

KILROY REALTY CORP
Form 424B5
March 15, 2012

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Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-172560

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.

**Subject to Completion
Preliminary Prospectus Supplement dated March 15, 2012**

**PROSPECTUS SUPPLEMENT
(To Prospectus dated March 1, 2011)**

Shares

% Series G Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 Per Share)

We are selling _____ shares of our _____ % Series G Cumulative Redeemable Preferred Stock, which we refer to in this prospectus supplement as the Series G preferred stock. The Series G preferred stock will not be redeemable before _____, 2017, except under circumstances intended to preserve our status as a real estate investment trust for federal and/or state income tax purposes and except as described below upon the occurrence of a Change of Control (as defined in this prospectus supplement). On and after _____, 2017, we may, at our option, redeem any or all of the shares of the Series G preferred stock at \$25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem any or all of the shares of Series G preferred stock, within 120 days after the first date on which such Change of Control occurred, at \$25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. The shares of Series G Preferred Stock have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they become convertible and are converted as described in this prospectus supplement.

Upon the occurrence of a Change of Control, each holder of Series G preferred stock will have the right (unless, prior to the Change of Control Conversion Date (as defined), we have provided or provide notice of our election to redeem some or all of the shares of Series G preferred stock held by such holder as described in this prospectus supplement, in which case such holder will have the right only with respect to shares of Series G preferred stock that are not called for redemption) to convert some or all of the Series G preferred stock held by such holder into shares of our common stock on the Change of Control Conversion Date, all on the terms and subject to the conditions described in this prospectus supplement, and subject to a Share Cap (as defined) and to provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

Currently no market exists for the Series G preferred stock. We plan to file an application to list the Series G preferred stock on the New York Stock Exchange, or NYSE. If the application is approved, trading of the Series G preferred stock on the NYSE is expected to begin within 30 days after the date of initial issuance of the Series G preferred stock.

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An investment in the Series G preferred stock involves various risks and prospective investors should carefully consider the matters discussed under "Risk Factors" beginning on page S-8 of this prospectus supplement and under "Risk Factors" in our and our operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011, as well as the other risks described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in each, before making a decision to invest in Series G preferred stock.

	Per Share	Total
Public offering price(1)	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Kilroy Realty Corporation	\$	\$

(1) Plus accrued dividends from _____, 2012, if settlement occurs after that date.

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 _____ additional shares of the Series G preferred stock to cover overallotments, if any, exercisable at any time until 30 days after the date of this prospectus supplement.

The shares of Series G preferred stock will be ready for delivery through The Depository Trust Company on or about _____, 2012.

Joint Book-Running Managers

**Wells Fargo
Securities**

**BofA Merrill
Lynch**

**Barclays
Capital**

**J.P.
Morgan**

The date of this prospectus supplement is March _____, 2012.

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Kilroy Realty Corporation, or the Company, is the sole general partner of Kilroy Realty, L.P., or the operating partnership. Unless otherwise expressly stated or the context otherwise requires, in this prospectus supplement and the accompany prospectus "we," "us," and "our" refer collectively to Kilroy Realty Corporation and its subsidiaries, including the operating partnership.

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 in each and any free writing prospectus that we may prepare in connection with this offering. Neither we nor the underwriters have authorized anyone to provide you 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 and the accompanying prospectus, nor any such free writing prospectus, is an

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offer to sell or a solicitation of an offer to buy any securities other than the Series G preferred stock 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 in each, 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.

Industry and Market Data

In the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus, we rely on and refer to information and statistics regarding, among other things, the industry, markets, submarkets and sectors in which we operate. We obtained this information and these statistics from various third-party sources and our own internal estimates. We believe that these sources and estimates are reliable, but have not independently verified them and cannot guarantee their accuracy or completeness.

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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 the Series G preferred stock. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated or deemed to be incorporated by reference in each, including the financial statements and related notes, before making an investment decision.

The Company

We are a self-administered real estate investment trust, or REIT, active in office and industrial submarkets along the West Coast. We own, develop, acquire and manage real estate assets, consisting primarily of Class A real estate properties in the coastal regions of 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.

As of December 31, 2011, our stabilized portfolio of operating properties was comprised of 104 office buildings and 39 industrial buildings, which encompassed an aggregate of approximately 11.4 million and 3.4 million rentable square feet, respectively. As of December 31, 2011, the office properties were approximately 90.1% occupied by 419 tenants and the industrial properties were approximately 100% occupied by 63 tenants. Our stabilized portfolio excludes undeveloped land, development and redevelopment properties currently under construction or committed for construction, "lease-up" properties, and properties held-for-sale. As of December 31, 2011, we had four office redevelopment properties under construction encompassing approximately 918,000 rentable square feet. 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. We had no "lease-up" properties as of December 31, 2011. As of December 31, 2011, we had two office properties held-for-sale encompassing approximately 254,000 rentable square feet, which were sold in January 2012.

Kilroy Realty Corporation is a Maryland corporation organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, which owns its interests in all of its properties through Kilroy Realty, L.P., or the operating partnership, and Kilroy Realty Finance Partnership, L.P., or the finance partnership, both of which are Delaware limited partnerships. We conduct substantially all of our operations through the operating partnership in which, as of December 31, 2011, Kilroy Realty Corporation owned an approximate 97.2% general partnership interest. The remaining 2.8% common limited partnership interest in the operating partnership as of December 31, 2011 was owned by non-affiliated investors and certain directors and officers of Kilroy Realty Corporation. Kilroy Realty Finance, Inc., one of Kilroy Realty Corporation's 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 in the finance partnership. 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, as of December 31, 2011, all of the beneficial ownership interests in Kilroy Realty Corporation's subsidiaries were wholly-owned directly or indirectly by Kilroy Realty Corporation and the operating partnership.

The Company's outstanding common stock and preferred stock are listed on the NYSE. The Company's common stock is listed under the symbol "KRC," the Company's 7.80% Series E Cumulative Redeemable Preferred Stock, or the Series E preferred stock, is listed under the symbol "KRC-PRE" and the Company's 7.50% Series F Cumulative Redeemable Preferred Stock, or the Series F preferred stock, is listed under the symbol "KRC-PRF." We intend to file an application to list

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the Series G preferred stock on the NYSE under the symbol "KRC-PRG." We have also authorized the issuance of 1,500,000 shares of our 7.45% Series A Cumulative Redeemable Preferred Stock, or the Series A preferred stock. The Series A preferred stock is issuable on a one-for-one basis upon exchange of the 7.45% Series A Cumulative Redeemable Preferred Units, or the Series A preferred units, of the operating partnership and no shares of Series A preferred stock are currently outstanding.

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, or SEC.

Recent Developments

Recent Acquisition. On March 1, 2012, we acquired from an unrelated third party the Menlo Corporate Center in Menlo Park, California. The property consists of seven office buildings located at 4100-4700 Bohannon Drive, encompasses approximately 374,000 rentable square feet, and was purchased for approximately \$162.5 million in cash.

Potential Acquisitions. As a key component of our growth strategy, we continually evaluate selected property acquisition opportunities as they arise. As a result, at any point in time we may have one or more potential acquisitions under consideration that are in varying stages of evaluation, negotiation or due diligence review, which may include potential acquisitions under contract. As of the date of this prospectus supplement, we were in negotiations for possible acquisitions of three properties in West Coast markets aggregating approximately 741,000 rentable square feet for estimated purchase prices aggregating approximately \$216.5 million (which includes the assumption of debt aggregating approximately \$89.0 million). We cannot provide assurance that we will enter into definitive agreements to acquire these properties. If we do enter into definitive agreements, the terms of those agreements may differ from the terms that we currently contemplate and those agreements will be subject to satisfaction of closing conditions and the acquisitions may not be completed. In the future, we may enter into agreements to acquire other properties, and those agreements typically will be subject to the satisfaction of closing conditions. We cannot provide assurance that we will enter into any agreements to acquire properties, or that the potential acquisitions contemplated by any agreements we may enter into in the future will be completed. Costs associated with acquisitions are expensed as incurred and we may be unable to complete an acquisition after making a nonrefundable deposit or incurring acquisition-related costs. In addition, acquisitions are subject to various other risks and uncertainties. For additional information, see the information appearing under the caption "Risk Factors Risks Related to our Business and Operations We may be unable to complete acquisitions and successfully operate acquired properties" in our and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC.

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The Offering

The following is a brief summary of the terms of this offering. For a description of some of the terms of the Series G preferred stock, see "Description of Series G Preferred Stock" in this prospectus supplement.

Issuer	Kilroy Realty Corporation
Securities Offered	shares of % Series G Cumulative Redeemable Preferred Stock, plus up to an additional shares if the underwriters exercise their overallotment option in full.
Dividends	Investors will be entitled to receive cumulative cash dividends, when, as and if such dividends are authorized and declared, at a rate of % per annum of the \$25.00 per share liquidation preference (equivalent to \$ per annum per share). Dividends will be payable quarterly in arrears on the 15 th day of February, May, August and November of each year (or, if the 15 th day of any such month is not a business day, on the next business day), commencing May 15, 2012. Dividends will accrue and be cumulative from and including the date of original issuance, which is expected to be , 2012. Because the first dividend payment date is May 15, 2012, the dividend payable on a share of Series G preferred stock on that date will be less than the amount of a regular quarterly dividend per share. The dividend payable on May 15, 2012 will be paid to the persons who are the holders of record of the Series G preferred stock at the close of business on the corresponding record date, which will be April 30, 2012.
Maturity	The Series G preferred stock does not have any stated maturity date nor are we required to redeem or otherwise repurchase the Series G preferred stock. Accordingly, the Series G preferred stock will remain outstanding unless we decide to redeem or otherwise repurchase it or it becomes convertible and is converted as described below under " Conversion Rights."
Optional Redemption	In addition, we are not required to set aside funds to redeem the Series G preferred stock. The Series G preferred stock is not redeemable by us prior to , 2017, except under circumstances intended to preserve our status as a real estate investment trust for federal and/or state income tax purposes and except as described below under " Special Optional Redemption". On and after , 2017, we may, at our option, redeem the Series G preferred stock, in whole or from time to time in part, for cash at a redemption price equal to \$25.00 per share, plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. See "Description of Series G Preferred Stock Redemption Optional Redemption."

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Special Optional Redemption

Upon the occurrence of a Change of Control, we may, at our option, redeem the Series G preferred stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. If, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem some or all of the shares of Series G preferred stock (whether pursuant to our optional redemption right described above or this special optional redemption right), the holders of Series G preferred stock will not have the conversion right described below under " Conversion Rights" with respect to the shares of Series G preferred stock called for redemption. See "Description of Preferred Stock Redemption Special Optional Redemption."

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series G preferred stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem some or all of the shares of Series G preferred stock held by such holder as described above under " Optional Redemption" or " Special Optional Redemption," in which case such holder will have the right only with respect to shares of Series G preferred stock that are not called for redemption) to convert some or all of the Series G preferred stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series G preferred stock equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference per share of Series G preferred stock plus the amount of any accrued and unpaid dividends thereon to the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series G preferred stock dividend payment and prior to the corresponding dividend payment date for the Series G preferred stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Common Stock Price (as defined); and

(referred to as the "Share Cap"), subject to adjustments to the Share Cap for any splits, subdivisions or combinations of our common stock; subject, in each case, to provisions for the receipt of alternative consideration under specified circumstances as described in this prospectus supplement.

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As a result of the Share Cap, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or corresponding alternative consideration, as applicable) issuable or deliverable, as applicable, upon conversion of Series G preferred stock in connection with a Change of Control will not exceed _____ shares of common stock (or corresponding alternative consideration, as applicable), subject to proportionate increase to the extent the underwriters' overallotment option to purchase additional shares of Series G preferred stock is exercised, not to exceed _____ shares of common stock in total (or corresponding alternative consideration, as applicable) (referred to as the "Exchange Cap"). The Exchange Cap is subject to pro rata adjustments for any splits, subdivisions or combinations of our common stock on the same basis as the corresponding adjustment to the Share Cap, and shall be increased on a pro rata basis for any additional shares of Series G preferred stock that we may issue in the future.

If, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem some or all of the shares of Series G preferred stock, whether pursuant to our special optional redemption right or our optional redemption right described above, holders of Series G preferred stock will not have the right to convert the shares of Series G preferred stock called for redemption and any shares of Series G preferred stock called for redemption that have been tendered for conversion will be redeemed on the applicable redemption date instead of converted on the Change of Control Conversion Date. For definitions of "Change of Control," "Change of Control Conversion Date" and "Common Stock Price," for a description of certain adjustments and provisions for the receipt of alternative consideration that may be applicable to the conversion of Series G preferred stock in the event of a Change of Control, and for other important information, see "Risk Factors Risks Related to this Offering The Change of Control conversion feature may not adequately compensate you and may make it more difficult for a party to take over the Company or discourage a party from taking over the Company" and "Description of Series G Preferred Stock Conversion Rights."

Except as provided above in connection with a Change of Control, the Series G preferred stock is not convertible into or exchangeable for any other securities or property.

Liquidation Preference

If we liquidate, dissolve or wind up, holders of the Series G preferred stock will have the right to receive \$25.00 per share, plus any accrued and unpaid dividends to but excluding the date of payment, before any payment is made to the holders of our common stock or any other class or series of stock which ranks junior to the Series G preferred stock with respect to liquidation, dissolution or winding up. See "Description of Series G Preferred Stock Liquidation Preference."

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Rank	The Series G preferred stock will rank senior to our common stock and on a parity with our outstanding Series E preferred stock and Series F preferred stock and, if and when issued in exchange for presently outstanding Series A preferred units of the operating partnership, our Series A preferred stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up. See "Description of Series G Preferred Stock Rank."
Voting Rights	Holders of Series G preferred stock will generally have no voting rights. However, if we do not pay dividends on the Series G preferred stock for six or more quarterly dividend periods (whether or not consecutive), the holders of the Series G preferred stock (voting separately as a class with the holders of all other classes or series of our parity preferred stock (as defined), which may include the Series E preferred stock, the Series F preferred stock and, if and when issued in exchange for presently outstanding Series A preferred units, the Series A preferred stock, upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series G preferred stock in the election referred to below) will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay, or declare and set aside funds for the payment of, all dividends which we owe on the Series G preferred stock. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series G preferred stock is required for us to authorize or issue any class or series of stock ranking prior to the Series G preferred stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our charter so as to materially and adversely affect any rights of the Series G preferred stock or to take certain other actions. See "Description of Series G Preferred Stock Voting Rights."
Listing	Currently no market exists for the Series G preferred stock. We plan to file an application to list the Series G preferred stock on the NYSE. If approved for listing, we expect that trading on the NYSE will commence within 30 days after the date of initial issuance of the Series G preferred stock. The underwriters have advised us that they intend to make a market in the Series G preferred stock prior to the commencement of any trading on the NYSE. However, the underwriters have no obligation to do so, and we cannot assure you that a market for the Series G preferred stock will develop prior to commencement of trading on the NYSE or, if developed, will be maintained or will provide you with adequate liquidity.

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Restriction on Ownership and Transfer	The Series G preferred stock will be subject to certain restrictions on ownership and transfer intended to assist us in maintaining our status as a REIT for United States federal income tax purposes. For example, the terms of the Series G preferred stock will restrict any person from acquiring actual or constructive ownership of more than 9.8% (by number of shares or value, whichever is more restrictive) of the outstanding Series G preferred stock. See "Description of Series G Preferred Stock Restrictions on Ownership and Transfer."
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately \$ million, or approximately \$ million if the underwriters' overallotment option is exercised in full, after deducting the underwriting discount and our estimated expenses. We intend to use the net proceeds from this offering for the redemption of all outstanding shares of our Series E preferred stock and for other general corporate purposes, which may include the potential redemption of a portion of the outstanding shares of our Series F preferred stock, acquiring properties and repaying outstanding indebtedness, including borrowings under the operating partnership's unsecured revolving credit facility, or the credit facility. The aggregate redemption price of our Series E preferred stock is approximately \$40.3 million, plus accrued dividends. Pending application of the net proceeds for those purposes, we may temporarily invest such net proceeds in marketable securities. Any borrowings under the credit facility that are repaid with the net proceeds may be reborrowed, subject to customary conditions. See "Use of Proceeds" in this prospectus supplement. For information concerning certain potential conflicts of interest that may arise from the use of proceeds to repay borrowings under the credit facility, see "Use of Proceeds" and "Underwriting (Conflicts of Interest) Conflicts of Interest" and " Other Relationships" in this prospectus supplement.
Risk Factors	An investment in the Series G preferred stock involves various risks and prospective investors should carefully consider the matters discussed under "Risk Factors" beginning on page S-8 of this prospectus supplement and beginning on page 14 of our and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011, as well as the other risks described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in each, before making a decision to invest in the Series G preferred stock.

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RISK FACTORS

Investing in the Series G preferred stock involves risks. Before acquiring the Series G preferred stock pursuant to this prospectus supplement and the accompanying prospectus, you should carefully consider the information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated or deemed to be incorporated by reference in each 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 described under the captions (or similar captions) "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC, and as described in our other filings with the SEC. 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 the Series G preferred stock, and might cause you to lose all or a part of your investment in the Series G preferred stock. Please also refer to the section in this prospectus supplement entitled "Forward-Looking Statements."

Risks Related to this Offering

The Change of Control conversion feature may not adequately compensate you and may make it more difficult for a party to take over the Company or discourage a party from taking over the Company.

Upon the occurrence of a Change of Control, each holder of the Series G preferred stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem some or all of the shares of Series G preferred stock held by such holder as described under "Description of Series G Preferred Stock Redemption Optional Redemption" or "Description of Series G Preferred Stock Redemption Special Optional Redemption," in which case such holder will have the right only with respect to shares of Series G preferred stock that are not called for redemption) to convert some or all of their Series G preferred stock into shares of our common stock (or under specified circumstances certain alternative consideration). See "Description of Series G Preferred Stock Conversion Rights." Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock (or, if applicable, specified alternative consideration) equal to the Share Cap (as defined) multiplied by the number of shares of Series G preferred stock converted. If the Common Stock Price (as defined) is less than \$ (which is % of the per share closing sale price of our common stock reported on the NYSE on March , 2012), subject to possible adjustment, the holders will receive a maximum of shares of our common stock per share of Series G preferred stock, which may result in a holder receiving shares of common stock (or alternative consideration, as applicable) with a value that is less than the liquidation preference of the Series G preferred stock plus any accrued and unpaid dividends. In addition, the Change of Control conversion feature of the Series G preferred stock may have the effect of discouraging a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing certain Change of Control transactions of the Company under circumstances that otherwise could provide the holders of our common stock and Series G preferred stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

The Series G preferred stock is expected to be rated below investment grade.

Although the Series G preferred stock has not been rated by any credit rating agency yet, we intend to obtain a rating for the Series G preferred stock. We currently expect the rating of the Series G preferred stock, if obtained, to be below investment grade, which could adversely impact the market price of the Series G preferred stock. Below investment grade preferred securities are subject to a higher risk of price volatility than similar, higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Company, or volatile markets, could lead to continued significant deterioration in the market price of the Series G preferred stock. In addition, in the event we

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determine to not obtain a rating of the Series G preferred stock, no assurance can be given that one or more credit rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series G preferred stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series G preferred stock.

Increases in market interest rates may adversely affect the market price of the Series G preferred stock and our common stock.

One of the factors that will influence the market price of the Series G preferred stock and our common stock in public trading markets is the annual yield from distributions on the Series G preferred stock and our common stock as compared to yields on other financial instruments. An increase in market interest rates generally will result in higher yields on other financial instruments, which could adversely affect the market price of the Series G preferred stock and our common stock. The market price of the Series G preferred stock may also be adversely affected to the extent that the distributions per share on our common stock increase.

The market price of the Series G preferred stock and our common stock could be substantially affected by various factors.

The market price of the Series G preferred stock and our common stock will depend on many factors, which may change from time to time, including:

Prevailing interest rates, increases in which may have an adverse effect on the market price of the Series G preferred stock and our common stock;

The market for similar securities issued by other REITs;

General economic and financial market conditions;

The financial condition, performance and prospects of us, our tenants and our competitors;

Changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;

Changes in our credit ratings; and

Actual or anticipated variations in quarterly operating results of us and our competitors.

In addition, over the last several years, prices of equity securities in the U.S. trading markets have been experiencing extreme price fluctuations, and the market prices of our common stock, Series E preferred stock and Series F preferred stock have also fluctuated significantly during this period. As a result of these and other factors, investors who purchase the Series G preferred stock in this offering may experience a decrease, which could be substantial and rapid, in the market price of the Series G preferred stock, including decreases unrelated to our operating performance or prospects. Likewise, in the event that the Series G preferred stock becomes convertible and is converted into our common stock, holders of our common stock issued on conversion may experience a similar decrease, which also could be substantial and rapid, in the market price of our common stock.

The Series G preferred stock is a new issue of securities and does not have an established trading market, which may negatively affect its value and your ability to transfer and sell your shares.

The Series G preferred stock is a new issue of securities and currently no market exists for the Series G preferred stock. We plan to file an application to list the Series G preferred stock on the

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NYSE. However, we cannot assure you that the Series G preferred stock will be approved for listing on the NYSE. Even if so approved, trading of the Series G preferred stock on the NYSE is not expected to begin until some time during the period ending 30 days after the date of initial issuance of the Series G preferred stock and, in any event, we cannot assure you that a trading market on the NYSE for the Series G preferred stock will develop or, even if one develops, that it will be maintained or will provide you with adequate liquidity. The liquidity of any market for the Series G preferred stock that may develop will depend on a number of factors, including prevailing interest rates, the dividend rate on our common stock, our financial condition and operating results, the number of holders of the Series G preferred stock, the market for similar securities and the interest of securities dealers in making a market in the Series G preferred stock. As a result, the ability to transfer or sell the Series G preferred stock and the amount you receive upon any sale or transfer of the Series G preferred stock could be adversely affected. We have been advised by the underwriters that they intend to make a market in the Series G preferred stock prior to the commencement of any trading on the NYSE. However, the underwriters have no obligation to do so and may discontinue any market making in the Series G preferred stock at any time without notice. Accordingly, we cannot assure you that a market for the Series G preferred stock will develop prior to the commencement of any trading on the NYSE or, if a market develops, that it will be maintained or will provide you with adequate liquidity.

The Articles Supplementary establishing the terms of the Series G preferred stock will contain restrictions upon ownership and transfer of the Series G preferred stock.

The Articles Supplementary establishing the terms of the Series G preferred stock will contain restrictions on ownership and transfer of the Series G preferred stock intended to assist us in maintaining our status as a REIT for United States federal and/or state income tax purposes. For example, the terms of the Series G preferred stock will restrict any person from acquiring actual or constructive ownership of more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Series G preferred stock. See "Description of Series G Preferred Stock Restrictions on Ownership and Transfers" in this prospectus supplement. These restrictions could have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of the Company, which could adversely affect the market price of the Series G preferred stock.

The covenants in the operating partnership's unsecured revolving credit facility and, if entered into, a new term loan the operating partnership expects to enter into, may limit the Company's ability to make distributions to the holders of its Series G preferred stock and its common stock.

The operating partnership's unsecured revolving credit facility contains financial covenants that could limit the amount of distributions payable by the Company on its common stock and preferred stock. The Company, which is the issuer of both the Series G preferred stock in this offering and the common stock issuable, under certain circumstances, upon conversion of the Series G preferred stock, relies on cash distributions it receives from the operating partnership to pay distributions on its common stock and preferred stock and to satisfy its other cash needs, and the credit facility provides that the operating partnership may not, in any year, make partnership distributions to the Company or other holders of its partnership interests in an aggregate amount in excess of the greater of:

95% of the operating partnership's consolidated funds from operations (as defined in the credit facility) for such year; and

an amount which results in distributions to the Company (excluding any preferred partnership distributions to the extent the same have been deducted from consolidated funds from operations for such year) in an amount sufficient to permit the Company to pay dividends to its stockholders which it reasonably believes are necessary to (a) maintain its qualification as a REIT for federal and state income tax purposes and (b) avoid the payment of federal or state income or excise tax.

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In addition, the credit facility provides that, if the operating partnership fails to pay any principal of or interest on any borrowings under the credit facility when due, then the operating partnership may make only those partnership distributions to the Company and other holders of its partnership interests necessary to enable the Company to make distributions to the Company's stockholders which it reasonably believes are necessary to maintain its status as a REIT for federal and state income tax purposes. We are currently in discussions with prospective lenders regarding a new unsecured term loan, or the term loan, and expect that the operating partnership will be the borrower and the Company will guarantee to the operating partnership's obligations under the term loan. We expect that the new term loan, if entered into, will contain covenants substantially similar to those in the credit facility. For more information about the term loan, please see "Management's Discussion and Analysis of Financial Conditions and Results of Operations Liquidity and Capital Resources of the Operating Partnership Liquidity Sources New Term Loan" in the Company's and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011. Any limitation on the Company's ability to make distributions to its stockholders, whether as a result of these provisions in the credit facility, the term loan (if entered into) or otherwise, could have a material adverse effect on the market value of its common stock and preferred stock (including, without limitation, the Series G preferred stock).

The market price of the Series G preferred stock may be adversely affected by future offerings of debt or equity securities by the operating partnership or future offerings of debt securities or senior preferred stock by the Company.

In the future, we may increase our capital resources by making offerings of debt securities and preferred stock of the Company, debt securities and equity securities of the operating partnership and other borrowings by the Company and the operating partnership. The debt and equity securities and borrowings of the operating partnership are structurally senior to the Series G preferred stock and the debt securities, preferred stock (if senior to the Series G preferred stock) and borrowings of the Company are senior in right of payment to the Series G preferred stock, and all payments (including dividends, principal and interest) and liquidating distributions on such securities and borrowings could limit our ability to pay dividends or make other distributions to the holders of the Series G preferred stock. Upon our liquidation, dissolution or winding-up, holders of these debt securities, Company preferred stock (if senior to the Series G preferred stock), operating partnership equity securities, and lenders with respect to those other borrowings by the Company and the operating partnership will be entitled to receive distributions of our available assets prior to the holders of the Series G preferred stock and it is possible that, after making distributions on these other securities and borrowings, no assets would be available for distribution to holders of the Series G preferred stock. The debt securities and borrowings of the Company are senior in right of payment to the Series G preferred stock, which may result in a similar limitation on our ability to pay dividends or make distributions to holders of Series G preferred stock, including distributions in the event of our liquidation, dissolution or winding up. Because our decision to issue securities and make borrowings in the future will depend on market conditions and other factors, some of which may be beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or borrowings. Thus, holders of the Series G preferred stock bear the risk of our future offerings or borrowings reducing the market price of the Series G preferred stock. In addition, future offerings or borrowings may, for similar reasons, also reduce the market price of our common stock.

A downgrade in our credit ratings could materially adversely affect our business and financial condition.

The credit ratings assigned to the debt securities of the operating partnership and the preferred stock (including the Series G preferred stock offered hereby) of the Company could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any rating will not be

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changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, these credit ratings are not recommendations to buy, sell or hold the Series G preferred stock or any other securities. If any of the credit rating agencies that have rated the debt securities of the operating partnership or the preferred stock (including the Series G preferred stock offered hereby) of the Company downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a so-called "watch list" for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could have a material adverse effect on our costs and availability of capital, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows and our ability to satisfy our debt service obligations and to make dividends and distributions on the Company's common stock and preferred stock (including, without limitation, the Series G preferred stock).

If our common stock or the Series G preferred stock is delisted, your ability to transfer or sell your shares of the Series G preferred stock may be limited and the market value of the Series G preferred stock will likely be materially adversely affected.

Other than in connection with a Change of Control, the Series G preferred stock does not contain provisions that are intended to protect you if our common stock is delisted from the NYSE. Since the Series G preferred stock has no stated maturity date, if our common stock is delisted you may be forced to hold your shares of the Series G preferred stock and receive stated dividends on the stock when, as and if authorized by our board of directors and paid by us with no assurance as to ever receiving the liquidation value. If our common stock is delisted, it is likely that the Series G preferred stock will be delisted as well. Accordingly, if our common stock is delisted, your ability to transfer or sell your shares of the Series G preferred stock may be limited and the market value of the Series G preferred stock will likely be materially adversely affected.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference in each, contain, and documents we subsequently file with the SEC and incorporate by reference in each may contain, certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the "Exchange Act"), including information concerning our capital resources, portfolio performance, results of operations, projected future occupancy and rental rates, lease expirations, debt maturity, potential investments, strategies such as capital recycling, development and redevelopment activity, projected construction costs, dispositions, future incentive compensation, pending, potential or proposed acquisitions, the anticipated use of proceeds from this offering, anticipated growth in our funds from operations and anticipated market conditions, demographics, and similar matters. Forward-looking statements can be identified by the use of words such as "believes," "expects," "projects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" and the negative of these words and phrases and similar expressions that do not relate to historical matters. Forward-looking statements are based on our current expectations, beliefs and assumptions, and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of our control. Accordingly, actual performance, results and events may vary materially from those indicated in the forward-looking statements, and you should not rely on the forward-looking statements as predictions of future performance, results or outcomes. Numerous factors could cause actual future events to differ materially from those indicated in the forward-looking statements, including, among others:

global market and general economic conditions and their effect on our liquidity and financial conditions and those of our tenants;

adverse economic or real estate conditions in California and Washington, including with respect to California's continuing budget deficits;

risks associated with our investment in real estate assets, which are illiquid, and with trends in the real estate industry;

defaults on or non-renewal of leases by tenants,

any significant downturn in our tenants' businesses;

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

costs to comply with government regulations;

the availability of cash for distribution and debt service and exposure of risk of default under our debt obligations;

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

potential losses that may not be covered by insurance;

the ability to successfully complete acquisitions and dispositions on announced terms;

the ability to successfully operate acquired properties;

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

defaults on leases for land on which some of our properties are located;

adverse changes to, or implementations of, applicable laws, regulations or legislation;

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environmental uncertainties and risks related to natural disasters; and

the Company's ability to maintain its status as a REIT.

The factors included in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference in each, and documents we subsequently file with the SEC and incorporate by reference in each, are not exhaustive and additional factors could adversely affect our business and financial performance. For a discussion of additional risk factors, see the factors included under the caption "Risk Factors" in this prospectus supplement, in the accompanying prospectus, and in our and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2011, as well as the other risks described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in each. All forward-looking statements are based on currently available information and speak only as of the date on which they are made. We assume no obligation to update any forward-looking statement that becomes untrue because of subsequent events, new information or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under Federal securities laws.

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Our (i) consolidated ratio of earnings to fixed charges and (ii) consolidated ratio of earnings to combined fixed charges and preferred dividends for each of the periods indicated was as follows:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Consolidated ratio of earnings to fixed charges	0.95x	0.99x	1.27x	1.30x	1.26x
Deficiency (in thousands)	\$ 5,037	\$ 953			
Consolidated ratio of earnings to combined fixed charges and preferred dividends	0.87x	0.88x	1.10x	1.14x	1.10x
Deficiency (in thousands)	\$ 14,645	\$ 10,561			&#