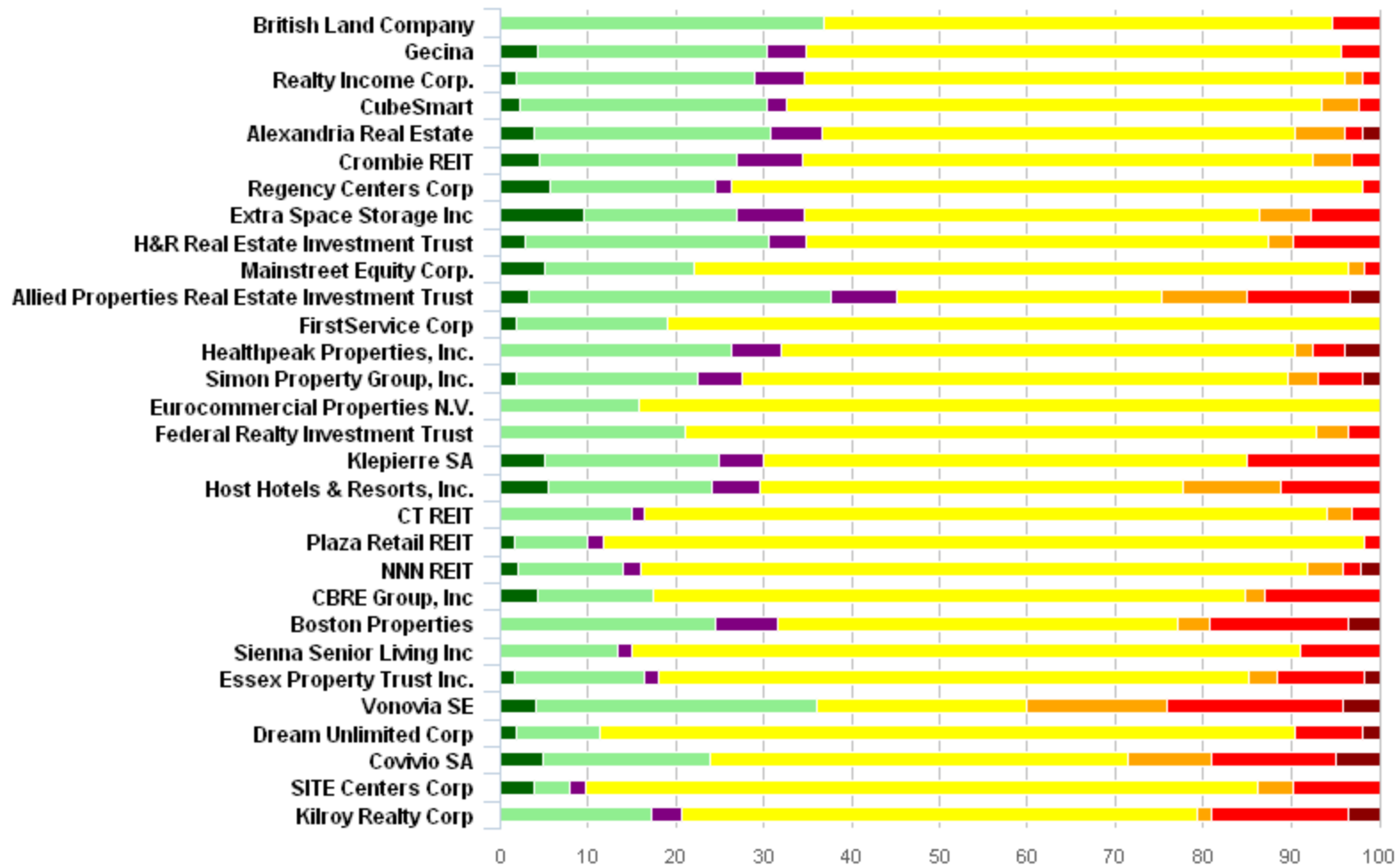


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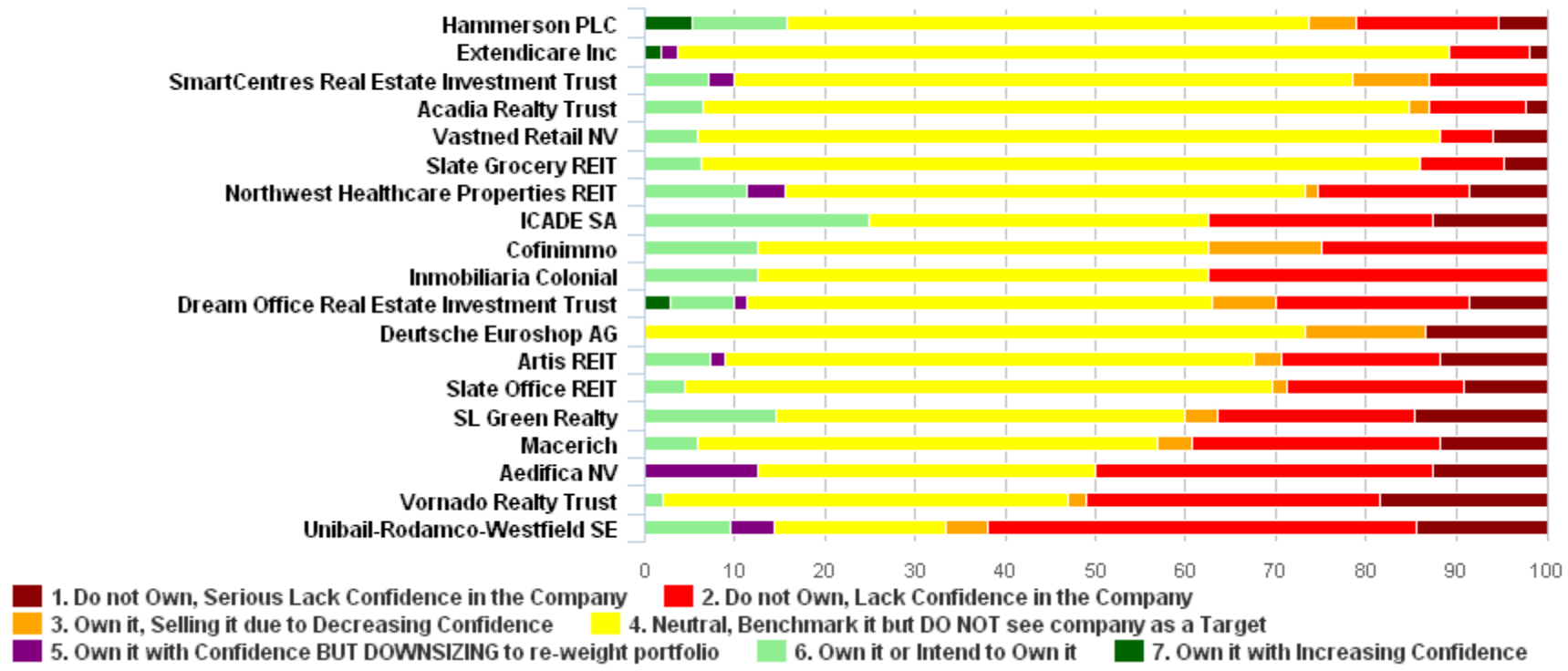


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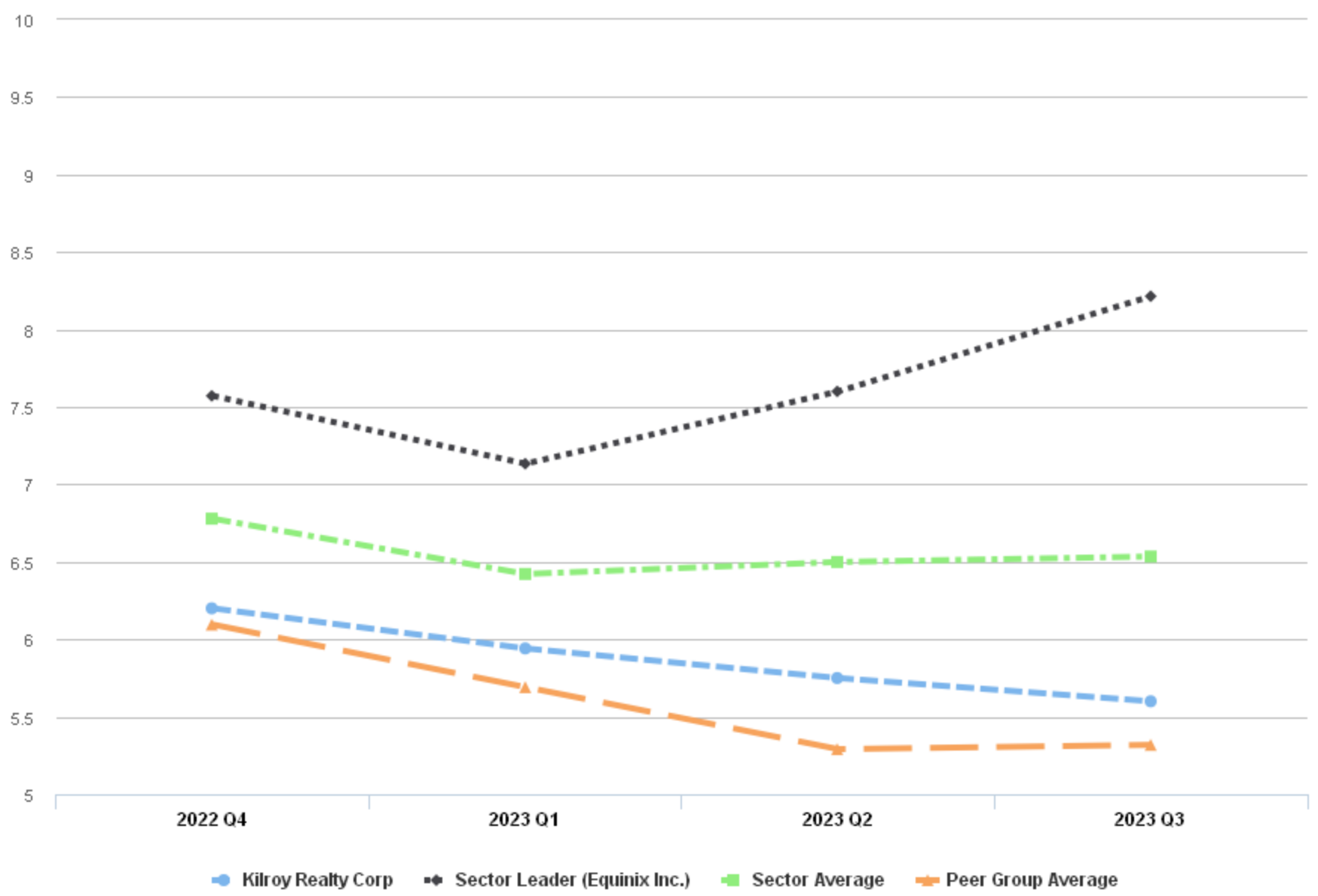
Rolling Year Data

Buyers/Sellers by Sector





# What is Your Commitment to Own This Stock in The Year Ahead?



## Shareholder Confidence Metrics

# Kilroy Realty Corp's Performance Vs Kilroy Realty Corp Peer Group

### Kilroy Realty Corp Peer Group

Alexandria Real Estate

BXP

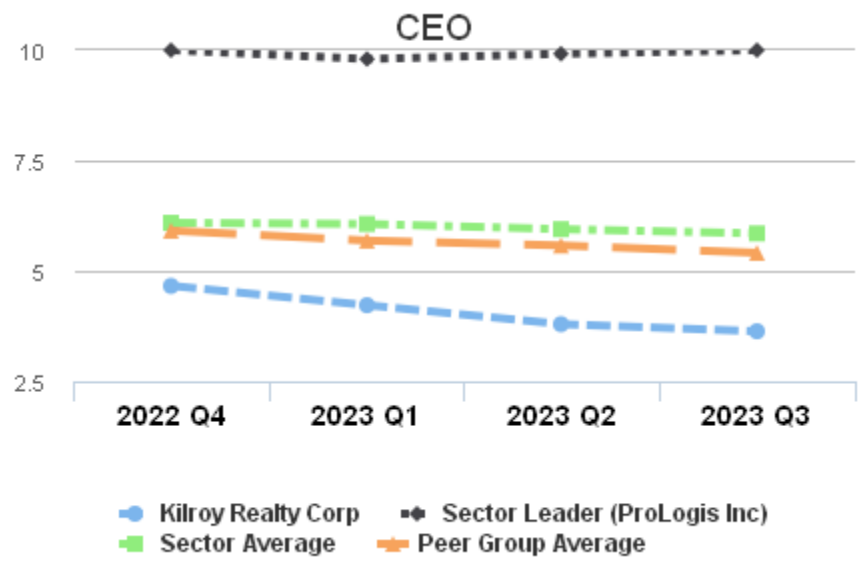
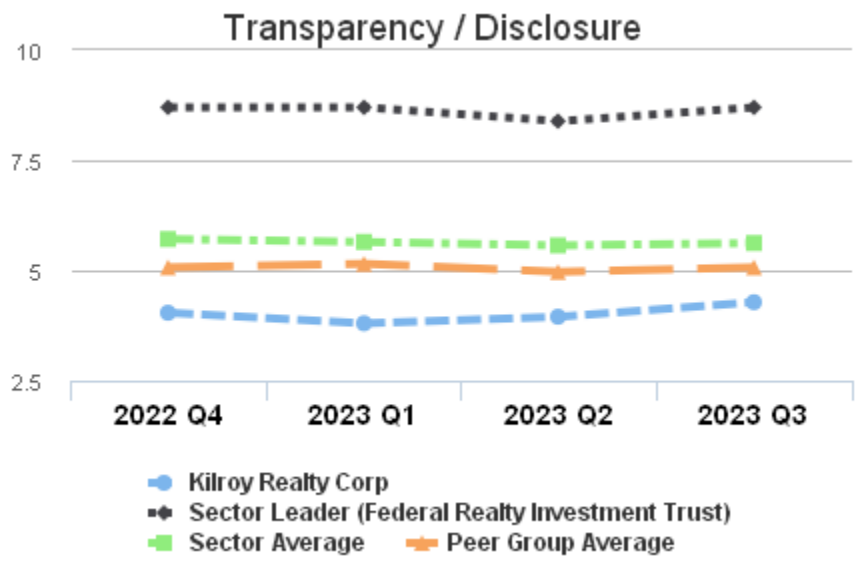
Kilroy Realty Corp

SL Green Realty

Vornado Realty Trust

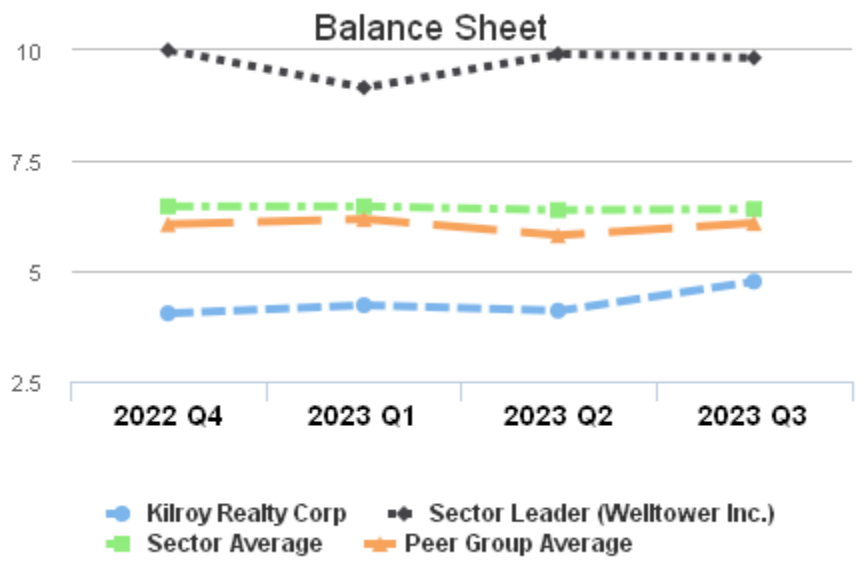
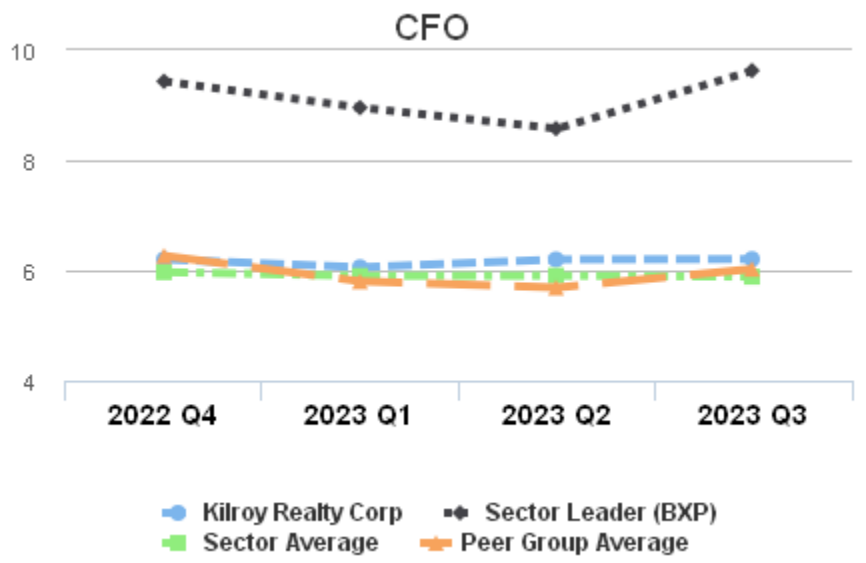
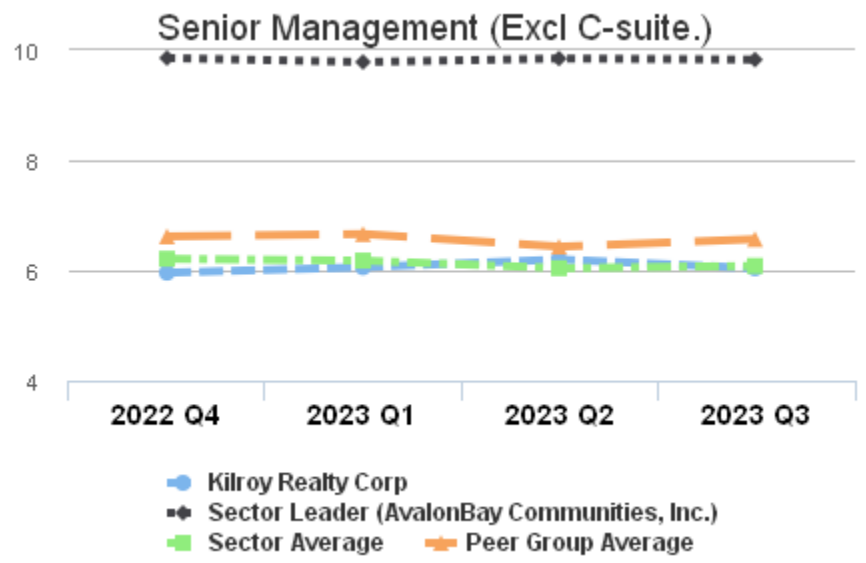
# Shareholder Confidence Metrics Forecast for the Year Ahead

Quarter over Quarter Results



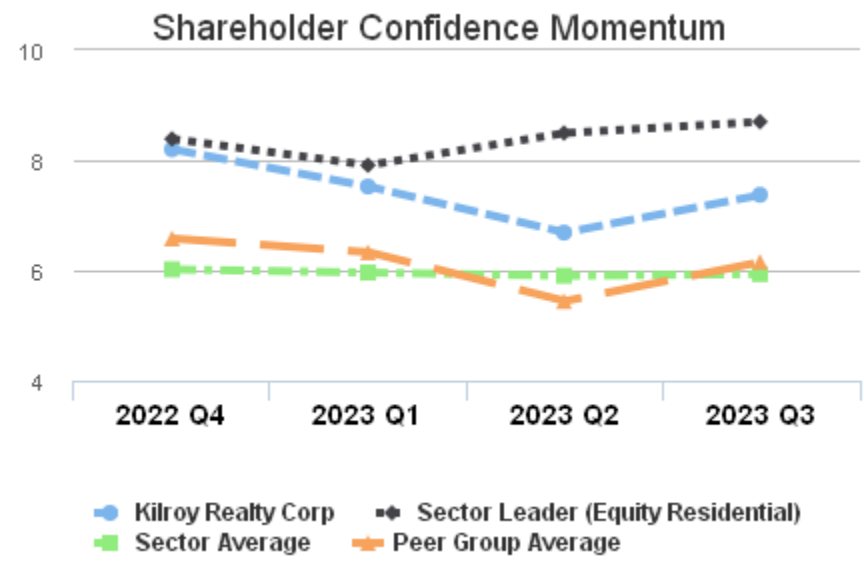
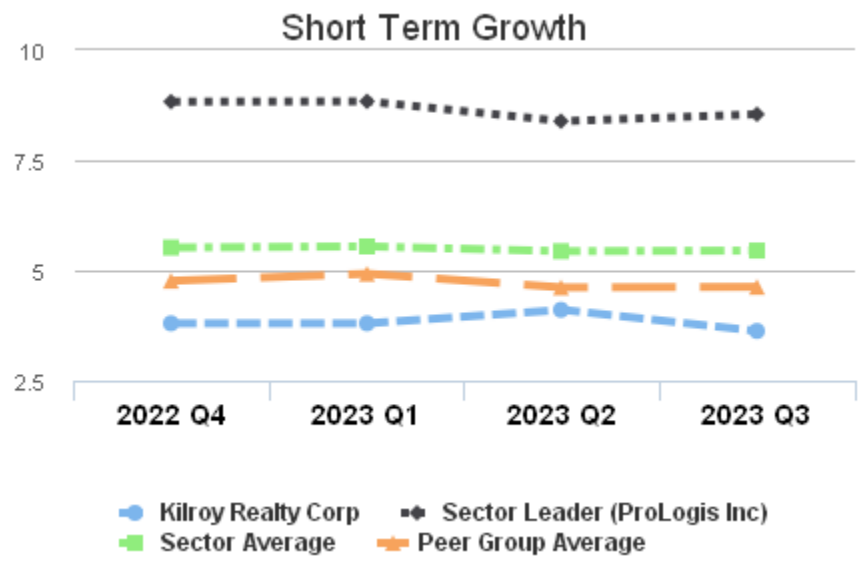
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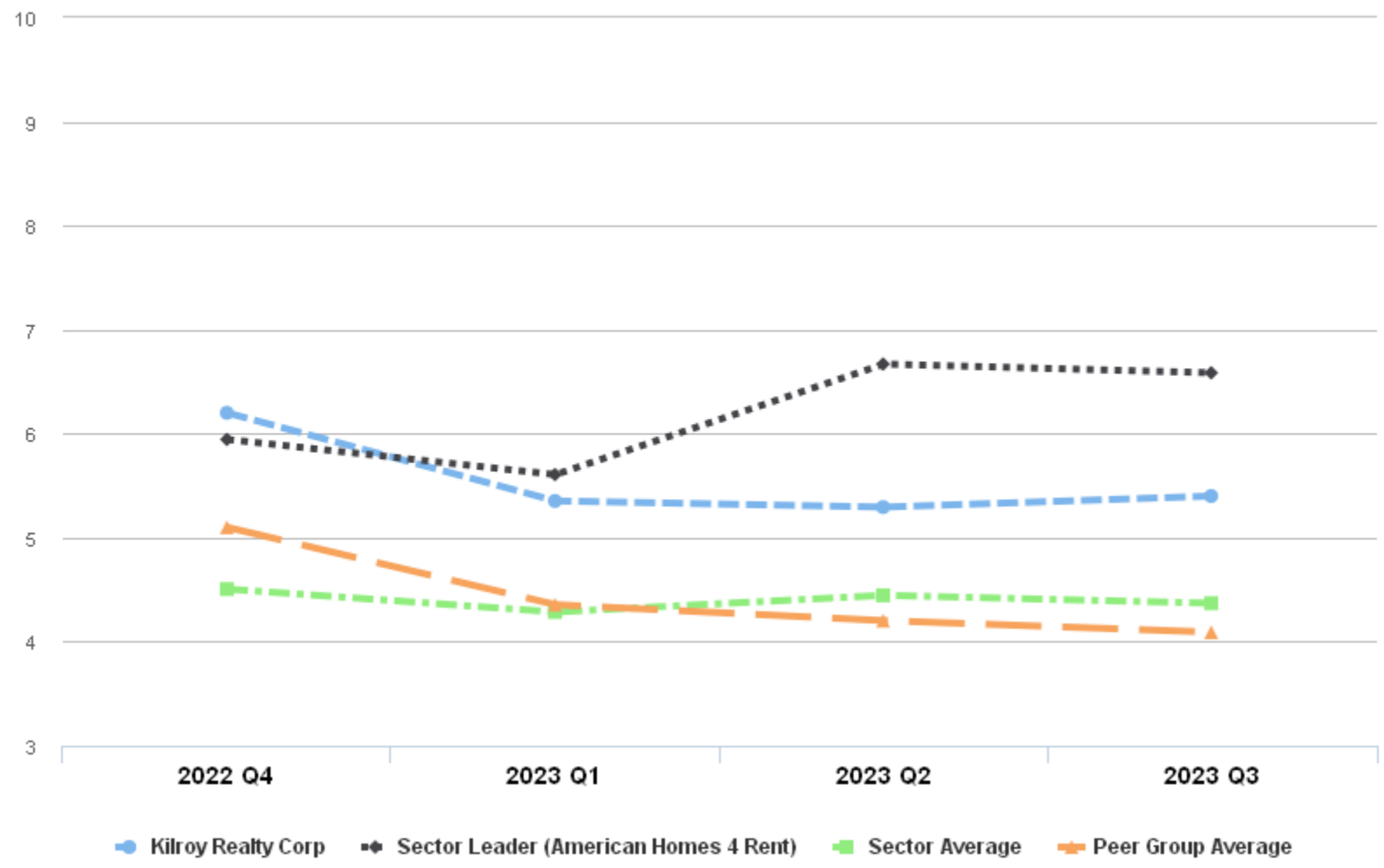
**Quarter over Quarter Results**



# Shareholder Confidence Metrics Forecast for the Year Ahead

Quarter over Quarter Results

## Price Appreciation Potential



## Typical Investor Verbatim

### Positive Momentum Verbatim

"Kilroy Realty has the best quality portfolio amongst the office group, and that's going to be important in the future."

"Kilroy Realty does a really good job on the IR function."

"When I think of the three-to-five-year period ahead, I have more confidence in Kilroy Realty's long-term growth. If we get an economic rebound within that period, companies are likely to want more Class A office space."

"Kilroy Realty's CEO, John Kilroy, makes good investments and puts the right people on the management team."

"Kilroy Realty has a bunch of developments that they'll need capital for. They have a low levered balance sheet and very little to no floating rate debt. They've managed the balance sheet well."

"Kilroy's CEO, John Kilroy is not everyone's cup of tea, but he's done a great job with the asset, and he's a real visionary."

"Kilroy has done a decent job of managing its balance sheet and keeping floating rate debt low. SL Green has been more aggressive with their balance sheet, and as rates started to rise, it had a lot of exposure to floating rate debt. They've been inched a lot more than others and are now in deleveraging mode, which suggests that the balance sheet wasn't as strong as it should have been."

"When it comes to Kilroy, the sentiment from investors on West Coast office is probably the lowest we've ever seen, and it can't get any worse. We are hearing from brokers about two potential positive developments in San Francisco. Firstly, emerging AI companies may take up some of the sublease space available in the office market. Number two, is the return to office amongst the tech tenants, who were some of the first to move to a fully remote strategy."

## Typical Investor Verbatim

### Positive Momentum Verbatim

"I don't think it can get any worse for Kilroy; it can only get better. However, that's not to say there will be many investors flocking to this and putting money into it. I think things will end up getting a little bit better."

"Kilroy's CFO certainly is better than SL Green's CFO, especially because of the situation SL Green is in. Matthew DiLiberto is great, and we like him; he's probably just doing what he's told, but many of their troubles right now are completely due to balance sheet issues."

"Although Bill Hutcheson at Kilroy may not always have all the answers, he is incredibly responsive and able to direct me to the appropriate individuals."



## Typical Investor Verbatim

### Neutral Momentum Verbatim

"I don't have any issues with Kilroy's balance sheet. Their leverage is low, and they're just in a challenging sector."

"Kilroy is not a bad company, but they do not have a top-quartile strategy."

"The new CEO of Kilroy will have big shoes to fill. I think it would be best to promote someone from within the company."

"The CEO of Kilroy is set to retire, but we are currently unaware of who the successor will be, that sets some concerns."

"Kilroy do a good job with the balance sheet, but they are in bad markets."

## Typical Investor Verbatim

### Negative Momentum Verbatim

"There are a lot of questions around Kilroy's tenants and tech tenants in the longer term. Are they going to get a lot of space back from lease terminations, bankruptcies or just downsizing."

"Kilroy Realty had some people leave their senior management team, so it doesn't seem that bench is as deep as it once was."

"Kilroy Realty is very San Francisco focused, which is one of the hardest markets right now. It's a good quality company, but it's in the wrong markets."

"I don't have much confidence in Kilroy Realty because of the office space. Frankly, a lot of it is out of their control, but there is a lot of pressure on that market, and I'm not sure how they're dealing with it."

"I don't have confidence in Kilroy and Boston Properties because of the challenges in office in San Francisco, Los Angeles, and Seattle, where they both have many buildings. Alexandria's Life Science real estate is better off, and more well-received than Boston Properties and Kilroy."

"Kilroy and Boston Properties are not doing anything wrong; it's just a problem with office. Usually, we would like to see them reduce some of their exposure in weaker markets like San Francisco, but right now, no one's buying any buildings, especially not in San Francisco. They couldn't even if they wanted to; their hands are tied."

"Kilroy should have been more prepared with some of their turnover."

"I don't have as much confidence in Kilroy's momentum because they're on the West Coast, especially San Francisco, which is tougher than most geographies."

## Typical Investor Verbatim

### Negative Momentum Verbatim

"Boston Properties hasn't been doing well. I don't have much confidence in Boston Properties nor Kilroy, but it's more because they own offices, it's not because of their strategy."

"There's a CEO change at Kilroy and there is probably a little bit of uncertainty there."

"John Kilroy announced his intention to step down at the end of the year, which may be affecting some investors confidence."

"Since John Kilroy's departure was announced, confidence in the company has been dwindling. It is currently unclear whether the company will hire someone from outside or promote internally to fill the position."

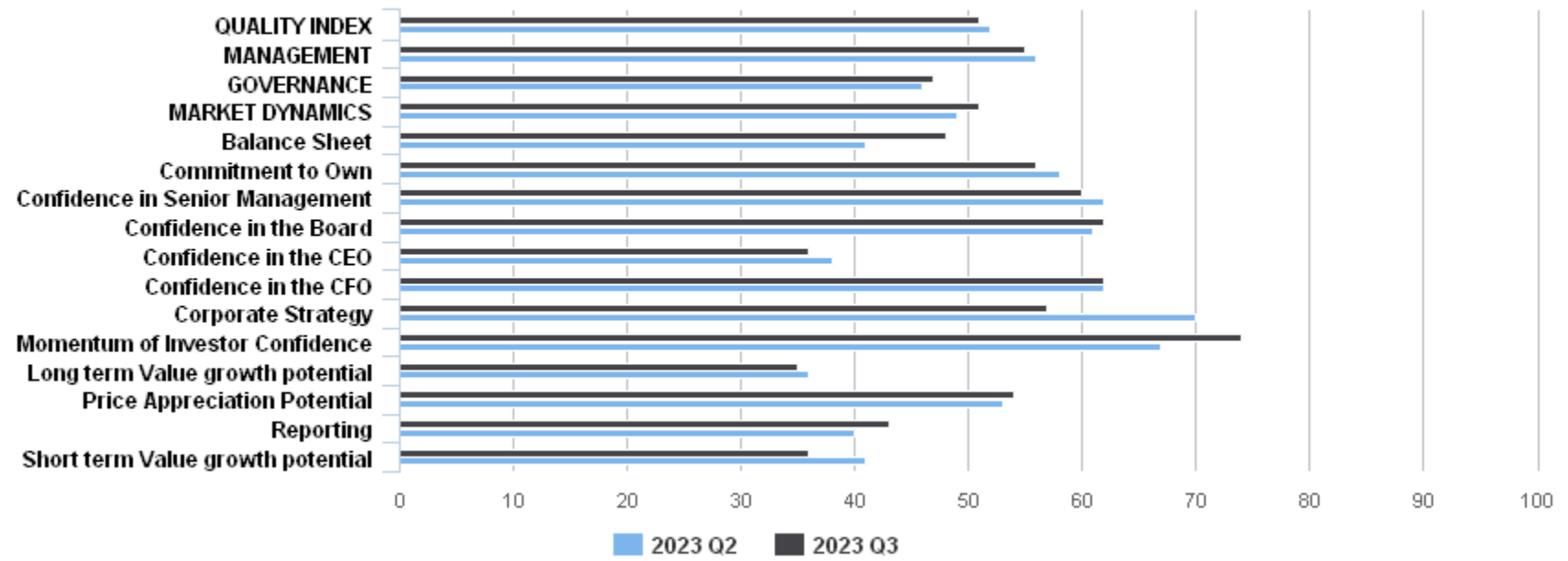
"With the management transition at Kilroy, some questions need to be addressed."

"Kilroy's CEO, John Kilroy, is good, and with him as CEO I had confidence. However, not knowing who will take over makes me less confident. The company has experienced a lot of turnover, not only with John Kilroy leaving, but also with their long-time President and other positions. It is not just a matter of finding a new CEO; they also have other positions to fill"

Quarter over Quarter Results

### Forecast for the Year Ahead

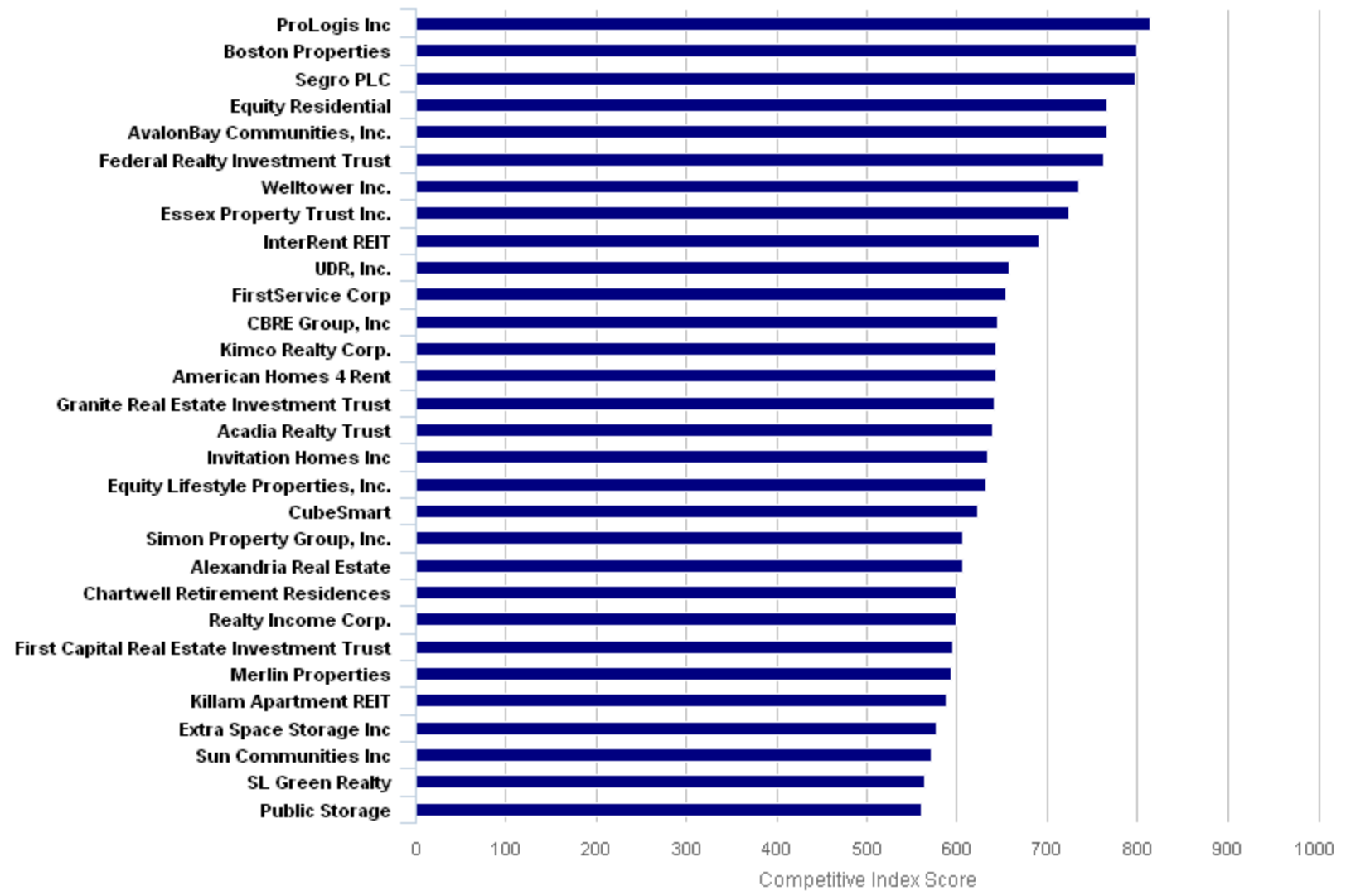
#### Kilroy Realty Corp



# Shareholder Confidence Competitive Index

Rolling Year Data

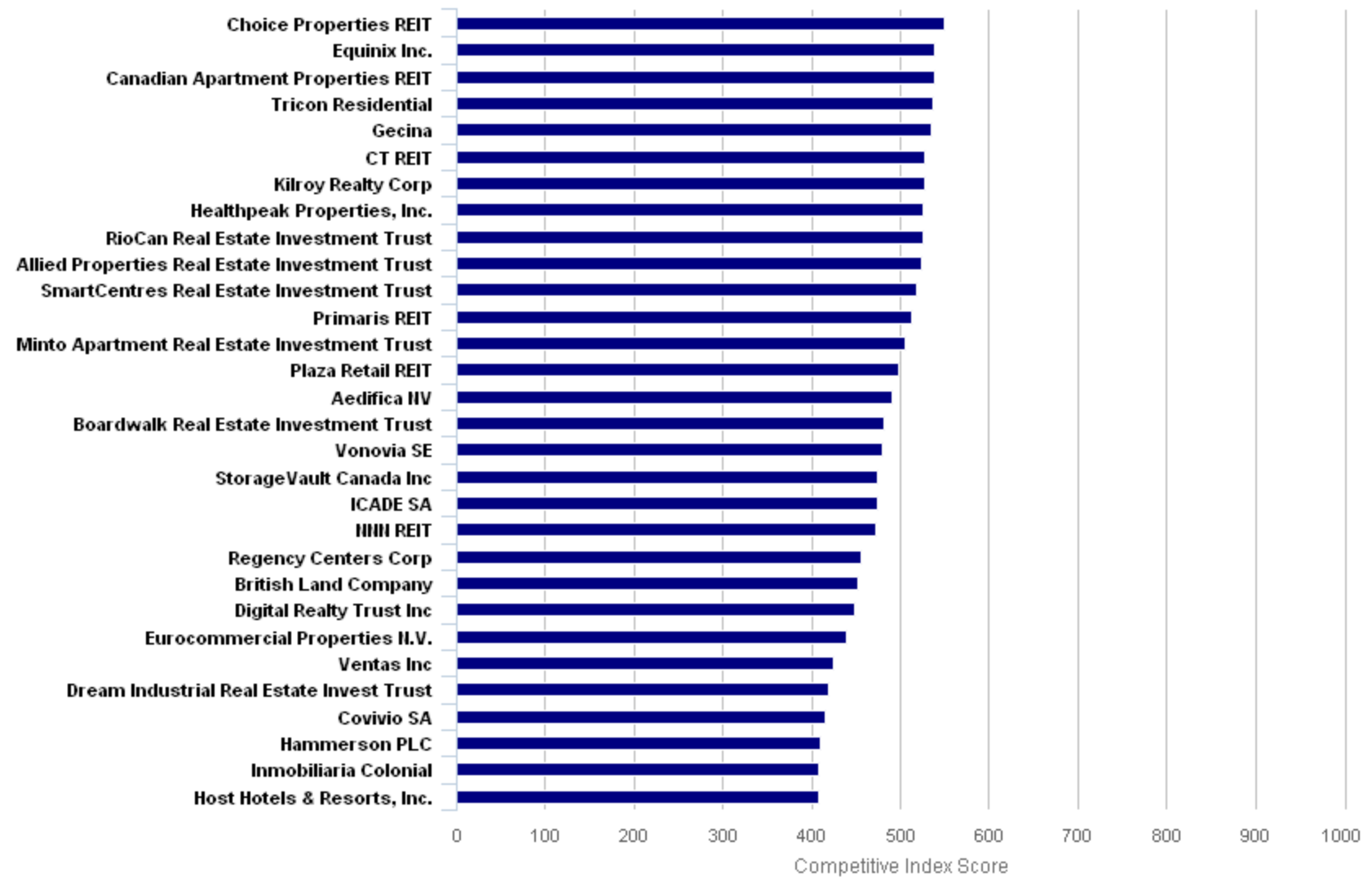
## Global Investors - Investment Quality Index



# Shareholder Confidence Competitive Index

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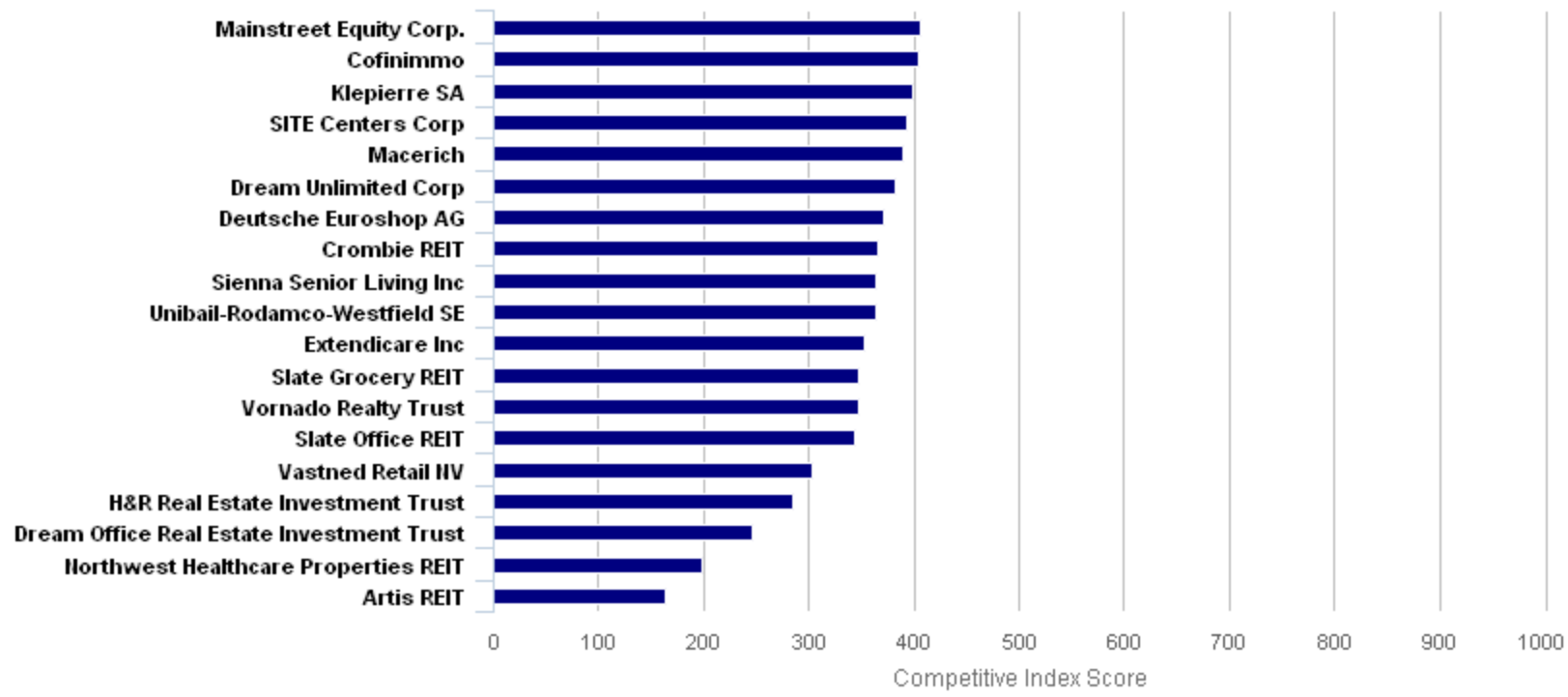
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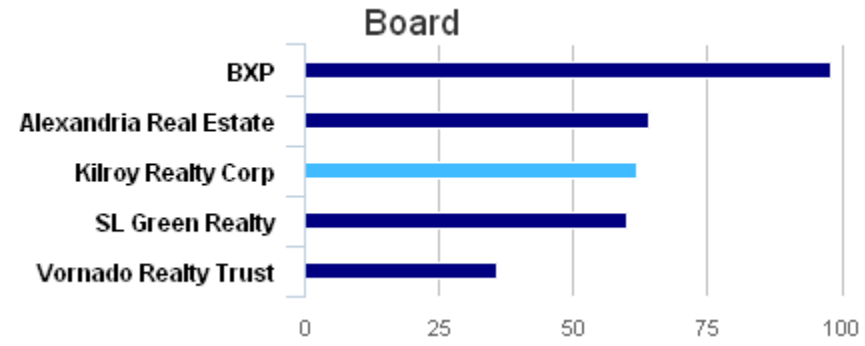
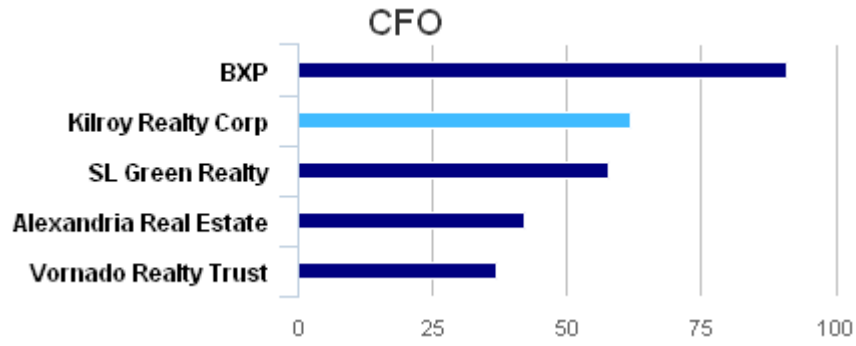
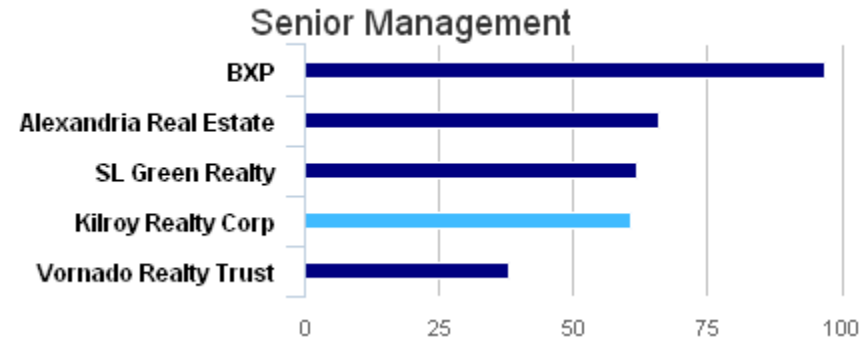
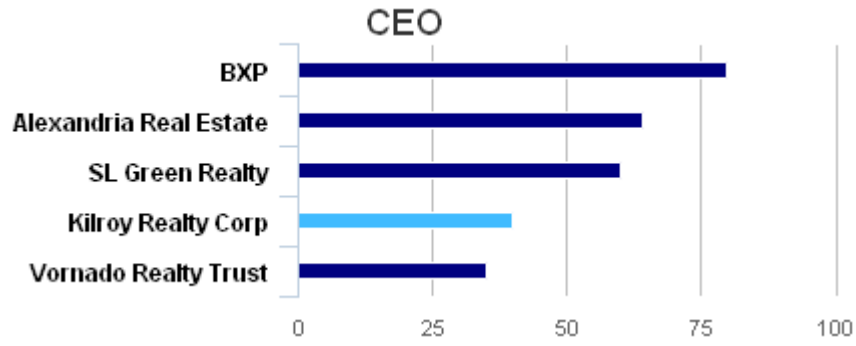
## Global Investors - Investment Quality Index



# Kilroy Realty Corp vs. Comparables

## Forecast for the Year Ahead

Rolling Year Data



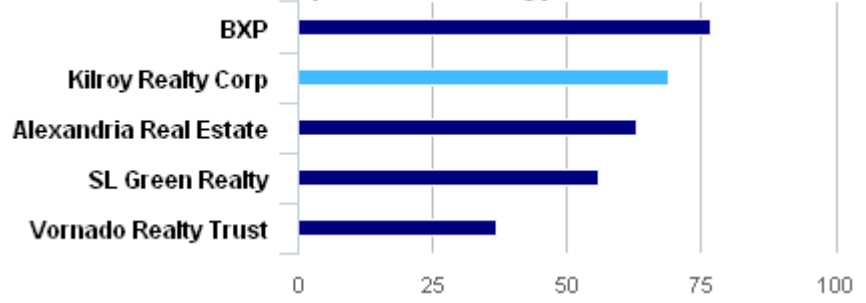


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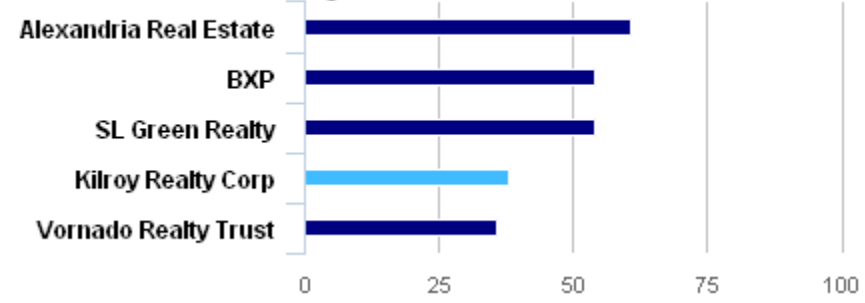
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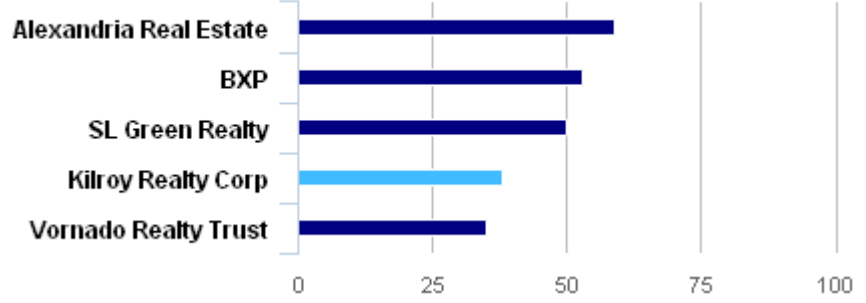
### Corporate Strategy



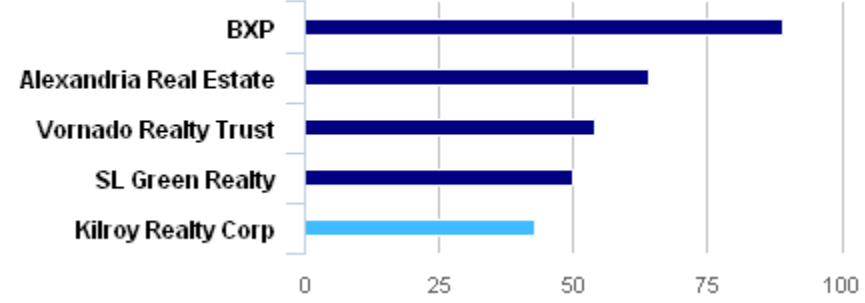
### Long Term Growth



### Short Term Growth



### Balance Sheet

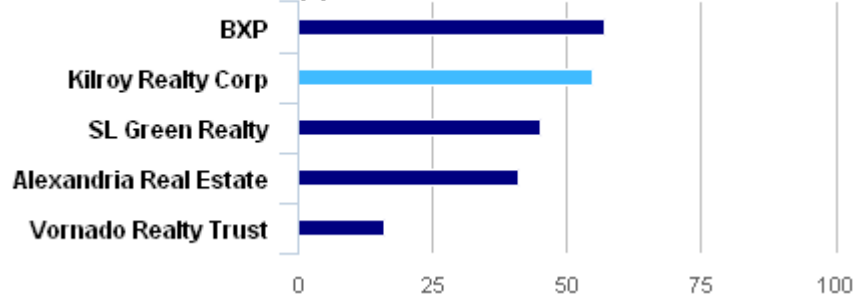


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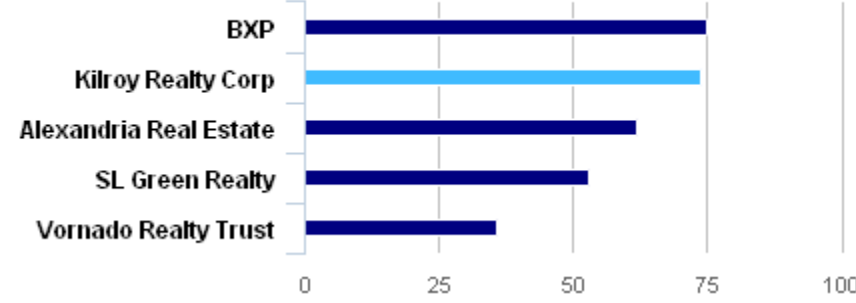
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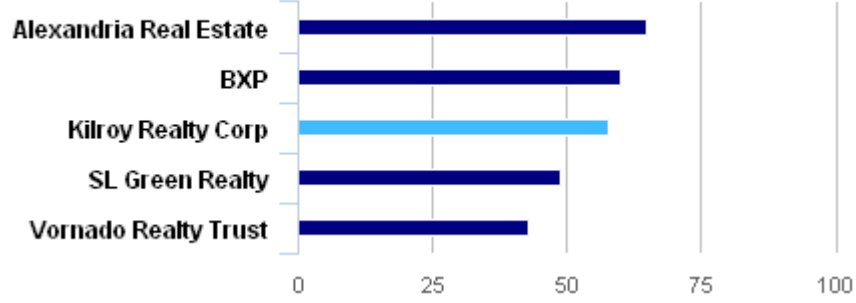
### Price Appreciation Potential



### Momentum



### Commitment to Own



### Reporting & Disclosure

