UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number 000-52606

KBS REAL ESTATE INVESTMENT TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-2985918**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
800 Newport Center Drive, Suite 700 Newport Beach, California	**92660**
(Address of Principal Executive Offices)	**(Zip Code)**

(949) 417-6500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☒	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 11, 2017, there were 184,615,262 outstanding shares of common stock of KBS Real Estate Investment Trust, Inc.

KBS REAL ESTATE INVESTMENT TRUST, INC.

FORM 10-Q

March 31, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS

(Liquidation Basis)

(unaudited, in thousands)

		March 31, 2017
Assets		
Real estate	$	406,324
Real estate loans receivable		23,730
Cash and cash equivalents		39,585
Restricted cash		8,002
Rents and other receivables, net		1,809
Other assets, net		4,713
Total assets	$	484,163
Liabilities		
Liabilities for estimated costs in excess of estimated receipts during liquidation	$	11,167
Accounts payable and accrued liabilities		3,346
Due to affiliates		39
Liabilities for estimated closing costs and disposition fees		11,764
Other liabilities		7,891
Total liabilities		34,207
Commitments and contingencies (Note 9)		
Net assets in liquidation	$	449,956

See accompanying condensed notes to condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Liquidation Basis)

(unaudited, in thousands)

	For the Three Months Ended March 31, 2017
Net assets in liquidation, beginning of period	$ 635,441
Changes in net assets in liquidation	
Redemptions	(919)
Other changes, net	237
Net decrease in liquidation value	(682)
Liquidating distribution to stockholders	(184,803)
Changes in net assets in liquidation	(185,485)
Net assets in liquidation, end of period	$ 449,956

See accompanying condensed notes to condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017
(unaudited)

1. ORGANIZATION

KBS Real Estate Investment Trust, Inc. (the "Company") was formed on June 13, 2005 as a Maryland corporation and has elected to be taxed as a real estate investment trust ("REIT"). Substantially all of the Company's assets are held by, and the Company conducts substantially all of its operations through, KBS Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), and its subsidiaries. The Company is the sole general partner of and directly owns a 99% partnership interest in the Operating Partnership. The Company's wholly owned subsidiary, KBS REIT Holdings LLC, a Delaware limited liability company ("KBS REIT Holdings"), owns the remaining 1% partnership interest in the Operating Partnership and is its sole limited partner.

As of March 31, 2017, the Company owned or, with respect to one property, held a leasehold interest in, 23 real estate properties, including 14 bank branch, office and operations center properties the Company received title to pursuant to a settlement agreement related to a defaulted loan investment (the "GKK Properties"). In addition, as of March 31, 2017, the Company owned two real estate loans receivable and a participation interest in a real estate joint venture.

Subject to certain restrictions and limitations, the business of the Company is managed by KBS Capital Advisors LLC (the "Advisor"), an affiliate of the Company, pursuant to an advisory agreement with the Company (the "Advisory Agreement") in effect through November 8, 2017. The Advisory Agreement may be renewed for an unlimited number of one-year periods upon the mutual consent of the Advisor and the Company. Either party may terminate the Advisory Agreement upon 60 days written notice. The Advisor owns 20,000 shares of the Company's common stock.

As of March 31, 2017, the Company had 184,687,720 shares of common stock issued and outstanding.

On January 27, 2016, the Company's board of directors formed a special committee (the "Special Committee") composed of all of its independent directors to explore the availability of strategic alternatives involving the Company. On October 5, 2016, in connection with a review of potential strategic alternatives available to the Company, the Special Committee and the board of directors unanimously approved the sale of all of the Company's assets and the Company's dissolution pursuant to the terms of the Company's plan of complete liquidation and dissolution (the "Plan of Liquidation"). The principal purpose of the Plan of Liquidation is to maximize stockholder value by selling the Company's assets, paying the Company's debts and distributing the net proceeds from liquidation to the Company's stockholders. On January 27, 2017, the Company's stockholders approved the Plan of Liquidation.

2. PLAN OF LIQUIDATION

The Plan of Liquidation provides for an orderly sale of the Company's assets, payment of the Company's liabilities and other obligations, the winding down of operations and dissolution of the Company. The Company is permitted to provide for the payment of any known liabilities and liquidating expenses and estimated unascertained or contingent liabilities and expenses and may do so by purchasing insurance, establishing a reserve fund or in other ways.

The Plan of Liquidation enables the Company to sell any and all of its assets without further approval of the stockholders and provides that liquidating distributions be made to the stockholders as determined by the Company's board of directors. Pursuant to applicable REIT rules, in order to be able to deduct liquidating distributions as dividends, the Company must complete the disposition of its assets and the distribution of the net proceeds from liquidation within two years of the date the Plan of Liquidation was adopted by its stockholders. To the extent that all of the Company's assets are not sold by such date, the Company may transfer and assign its remaining assets to a liquidating trust. Upon such transfer and assignment, its stockholders will receive interests in the liquidating trust. The liquidating trust will pay or provide for all of the Company's liabilities and distribute any remaining net proceeds from the sale of its assets to the holders of interests in the liquidating trust.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

The liquidation process and the amount and timing of any future liquidating distributions paid to stockholders involves risks and uncertainties. Accordingly, it is not possible to predict the timing of any future liquidating distributions or the aggregate amount which will ultimately be distributed to stockholders and no assurance can be given that future liquidating distributions will equal or exceed the estimate of net assets in liquidation presented in the Condensed Consolidated Statement of Net Assets.

The Company expects to comply with the requirements necessary to continue to qualify as a REIT through the completion of the liquidation process, or until such time as any remaining assets, if any, are transferred into a liquidating trust. The board of directors shall use commercially reasonable efforts to continue to cause the Company to maintain its REIT status, provided however, that the board of directors may elect to terminate the Company's status as a REIT if it determines that such termination would be in the best interest of the stockholders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements and condensed notes thereto have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 205-30, "Liquidation Basis of Accounting" and the rules and regulations of the SEC, including the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of management, the financial statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods.

The unaudited consolidated financial statements include the accounts of the Company, KBS REIT Holdings, the Operating Partnership and their direct and indirect wholly owned subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

Pursuant to the Company's stockholders' approval of the Plan of Liquidation, the Company adopted the liquidation basis of accounting as of January 1, 2017 (as liquidation became imminent within the first week of January 2017 based on the results of the Company's solicitation of proxies from its stockholders for their approval of the Plan of Liquidation) and for the periods subsequent to January 1, 2017 in accordance with GAAP. Accordingly, on January 1, 2017, assets were adjusted to their estimated net realizable value, or liquidation value, which represents the estimated amount of cash that the Company will collect on disposal of assets as it carries out its Plan of Liquidation. The liquidation values of the Company's operating properties are presented on an undiscounted basis. Estimated costs to dispose of assets have been presented separately from the related assets. Liabilities are carried at their contractual amounts due or estimated settlement amounts.

The Company accrues costs and income that it expects to incur and earn through the completion of its liquidation, including the estimated amount of cash the Company expects to collect on the disposal of its assets and the estimated costs to dispose of its assets, to the extent it has a reasonable basis for estimation. These amounts are classified as a liability for estimated costs in excess of estimated receipts during liquidation on the Condensed Consolidated Statement of Net Assets. Actual costs and income may differ from amounts reflected in the financial statements because of the inherent uncertainty in estimating future events. These differences may be material. See Note 4, "Liabilities for Estimated Costs in Excess of Estimated Receipts During Liquidation" for further discussion. Actual costs incurred but unpaid as of March 31, 2017 are included in accounts payable and accrued liabilities, due to affiliates and other liabilities on the Condensed Consolidated Statement of Net Assets.

Net assets in liquidation represents the estimated liquidation value available to stockholders upon liquidation. Due to the uncertainty in the timing of the anticipated sale dates and the estimated cash flows, actual operating results and sale proceeds may differ materially from the amounts estimated.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

Use of Estimates

The preparation of the unaudited consolidated financial statements and condensed notes thereto in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and condensed notes. Actual results could materially differ from those estimates.

Real Estate

As of January 1, 2017, the investments in real estate were adjusted to their estimated net realizable value, or liquidation value, to reflect the change to the liquidation basis of accounting. The liquidation value represents the estimated amount of cash that the Company will collect on disposal of its assets, including any residual value attributable to lease intangibles, as it carries out the Plan of Liquidation. The Company estimated the liquidation value of its real estate based on purchase and sale agreements into which the Company had entered as of May 12, 2017, offers received which the Company intends to accept, brokers' opinion of value or discounted cash flow analyses. The liquidation values of the Company's investments in real estate are presented on an undiscounted basis and investments in real estate are no longer depreciated. Estimated costs to dispose of these investments are carried at their contractual amounts due or estimated settlement amounts and are presented separately from the related assets. Subsequent to January 1, 2017, all changes in the estimated liquidation value of the investments in real estate are reflected as a change to the Company's net assets in liquidation.

Real Estate Loan Receivable

Under the liquidation basis of accounting, the Company carries its real estate loan receivable at its estimated net realizable value, or liquidation value, which represents the estimated amount of principal payments, including repayment of all principal at maturity or earlier disposition, the Company expects to receive over the remaining estimated holding period of the loan. The liquidation value of the Company's real estate loan receivable is presented on an undiscounted basis. Interest payments that the Company expects to receive on its real estate loan receivable over the estimated remaining holding period of the loan are accrued and are classified as a reduction of liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

The Company evaluates the collectibility of the interest and principal on its loan. Any changes in collectibility will be reflected as a change to the Company's net assets in liquidation.

Rents and Other Receivables

In accordance with the liquidation basis of accounting, as of January 1, 2017, rents and other receivables were adjusted to their net realizable value. The Company periodically evaluates the collectibility of amounts due from tenants. Any changes in the collectibility of the receivables are reflected in the net realizable value of the rents and other receivables.

Revenue Recognition

Under the liquidation basis of accounting, the Company has accrued all income that it expects to earn through the completion of its liquidation to the extent it has a reasonable basis for estimation. Revenue from tenants is estimated based on the contractual in-place leases through the anticipated disposition date of the property. These amounts are classified in liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

Accrued Liquidation Costs

The Company accrues for certain estimated liquidation costs to the extent it has a reasonable basis for estimation. These consist of legal fees, dissolution costs, final audit/tax costs, fees paid to financial advisors, insurance, and distribution processing costs.

4. LIABILITIES FOR ESTIMATED COSTS IN EXCESS OF ESTIMATED RECEIPTS DURING LIQUIDATION

The liquidation basis of accounting requires the Company to estimate net cash flows from operations and to accrue all costs associated with implementing and completing the Plan of Liquidation. The Company currently estimates that it will have costs in excess of estimated receipts during the liquidation process. These amounts can vary significantly due to, among other things, the timing and estimates for executing and renewing leases, estimates of tenant improvement costs, the timing of property sales, direct costs incurred to complete the sales, the timing and amounts associated with discharging known and contingent liabilities and the costs associated with the winding down of operations. These costs are estimated and are anticipated to be paid out over the liquidation period.

Upon transition to the liquidation basis of accounting on January 1, 2017, the Company accrued the following revenues and expenses expected to be incurred during liquidation:

	As of January 1, 2017
Rental income	$ 15,166
Tenant reimbursements	2,915
Interest income from real estate loans receivable	407
Parking revenues and other operating income	896
Operating, maintenance, and management	(9,689)
Real estate taxes, property-related taxes, and insurance	(2,678)
Asset management fees due to affiliates	(2,162)
General and administrative expenses	(5,653)
Other interest income	250
Liquidating transaction costs	(3,068)
Improvements to real estate	(12,851)
Liabilities for estimated costs in excess of estimated receipts during liquidation	$ (16,467)

The change in the liabilities for estimated costs in excess of estimated receipts during liquidation as of March 31, 2017 is as follows (in thousands):

	January 1, 2017	Cash Payments (Receipts)	Remeasurement of Assets and Liabilities	March 31, 2017
Assets:				
Estimated net inflows from investments in real estate	$ 7,017	$ (3,270)	$ 157	$ 3,904
	7,017	(3,270)	157	3,904
Liabilities:				
Liquidation transaction costs	(3,068)	—	—	(3,068)
Corporate expenditures	(7,565)	4,004	—	(3,561)
Capital expenditures	(12,851)	4,409	—	(8,442)
	(23,484)	8,413	—	(15,071)
Total liabilities for estimated costs in excess of estimated receipts during liquidation	$ (16,467)	$ 5,143	$ 157	$ (11,167)

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

5. NET ASSETS IN LIQUIDATION

Net assets in liquidation decreased by approximately $185.5 million during the three months ended March 31, 2017. Pursuant to the Plan of Liquidation, on March 10, 2017, the Company's board of directors authorized an initial liquidating distribution in the amount of $1.00 per share of common stock to the Company's stockholders of record as of the close of business on March 21, 2017, for an aggregate distribution of approximately $184.8 million and was the primary reason for the decline in net assets in liquidation. The initial liquidating distribution was paid on March 24, 2017 and was funded from proceeds from asset sales.

The net assets in liquidation as of March 31, 2017 would result in the payment of estimated liquidating distributions of approximately $2.44 per share of common stock to the Company's stockholders of record as of March 31, 2017. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the estimated period required to complete the Plan of Liquidation. There is inherent uncertainty with these estimates and projections, and they could change materially based on the timing of asset sales, the performance of the Company's remaining assets and any changes in the underlying assumptions of the projected cash flows from such assets.

6. REAL ESTATE

As of March 31, 2017, the Company's real estate investments consisted of 23 properties (of which 14 were GKK Properties), including a leasehold interest in one property, held for sale in accordance with the Plan of Liquidation. During the three months ended March 31, 2017, the Company terminated a leasehold interest of a GKK Property located in downtown St. Petersburg, Florida and disposed of 66 GKK Properties with an aggregate sales price of $65.1 million and a liquidation value of $65.1 million at the time of sale of each individual property. No sales price and liquidation value related to any individual property sold was greater than $5.1 million and $5.1 million, respectively.

7. REAL ESTATE LOANS RECEIVABLE

As of March 31, 2017, the Company, through indirect wholly owned subsidiaries, had invested in or originated real estate loans receivable as follows (dollars in thousands):

Loan Name Location of Related Property or Collateral	Date Acquired/ Originated	Property Type	Loan Type	Outstanding Principal Balance as of March 31, 2017[1]	Carrying Amount as of March 31, 2017 [2]	Contractual Interest Rate	Maturity Date
San Diego Office Portfolio B-Note San Diego, California [3]	10/26/2007	Office	B-Note	$ 20,000	$ 20,000	5.8%	10/11/2017
4929 Wilshire B-Note Los Angeles, California	11/19/2007	Office	B-Note	3,764	3,730	6.1%	07/11/2017
				$ 23,764	$ 23,730		

[1] Outstanding principal balance as of March 31, 2017 represents original principal balance outstanding under the loan, increased for any subsequent fundings and reduced for any principal paydowns.

[2] Carrying amount represents the estimated amount expected to be collected at maturity or upon disposition of the loans. Amounts do not include interest.

[3] The loan was repaid in full on April 14, 2017. The borrower under this note was a wholly owned subsidiary of The Irvine Company. Donald Bren, who is the brother of Peter Bren (one of the Company's executive officers and sponsors), is the chairman of The Irvine Company. In addition, Charles J. Schreiber, Jr. (the Company's Chief Executive Officer, one of the Company's directors and one of the Company's sponsors) has served as a member of the board of directors and executive committee of The Irvine Company since August 2016 and since December 2016, Mr. Schreiber has served on the board of trustees of The Irvine Company. During the three months ended March 31, 2017, the Company recognized $0.5 million of interest income related to its investment in this loan.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

8. RELATED PARTY TRANSACTIONS

The Company has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees for the management and disposition of investments, among other services, as well as to reimbursement for certain costs incurred by the Advisor in providing services to the Company. The Company has also entered into a fee reimbursement agreement (the "AIP Reimbursement Agreement") with KBS Capital Markets Group LLC (the "Dealer Manager") pursuant to which the Company agreed to reimburse the Dealer Manager for certain fees and expenses it incurs for administering the Company's participation in the DTCC Alternative Investment Product Platform with respect to certain accounts of the Company's investors serviced through the platform. The Advisor also serves, and the Dealer Manager also serves or served, as the advisor and dealer manager, respectively, for KBS Real Estate Investment Trust II, Inc., KBS Real Estate Investment Trust III, Inc., KBS Strategic Opportunity REIT, Inc., KBS Legacy Partners Apartment REIT, Inc., KBS Strategic Opportunity REIT II, Inc. and KBS Growth & Income REIT, Inc.

On January 6, 2014, the Company, together with KBS Real Estate Investment Trust II, Inc., KBS Real Estate Investment Trust III, Inc., KBS Strategic Opportunity REIT, Inc., KBS Legacy Partners Apartment REIT, Inc., KBS Strategic Opportunity REIT II, Inc., the Dealer Manager, the Advisor and other KBS-affiliated entities, entered into an errors and omissions and directors and officers liability insurance program where the lower tiers of such insurance coverage are shared. The cost of these lower tiers is allocated by the Advisor and its insurance broker among each of the various entities covered by the program, and is billed directly to each entity. The allocation of these shared coverage costs is proportionate to the pricing by the insurance marketplace for the first tiers of directors and officers liability coverage purchased individually by each REIT. The Advisor's and the Dealer Manager's portion of the shared lower tiers' cost is proportionate to the respective entities' prior cost for the errors and omissions insurance. In June 2015, KBS Growth & Income REIT, Inc. was added to the insurance program at terms similar to those described above. The Company has reviewed its participation in the program and the program is effective through June 30, 2017.

During the three months ended March 31, 2017 and 2016, no other business transactions occurred between the Company and the other KBS-sponsored programs. On May 18, 2012, KBS Strategic Opportunity REIT, Inc. made an $8.0 million investment in a joint venture in which the Company indirectly owns a participation interest through another joint venture investment.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

Pursuant to the terms of the Advisory Agreement and the AIP Reimbursement Agreement, summarized below are the related-party costs incurred by the Company for the three months ended March 31, 2017 and 2016, respectively, and any related amounts payable as of March 31, 2017 and December 31, 2016 (in thousands):

	Incurred		Payable	
	Three Months Ended March 31,		March 31,	December 31,
	2017	2016	2017	2016
Expensed				
Asset management fees [(1)]	$ 1,145	$ 2,348	$ —	$ —
Reimbursement of operating expenses [(2)]	68	64	39	188
Disposition fees [(3)]	642	418	—	—
	$ 1,855	$ 2,830	$ 39	$ 188

[(1)] Asset management fees presented are contractual amounts incurred during the three months ended March 31, 2017 and 2016, respectively. Asset management fees accrued as of March 31, 2017, as part of the liquidation basis of accounting, of $1.0 million are included in liabilities for estimated costs in excess of estimated receipts during liquidation in the accompanying condensed consolidated statements of net assets.

[(2)] Reimbursable operating expenses primarily consists of internal audit personnel costs, accounting software and cybersecurity related expenses incurred by the Advisor under the Advisory Agreement. The Company reimburses the Advisor for the Company's allocable portion of the salaries, benefits and overhead of internal audit department personnel providing services to the Company. These amounts totaled $60,000 and $64,000 for the three months ended March 31, 2017 and 2016, respectively. These were the only type of employee costs reimbursed under the Advisory Agreement for the three months ended March 31, 2017 and 2016. The Company will not reimburse for employee costs in connection with services for which the Advisor earns disposition fees (other than reimbursement of travel and communication expenses) or for the salaries or benefits the Advisor or its affiliates may pay to the Company's executive officers. In addition to the amounts above, the Company reimburses the Advisor for certain of the Company's direct costs incurred from third parties that were initially paid by the Advisor on behalf of the Company. Under the Company's charter, the Company is required to limit its total operating expenses to the greater of 2% of its average invested assets or 25% of its net income for the four most recently completed fiscal quarters, as these terms are defined in the Company's charter, unless the conflicts committee of the Company's board of directors has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expenses for the four fiscal quarters ended March 31, 2017 exceeded the charter-imposed limitation and the conflicts committee of the Company's board of directors determined that these expenses were justified given the professional fees and expenses the Company incurred related to its exploration of the availability of strategic alternatives, the fees and expenses related to the preparation of proxy materials and the solicitation of proxies in connection with the Company's stockholders' approval of the Plan of Liquidation, the costs and expenses of liquidation and the Company's decreasing asset size and revenues as a result of asset sales relative to certain general and administrative expenses that are fixed or do not decrease proportionately based on the Company's asset size and revenues.

[(3)] Disposition fees presented are contractual amounts incurred during the three months ended March 31, 2017 and 2016, respectively. Disposition fees accrued as of March 31, 2017, as part of the liquidation basis of accounting, of $4.0 million are included in liabilities for estimated closing costs and disposition fees in the accompanying condensed consolidated statements of net assets.

During the three months ended March 31, 2017, the Company had a $31,000 property insurance rebate due from the Advisor.

9. COMMITMENTS AND CONTINGENCIES

Economic Dependency

The Company is dependent on the Advisor for certain services that are essential to the Company, including the management of the Company's real estate and real estate-related investment portfolio; the disposition of real estate and real estate-related investments; the execution of the Plan of Liquidation; and other general and administrative responsibilities. In the event that the Advisor is unable to provide any of these services, the Company will be required to obtain such services from other sources.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

(unaudited)

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. Although there can be no assurance, the Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the properties could result in future environmental liabilities.

Under a settlement agreement, the Company indirectly took title to or, with respect to a limited number of the GKK Properties, indirectly took a leasehold interest in, the GKK Properties on an "as is" basis. As such, the Company was not able to inspect the GKK Properties or conduct standard due diligence on certain of the GKK Properties before the transfers of the properties. Additionally, the Company did not receive representations, warranties and indemnities relating to the GKK Properties from the transferor and/or its affiliates. Thus, the value of the GKK Properties may decline if the Company subsequently discovers environmental problems with the GKK Properties.

Legal Matters

From time to time, the Company is party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings the outcome of which is probable or reasonably possible to have a material adverse effect on the Company's results of operations or financial condition, which would require accrual or disclosure of the contingency and possible range of loss. Additionally, the Company has not recorded any loss contingencies related to legal proceedings in which the potential loss is deemed to be remote.

10. SUBSEQUENT EVENTS

The Company evaluates subsequent events up until the date the consolidated financial statements are issued.

Disposition of GKK Properties Subsequent to March 31, 2017

Subsequent to March 31, 2017 and through May 11, 2017, the Company, through indirect wholly owned subsidiaries, sold eight GKK Properties, which had an aggregate liquidation value of $13.1 million at the time of sale of each individual property, to buyers unaffiliated with the Company or the Advisor, for an aggregate sales price, net of closing credits, of $13.1 million, excluding closing costs.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying financial statements of KBS Real Estate Investment Trust, Inc. and the notes thereto. As used herein, the terms "we," "our" and "us" refer to KBS Real Estate Investment Trust, Inc., a Maryland corporation, and, as required by context, KBS Limited Partnership, a Delaware limited partnership, which we refer to as the "Operating Partnership," and to their subsidiaries.

Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of KBS Real Estate Investment Trust, Inc. and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

The following are some of the risks and uncertainties, although not all of the risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- We can give no assurance that we will be able to successfully implement the Plan of Liquidation (defined below) and sell our assets, pay our debts and distribute the net proceeds from liquidation to our stockholders as we expect.
- We may face unanticipated difficulties, delays or expenditures relating to our implementation of the Plan of Liquidation, which may reduce or delay our payment of liquidating distributions.
- We can give no assurance regarding the timing of asset dispositions in connection with the implementation of the Plan of Liquidation, the sale prices we will receive for our assets and the amount and timing of liquidating distributions to be received by our stockholders.
- We may face risks associated with legal proceedings, including stockholder litigation, that may be instituted against us related to the Plan of Liquidation.
- Disruptions in the financial markets and uncertain economic conditions could adversely affect the implementation of our Plan of Liquidation.
- All of our executive officers and some of our directors and other key real estate and debt finance professionals are also officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, the entity that acted as our dealer manager and/or other KBS-affiliated entities. As a result, they face conflicts of interest, including significant conflicts created by our advisor's compensation arrangements with us and other KBS-sponsored programs and KBS-advised investors and conflicts in allocating time among us and these other programs and investors. These conflicts could result in unanticipated actions.
- We pay substantial fees to and expenses of our advisor and its affiliates. These payments reduce the amount of liquidating distributions to be received by our stockholders.
- The revenue generated by our real estate investments and the value of our real estate investments is dependent upon the success and economic viability of our tenants. Revenues from our properties could decrease due to a reduction in occupancy (caused by factors including, but not limited to, tenant defaults, tenant insolvency, early termination of tenant leases and non-renewal of existing tenant leases) and/or lower rental rates, reducing our stockholders' returns and the amount of liquidating distributions they receive.
- Our investments may be affected by unfavorable real estate market and general economic conditions. Revenues from our real property investments could decrease. Revenues from the properties and other assets securing our loan investment could decrease, making it more difficult for the borrower under that loan to meet its payment obligations to us. In addition, decreases in revenues from the properties securing our loan investment could result in a decreased valuation for those properties, which could make it difficult for the borrower to repay or refinance its obligation to us. These factors could decrease the value of those assets and reduce the investment return to our stockholders and the amount and timing of liquidating distributions they receive.

- Our share redemption program provides only for redemptions sought upon a stockholder's death, "qualifying disability" or "determination of incompetence" (each as defined in the share redemption program and, together with redemptions in connection with a stockholder's death, "Special Redemptions"). The dollar amounts available for such redemptions are determined by our board of directors and may be reviewed and adjusted from time to time. Additionally, redemptions are further subject to limitations described in our share redemption program. We currently do not expect to have funds available for ordinary redemptions in the future.

All forward-looking statements should be read in light of the risks identified in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on March 28, 2017 (the "2016 Annual Report").

Overview

We are a Maryland corporation that was formed on June 13, 2005 to invest in a diverse portfolio of real estate properties and real estate-related investments. We elected to be taxed as a real estate investment trust ("REIT") beginning with the taxable year ended December 31, 2006 and we intend to continue to operate in such a manner during our liquidation. We own substantially all of our assets and conduct our operations through our Operating Partnership, of which we are the sole general partner. Subject to certain restrictions and limitations, our business is managed by KBS Capital Advisors pursuant to an advisory agreement. Our advisor owns 20,000 shares of our common stock. We have no paid employees.

As of March 31, 2017, we owned or, with respect to one property, held a leasehold interest in, 23 real estate properties, including 14 bank branch, office and operations center properties we received title to pursuant to a settlement agreement related to a defaulted loan investment (the "GKK Properties"). In addition, as of March 31, 2017, we owned two real estate loans receivable and a participation interest with respect to a real estate joint venture.

Plan of Liquidation

On January 27, 2016, our board of directors formed a special committee (the "Special Committee") composed of all of our independent directors to explore the availability of strategic alternatives involving us. On October 5, 2016, in connection with a review of potential strategic alternatives available to us, the Special Committee and our board of directors unanimously approved the sale of all of our assets and our dissolution pursuant to the terms of our plan of complete liquidation and dissolution (the "Plan of Liquidation"). The principal purpose of the Plan of Liquidation is to maximize stockholder value by selling our assets, paying our debts and distributing the net proceeds from liquidation to our stockholders. On January 27, 2017, our stockholders approved the Plan of Liquidation. For more information, see the Plan of Liquidation, which is included as Exhibit 2.1 to the 2016 Annual Report.

In accordance with the Plan of Liquidation, our objectives for 2017 are to (i) pursue an orderly liquidation of our company pursuant to the Plan of Liquidation; and (ii) maximize stockholder value by selling all of our remaining assets, paying our debts, providing for the payment of unknown or contingent liabilities, distributing the net proceeds from liquidation to our stockholders and winding down our operations and dissolving our company. While pursuing our liquidation pursuant to the Plan of Liquidation, we intend to continue to manage our portfolio of assets with the goal of maximizing stockholder value. We expect to pay multiple liquidating distribution payments to our stockholders during the liquidation process. Pursuant to the Plan of Liquidation, on March 10, 2017, our board of directors authorized an initial liquidating distribution in the amount of $1.00 per share of common stock to our stockholders of record as of the close of business on March 21, 2017. The initial liquidating distribution was paid on March 24, 2017 and was funded from proceeds from asset sales.

We expect to distribute all of the net proceeds from liquidation to our stockholders within 24 months from January 27, 2017. However, if we cannot sell our assets and pay our debts within 24 months, or if the board of directors and the Special Committee determine that it is otherwise advisable to do so, pursuant to the Plan of Liquidation, we may transfer and assign our remaining assets to a liquidating trust. Upon such transfer and assignment, our stockholders will receive beneficial interests in the liquidating trust. We can give no assurance regarding the timing of asset dispositions in connection with the implementation of the Plan of Liquidation, the sale prices we will receive for our assets, and the amount or timing of liquidating distributions to be received by our stockholders.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources

As of March 31, 2017, we had $47.6 million of cash, cash equivalents and restricted cash. Our principal demands for funds during liquidation are and will be for: the payment of operating expenses, capital expenditures and general and administrative expenses, including expenses in connection with the Plan of Liquidation; Special Redemptions of common stock pursuant to our share redemption program; and the payment of liquidating distributions to our stockholders pursuant to the Plan of Liquidation.

We intend to use our cash on hand, proceeds from asset sales and principal repayments on our real estate loans receivable as our primary sources of liquidity. To the extent available, we also intend to use cash flow generated by our investments; however, asset sales have and will further reduce cash flows from operations.

Our share redemption program provides only for Special Redemptions. Such redemptions are subject to an annual dollar limitation. On January 27, 2017, our board of directors approved an annual dollar limitation for redemptions of $10.0 million in the aggregate for the calendar year 2017 (subject to review and adjustment during the year by our board of directors), and further subject to the limitations described in the share redemption program document. Based on historical redemption activity, we believe the $10.0 million redemption limitation for the calendar year 2017 will be sufficient for these Special Redemptions. During each calendar year, the annual dollar limitation for our share redemption program will be reviewed and adjusted from time to time, if necessary. We currently do not expect to have funds available for ordinary redemptions in the future.

On March 10, 2017, our board of directors authorized an initial liquidating distribution in the amount of $1.00 per share of common stock to our stockholders of record as of the close of business on March 21, 2017. This initial liquidating distribution was paid on March 24, 2017 and was funded from proceeds from asset sales. We do not expect to pay regular quarterly distributions during the liquidation process. During the liquidation process, we intend to maintain adequate cash reserves for liquidity, capital expenditures, future Special Redemptions and other future capital needs.

Our investments in real estate generate cash flow in the form of rental revenues and tenant reimbursements, which are reduced by operating expenditures, the payment of asset management fees and corporate general and administrative expenses. Cash flow from operations from our real estate investments is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates on our leases, the collectibility of rent and operating recoveries from our tenants and how well we manage our expenditures. As of March 31, 2017, our real estate properties were 90% occupied.

Our real estate-related investment generates cash flow in the form of interest income, which is reduced by the payment of asset management fees and corporate general and administrative expenses. Cash flow from operations from our real estate-related investment is primarily dependent on the operating performance of the underlying collateral and the borrower's ability to make debt service payments. Our remaining real estate-related investment is scheduled to mature on July 11, 2017.

As a result of asset sales pursuant to the Plan of Liquidation, we will experience declines in future cash flow from our real estate and real estate-related investments and we expect an increased need for capital to cover leasing costs and capital improvements needed to improve the performance of our real estate assets and prepare these assets for sale. We believe that potential proceeds from the sale of real estate, cash flow from operations, proceeds from the sale or payoff of our real estate loan receivable and cash on hand will be sufficient to meet our liquidity needs during our liquidation.

In addition to using our capital resources for leasing costs, for capital expenditures, for operating costs, to fund Special Redemptions pursuant to our share redemption program and to pay liquidating distributions to our stockholders, we use our capital resources to make certain payments to our advisor. We also reimburse our advisor and its affilitates for certain costs they incur on our behalf. We pay our advisor fees in connection with the management and disposition of our assets.

Among the fees payable to our advisor is an asset management fee. With respect to investments in real estate, we pay our advisor a monthly asset management fee equal to one-twelfth of 0.75% of the amount actually paid or allocated to acquire the investment, plus the cost of any subsequent development, construction or improvements to the property. This amount includes any portion of the investment that was debt financed and is inclusive of acquisition fees and expenses related thereto. In the case of investments made through joint ventures, the asset management fee is determined based on our proportionate share of the underlying investment. With respect to the GKK Properties, we calculate the asset management fee based on the gross value of the properties.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

With respect to investments in loans and any investments other than real estate, we pay our advisor a monthly asset management fee calculated, each month, as one-twelfth of 0.75% of the lesser of (i) the amount actually paid or allocated to acquire or fund the loan or other investment (which amount includes any portion of the investment that was debt financed and is inclusive of acquisition or origination fees and expenses related thereto) and (ii) the outstanding principal amount of such loan or other investment, plus the acquisition or origination fees and expenses related to the acquisition or funding of such investment, as of the time of calculation.

With respect to an investment that has suffered an impairment in value, reduction in cash flow or other negative circumstances, such investment may either be excluded from the calculation of the asset management fee described above or included in such calculation at a reduced value that is recommended by our advisor and our management and then approved by a majority of our independent directors, and this change in the fee shall be applicable to an investment upon the earlier to occur of the date on which (i) such investment is sold, (ii) such investment is surrendered to a person other than the company, our direct or indirect wholly owned subsidiary or a joint venture or partnership in which we have an interest, (iii) our advisor determines that it will no longer pursue collection or other remedies related to such investment, or (iv) our advisor recommends a revised fee arrangement with respect to such investment. As of March 31, 2017, we excluded our interest in an unconsolidated joint venture from the calculation of asset management fees. As of March 31, 2017, we had not determined to calculate the asset management fee at an adjusted value for any other investments or to exclude any other investments from the calculation of the asset management fee.

Under our charter, we are required to limit our total operating expenses to the greater of 2% of our average invested assets or 25% of our net income for the four most recently completed fiscal quarters, as these terms are defined in our charter, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expenses for the four fiscal quarters ended March 31, 2017 exceeded the charter-imposed limitation. The conflicts committee of our board of directors determined that these expenses were justified given the professional fees and expenses we incurred related to our exploration of the availability of strategic alternatives, the fees and expenses related to the preparation of proxy materials and the solicitation of proxies in connection with the stockholders' approval of the Plan of Liquidation, the costs and expenses of liquidation and our decreasing asset size and revenues as a result of asset sales relative to certain general and administrative expenses that are fixed or do not decrease proportionately based on our asset size and revenues. As a result of pursuing the Plan of Liquidation, we anticipate that we will continue to exceed this limitation each quarter throughout the liquidation process as we sell additional assets and incur liquidation costs. We considered these costs and expenses in determining the estimated range of net proceeds from liquidation of $3.27 to $3.68 per share disclosed in our definitive Proxy Statement filed with the SEC on November 10, 2016, and as of May 1, 2017, we do not expect these costs and expenses to reduce the remaining estimated range of net proceeds per share from the liquidation. The payment of the initial liquidating distribution on March 24, 2017 reduced our stockholders remaining investment in us and reduced the estimated range of future liquidation distributions by $1.00 per share to $2.27 to $2.68. See " - Changes in Net Assets in Liquidation."

Sales of Real Estate

During the three months ended March 31, 2017, we terminated a leasehold interest of a GKK Property located in downtown St. Petersburg, Florida and disposed of 66 GKK Properties with an aggregate sales price of $65.1 million and a liquidation value of $65.1 million at the time of sale of each individual property. No sales price and liquidation value related to any individual property sold was greater than $5.1 million and $5.1 million, respectively.

Contractual Commitments and Contingencies

The following is a summary of our contractual obligation as of March 31, 2017 (in thousands):

	Payments Due During the Years Ending December 31,				
Contractual Obligations	**Total**	**Remainder of 2017**	**2018-2019**	**2020-2021**	**Thereafter**
Operating lease [1]	$ 5,052	$ 5,052	$ —	$ —	$ —

[1] Amounts relate to future minimum lease payments under a non-cancelable building lease.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations

In light of the adoption of liquidation basis accounting as of January 1, 2017, the results of operations for the current year period are not comparable to the prior year period. Our remaining real estate properties continue to perform in a manner that is relatively consistent with prior reporting periods and we have experienced no significant changes in leased percentages or rental rates at these properties. Additionally, we have been and will continue to sell assets under the Plan of Liquidation, which has had and will have a significant impact on our operations. Changes in liquidation values of our assets are discussed below under "— Changes in Net Assets in Liquidation."

Due to the adoption of the Plan of Liquidation, we are no longer reporting funds from operations and modified funds from operations as we no longer consider these to be key performance measures.

Changes in Net Assets in Liquidation

Period from January 1, 2017 through March 31, 2017

Net assets in liquidation decreased by approximately $185.5 million from $635.4 million on January 1, 2017 to $450.0 million on March 31, 2017. The primary reason for the decline in net assets in liquidation was due to a decrease of approximately $184.8 million for the payment of the initial liquidating distribution to stockholders, or $1.00 per common share, in March 2017.

Critical Accounting Policies

Below is a discussion of the accounting policies that management believes are or will be critical during our liquidation. We consider these policies critical in that they involve significant management judgments and assumptions, require estimates about matters that are inherently uncertain and because they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements.

Pursuant to our stockholders' approval of the Plan of Liquidation, we adopted the liquidation basis of accounting as of January 1, 2017 (as liquidation became imminent within the first week of January 2017 based on the results of our solicitation of proxies from our stockholders for their approval of the Plan of Liquidation) and for the periods subsequent to January 1, 2017 in accordance with GAAP. Accordingly, on January 1, 2017, assets were adjusted to their estimated net realizable value, or liquidation value, which represents the estimated amount of cash that we will collect on disposal of assets as we carry out our Plan of Liquidation. The liquidation values of our operating properties are presented on an undiscounted basis. Estimated costs to dispose of assets have been presented separately from the related assets. Liabilities are carried at their contractual amounts due or estimated settlement amounts.

We accrue costs and income that we expect to incur and earn through the completion of our liquidation, including the estimated amount of cash we expect to collect on the disposal of our assets and the estimated costs to dispose of our assets, to the extent we have a reasonable basis for estimation. These amounts are classified as a liability for estimated costs in excess of estimated receipts during liquidation on the Condensed Consolidated Statement of Net Assets. Actual costs and income may differ from amounts reflected in the financial statements because of the inherent uncertainty in estimating future events. These differences may be material. See Note 4, "Liabilities for Estimated Costs in Excess of Estimated Receipts During Liquidation" for further discussion. Actual costs incurred but unpaid as of March 31, 2017 are included in accounts payable and accrued liabilities, due to affiliates and other liabilities on the Condensed Consolidated Statement of Net Assets.

Real Estate

As of January 1, 2017, the investments in real estate were adjusted to their estimated net realizable value, or liquidation value, to reflect the change to the liquidation basis of accounting. The liquidation value represents the estimated amount of cash that we will collect on disposal of our assets, including any residual value attributable to lease intangibles, as we carry out the Plan of Liquidation. We estimated the liquidation value of our real estate investments based on purchase and sale agreements into which we had entered as of May 12, 2017, offers received which we intend to accept, brokers' opinion of value or discounted cash flow analyses. The liquidation values of our investments in real estate are presented on an undiscounted basis and investments in real estate are no longer depreciated. Estimated costs to dispose of these investments are carried at their contractual amounts due or estimated settlement amounts and are presented separately from the related assets. Subsequent to January 1, 2017, all changes in the estimated liquidation value of the investments in real estate are reflected as a change to our net assets in liquidation.

Real Estate Loan Receivable

Under the liquidation basis of accounting, we carry our real estate loan receivable at its estimated net realizable value, or liquidation value, which represents the estimated amount of principal payments, including repayment of all principal at maturity or earlier disposition, we expect to receive over the estimated remaining holding period of the loan. The liquidation value of our real estate loan receivable is presented on an undiscounted basis. Interest payments that we expect to receive on our real estate loan receivable over the estimated remaining holding period of the loan are accrued and are classified as a reduction of liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

We evaluate the collectibility of the interest and principal on our loan. Any changes in collectibility will be reflected as a change to our net assets in liquidation.

Rents and Other Receivables

In accordance with liquidation basis of accounting, as of January 1, 2017, rents and other receivables were adjusted to their net realizable value. We periodically evaluate the collectibility of amounts due from tenants. Any changes in the collectibility of the receivables are reflected in the net realizable value of the rents and other receivables.

Revenue Recognition

Under the liquidation basis of accounting, we have accrued all income that we expect to earn through the completion of our liquidation to the extent we have a reasonable basis for estimation. Revenue from tenants is estimated based on the contractual in-place leases through the anticipated disposition date of the property. These amounts are classified in liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

Accrued Liquidation Costs

We accrue for certain estimated liquidation costs to the extent we have a reasonable basis for estimation. These consist of legal fees, dissolution costs, final audit/tax costs, fees paid to financial advisors, insurance, and distribution processing costs.

Subsequent Events

We evaluate subsequent events up until the date the consolidated financial statements are issued.

Disposition of GKK Properties Subsequent to March 31, 2017

Subsequent to March 31, 2017 and through May 11, 2017, we, through indirect wholly owned subsidiaries, sold eight GKK Properties, which had an aggregate liquidation value of $13.1 million at the time of sale of each individual property, to buyers unaffiliated with us or our advisor, for an aggregate sales price, net of closing credits, of $13.1 million, excluding closing costs.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the effects of changes in interest rates as a result of our remaining real estate loan receivable. The value of our investment portfolio and net assets in liquidation may be adversely affected during any period as a result of interest rate changes. Our interest rate risk management objectives were to limit the impact of interest rate changes on earnings and cash flows.

Interest rate fluctuations will generally not affect our future earnings or cash flows on fixed rate real estate loans receivable unless such instruments mature or are otherwise terminated. However, interest rate changes will affect the fair value of fixed rate instruments. As of March 31, 2017, the fair value and outstanding principal balance of our fixed rate real estate loans receivable were $23.7 million and $23.8 million, respectively. The fair value estimate of our real estate loans receivable is calculated using an internal valuation model that considers the expected cash flows for the loans, underlying collateral values (for collateral-dependent loans) and the estimated yield requirements of institutional investors for loans with similar characteristics, including remaining loan term, loan-to-value, type of collateral and other credit enhancements. On April 14, 2017, the borrower under one of our real estate loans receivable with an outstanding principal balance of $20.0 million repaid the loan in full.

The annual effective interest rate of our remaining fixed rate real estate loan receivable with an outstanding principal balance of $3.8 million as of March 31, 2017 was 12.4%. The weighted-average annual effective interest rate represents the effective interest rate as of March 31, 2017, using the interest method, which we use to recognize interest income on our real estate loan receivable.

As of March 31, 2017, we had no mortgage debt outstanding.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, our principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Matters

In connection with the adoption of liquidation basis accounting, during the most recent quarter (i) certain of our internal controls over financial reporting became no longer relevant primarily relating to asset impairments and (ii) we adopted additional internal controls over financial reporting primarily with respect to the calculations of our asset values for liquidation basis accounting purposes.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

See the risks in Part I, Item 1A of our 2016 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a) During the period covered by this Form 10-Q, we did not sell any equity securities that were not registered under the Securities Act of 1933.

b) Not applicable.

c) We have a share redemption program pursuant to which stockholders may only sell their shares to us in connection with a stockholder's death, "qualifying disability" or "determination of incompetence" (each as defined in the share redemption program and, together with redemptions sought in connection with a stockholder's death, "Special Redemptions"). Such redemptions are subject to an annual dollar limitation and are further subject to the other limitations described in our share redemption program, including:

- During each calendar year, redemptions sought in connection with Special Redemptions are limited to an annual dollar amount determined by our board of directors. The annual dollar limitation for our share redemption program may be reviewed and adjusted from time to time during the year. On January 27, 2017, our board of directors approved an annual dollar limitation of $10.0 million in the aggregate for the calendar year 2017 (subject to review and adjustment during the year by our board of directors), and further subject to the limitations described in our share redemption program.
- During any calendar year, we may redeem no more than 5% of the weighted-average number of shares outstanding during the prior calendar year.
- We have no obligation to redeem shares if the redemption would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency.

We do not currently expect to have funds available for ordinary redemptions in the future.

If we cannot repurchase all shares presented for redemption in any month because of the limitations on redemptions set forth in our share redemption program, then we will honor redemption requests on a pro rata basis, except that if a pro rata redemption would result in a stockholder owning less than the minimum purchase requirement described in our most recently effective registration statement, as such registration statement has been amended or supplemented, then we would redeem all of such stockholder's shares.

Upon a transfer of shares, any pending redemption requests with respect to such transferred shares will be canceled as of the date we accept the transfer. Stockholders wishing us to continue to consider a redemption request related to any transferred shares must resubmit their redemption request.

The only redemptions we made under our share redemption program during the three months ended March 31, 2017 were those that qualified as, and met the requirements for, Special Redemptions under our share redemption program. For the three months ended March 31, 2017, we fulfilled all redemption requests that qualified as Special Redemptions under our share redemption program with a combination of cash on hand and proceeds from the sale of properties.

In connection with the approval by our stockholders of the Plan of Liquidation, on January 27, 2017, our board of directors approved the amendment and restatement of our share redemption program (the "Amended Share Redemption Program"). The Amended Share Redemption Program became effective on February 27, 2017. Prior to effectiveness of the Amended Share Redemption Program, the redemption price for all stockholders whose shares were eligible for redemption was equal to the most recent estimated value per share of our common stock as of the redemption date.

PART II. OTHER INFORMATION (CONTINUED)

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds (continued)

On October 5, 2016, our board of directors approved an estimated value per share of our common stock of $3.65 per share (unaudited), based on the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares outstanding, all as of June 30, 2016, except for certain items discussed in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Market Information" of the 2016 Annual Report, for which estimated values were adjusted subsequent to June 30, 2016. The redemption price for all shares eligible for redemption was $3.65 per share for redemption dates from October 2016 through December 2016. For a full description of the methodologies and assumptions used to value our assets and liabilities in connection with the calculation of the October 2016 estimated value per share, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Market Information" of the FY 2016 Annual Report.

The Amended Share Redemption Program changes the redemption price per share of our common stock eligible for redemption to take into account the estimated range of liquidating distributions as disclosed in our Definitive Proxy Statement, filed with the SEC on November 10, 2016 and any liquidating distributions declared by our board of directors. The Amended Share Redemption Program sets the redemption price per share of our common stock eligible for redemption at (a) $3.475 (which represents the mid-point of the estimated range of liquidating distributions of $3.27 to $3.68 per share) less (b) the amount of any liquidating distributions on such share declared by our board of directors that have a record date prior to the redemption date for such share. Therefore, effective for the February 28, 2017 redemption date, the redemption price for all shares eligible for redemption was equal to $3.475. Pursuant to the Plan of Liquidation, on March 10, 2017, our board of directors authorized an initial liquidating distribution on the outstanding shares of our common stock to our stockholders of record as of the close of business on March 21, 2017, with the amount per share of the initial liquidating distribution equal to $1.00. The initial liquidating distribution was paid on March 24, 2017 and was funded from proceeds from asset sales. Therefore, effective commencing with the March 31, 2017 redemption date, the redemption price for all shares eligible for redemption is equal to $2.475.

We will report the redemption price in a Current Report on Form 8-K or in our annual or quarterly reports, all publicly filed with the SEC.

The Amended Share Redemption Program also changed the notice period for amending, suspending or terminating our share redemption program. The Amended Share Redemption Program provides that we may amend, suspend or terminate the program for any reason upon 10 (ten) days' notice to our stockholders.

The complete Amended Share Redemption Program is filed as an exhibit to our Current Report on Form 8-K filed with the SEC January 27, 2017 and is available at the SEC's website at *www.sec.gov*.

During the three months ended March 31, 2017, we redeemed shares pursuant to our share redemption program as follows:

Month	Total Number of Shares Redeemed [1]	Average Price Paid Per Share	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
January 2017	—	$ — [2]	[3]
February 2017	182,248	$ 3.48 [2]	[3]
March 2017	115,313	$ 2.48 [2]	[3]
Total	297,561		

[1] We announced commencement of our share redemption program on April 6, 2006 and amendments to the program on August 16, 2006 (which amendment became effective on December 14, 2006), August 1, 2007 (which amendment became effective on September 13, 2007), August 14, 2008 (which amendment became effective on September 13, 2008), March 26, 2009 (which amendment became effective on April 26, 2009), May 13, 2009 (which amendment became effective on June 12, 2009), March 26, 2012 (which amendment became effective on April 25, 2012), March 13, 2013 (which amendment became effective on April 12, 2013) and January 27, 2017 (which amendment became effective on February 27, 2017).

[2] We describe the determination of the redemption price above.

[3] We limit the dollar value of shares that may be redeemed under our share redemption program as described above. During the three months ended March 31, 2017, we redeemed $0.9 million of shares of common stock. The only redemptions we made under our share redemption program during the three months ended March 31, 2017 were those that qualified as, and met the requirements for, Special Redemptions under our share redemption program. For the three months ended March 31, 2017, we fulfilled all redemption requests that qualified as Special Redemptions under our share redemption program. On January 27, 2017, our board of directors approved an annual dollar limitation for redemptions of $10.0 million in the aggregate for calendar year 2017. Based on this redemption limitation and those described above and redemptions through March 31, 2017, we may redeem up to $9.1 million of shares that meet the requirements for Special Redemptions for the remainder of 2017.

PART II. OTHER INFORMATION (CONTINUED)

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Ex.	Description
2.1	Plan of Complete Liquidation and Dissolution of the Company, dated as of January 27, 2017, incorporated by reference to Exhibit 2.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, filed March 28, 2017
3.1	Articles of Amendment and Restatement of the Company, incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2006, filed May 4, 2006
3.2	Third Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed September 22, 2016
4.1	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates), incorporated by reference to Exhibit 4.2 to the Company’s Registration Statement on Form S-11, Commission File No. 333-126087, filed June 23, 2005
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Amended and Restated Share Redemption Program, dated March 6, 2013, incorporated by reference to Exhibit 99.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2012
99.2	Amended and Restated Share Redemption Program, dated January 27, 2017, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed January 27, 2017
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KBS REAL ESTATE INVESTMENT TRUST, INC.

Date:	May 12, 2017	By:	/S/ CHARLES J. SCHREIBER, JR.
			Charles J. Schreiber, Jr. *Chairman of the Board,* *Chief Executive Officer and Director* (principal executive officer)
Date:	May 12, 2017	By:	/S/ JEFFREY K. WALDVOGEL
			Jeffrey K. Waldvogel *Chief Financial Officer* (principal financial officer)

Exhibit 31.1

Certification of Chief Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles J. Schreiber, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBS Real Estate Investment Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2017

By: /S/ CHARLES J. SCHREIBER, JR.

Charles J. Schreiber, Jr.

Chairman of the Board,
Chief Executive Officer and Director

(principal executive officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey K. Waldvogel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBS Real Estate Investment Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2017

By: /S/ JEFFREY K. WALDVOGEL

Jeffrey K. Waldvogel
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of KBS Real Estate Investment Trust, Inc. (the “Registrant”) for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Charles J. Schreiber, Jr., Chief Executive Officer and Director of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 12, 2017

By: /S/ CHARLES J. SCHREIBER, JR.

Charles J. Schreiber, Jr.

Chairman of the Board,
Chief Executive Officer and Director
(principal executive officer)

Exhibit 32.2

**Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of KBS Real Estate Investment Trust, Inc. (the "Registrant") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeffrey K. Waldvogel, the Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date:	May 12, 2017	By:	/S/ JEFFREY K. WALDVOGEL
			Jeffrey K. Waldvogel
			Chief Financial Officer
			(principal financial officer)