ALEXANDRIA REAL ESTATE EQUITIES INC
Form 10-Q
November 04, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

o 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 1-12993

ALEXANDRIA REAL ESTATE EQUITIES, INC.
(Exact name of registrant as specified in its charter)

Maryland	95-4502084
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

385 East Colorado Boulevard, Suite 299, Pasadena, California 91101
(Address of principal executive offices) (Zip code)

(626) 578-0777
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 ý No o

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

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

Large accelerated filer ý	Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of October 16, 2015, 72,498,946 shares of common stock, par value $.01 per share, were outstanding.

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GLOSSARY

The following abbreviations or acronyms that may be used in this document shall have the adjacent meanings set forth below:

ABR	Annualized Base Rent
AFFO	Adjusted Funds from Operations
CIP	Construction in Progress
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
EPS	Earnings per Share
FASB	Financial Accounting Standards Board
FFO	Funds from Operations
GAAP	U.S. Generally Accepted Accounting Principles
HVAC	Heating, Ventilation, and Air Conditioning
LEED®	Leadership in Energy and Environmental Design
LIBOR	London Interbank Offered Rate
NAREIT	National Association of Real Estate Investment Trusts
NAV	Net Asset Value
NOI	Net Operating Income
NYSE	New York Stock Exchange
REIT	Real Estate Investment Trust
RSF	Rentable Square Feet/Foot
SEC	Securities and Exchange Commission
SoMa	South of Market (submarket of the San Francisco market)
U.S.	United States
VIE	Variable Interest Entity

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Investments in real estate	$7,654,209	$7,226,016
Cash and cash equivalents	76,383	86,011
Restricted cash	36,993	26,884
Tenant receivables	10,124	10,548
Deferred rent	267,954	234,124
Deferred leasing and financing costs	222,343	201,798
Investments	330,570	236,389
Other assets	138,768	114,266
Total assets	$8,737,344	$8,136,036
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	$773,619	$652,209
Unsecured senior notes payable	1,747,613	1,747,370
Unsecured senior line of credit	843,000	304,000
Unsecured senior bank term loans	950,000	975,000
Accounts payable, accrued expenses, and tenant security deposits	586,594	489,085
Dividends payable	61,340	58,814
Total liabilities	4,962,166	4,226,478
Commitments and contingencies		
Redeemable noncontrolling interests	14,218	14,315
Alexandria Real Estate Equities, Inc.'s stockholders' equity:		
Series D cumulative convertible preferred stock	237,163	237,163
Series E cumulative redeemable preferred stock	130,000	130,000
Common stock	718	715
Additional paid-in capital	3,356,043	3,461,189
Accumulated other comprehensive income (loss)	35,238	(628)
Alexandria's stockholders' equity	3,759,162	3,828,439
Noncontrolling interests	1,798	66,804
Total equity	3,760,960	3,895,243
Total liabilities, noncontrolling interests, and equity	$8,737,344	$8,136,036

The accompanying notes are an integral part of these consolidated financial statements.

1

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Rental	$155,311	$137,718	$450,724	$403,280
Tenant recoveries	56,119	45,572	154,107	128,198
Other income	7,180	2,325	14,688	6,725
Total revenues	218,610	185,615	619,519	538,203
Expenses:				
Rental operations	68,846	57,423	192,319	162,283
General and administrative	15,143	12,609	44,519	39,669
Interest	27,679	20,555	77,583	57,111
Depreciation and amortization	67,953	58,388	189,044	166,123
Impairment of real estate	—	—	14,510	—
Loss on early extinguishment of debt	—	525	189	525
Total expenses	179,621	149,500	518,164	425,711
Equity in earnings of unconsolidated joint ventures	710	—	1,825	—
Income from continuing operations	39,699	36,115	103,180	112,492
Loss from discontinued operations	—	(180)	(43)	(489)
Gain on sales of real estate – land parcels	—	8	—	805
Net income	39,699	35,943	103,137	112,808
Dividends on preferred stock	(6,247)	(6,471)	(18,740)	(19,414)
Net income attributable to noncontrolling interests	(170)	(1,340)	(925)	(3,842)
Net income attributable to unvested restricted stock awards	(623)	(506)	(1,736)	(1,285)
Net income attributable to Alexandria’s common stockholders	$32,659	$27,626	$81,736	$88,267
EPS attributable to Alexandria’s common stockholders – basic and diluted:				
Continuing operations	$0.46	$0.39	$1.14	$1.25
Discontinued operations	—	—	—	(0.01)
EPS – basic and diluted	$0.46	$0.39	$1.14	$1.24
Dividends declared per share of common stock	$0.77	$0.72	$2.28	$2.14

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$39,699	$35,943	$103,137	$112,808
Other comprehensive (loss) income:				
Unrealized (losses) gains on marketable equity securities:				
Unrealized holding (losses) gains arising during the period	(29,832)	(2,454)	54,004	13,591
Reclassification adjustment for (gains) losses included in net income	(4,968)	111	(2,503)	517
Unrealized (losses) gains on marketable equity securities, net	(34,800)	(2,343)	51,501	14,108
Unrealized (losses) gains on interest rate swap agreements:				
Unrealized interest rate swap (losses) gains arising during the period	(5,474)	1,206	(9,712)	(2,708)
Reclassification adjustment for amortization of losses to interest expense included in net income	727	1,129	1,942	5,742
Unrealized (losses) gains on interest rate swap agreements, net	(4,747)	2,335	(7,770)	3,034
Unrealized losses on foreign currency translation:				
Unrealized foreign currency translation losses arising during the period	(9,294)	(12,259)	(17,072)	(9,450)
Reclassification adjustment for (gains) losses included in net income	—	(199)	9,236	(199)
Unrealized losses on foreign currency translation, net	(9,294)	(12,458)	(7,836)	(9,649)
Total other comprehensive (loss) income	(48,841)	(12,466)	35,895	7,493
Comprehensive (loss) income	(9,142)	23,477	139,032	120,301
Less: comprehensive income attributable to noncontrolling interests	(71)	(1,340)	(954)	(3,842)
Comprehensive (loss) income attributable to Alexandria's common stockholders	$(9,213)	$22,137	$138,078	$116,459

The accompanying notes are an integral part of these consolidated financial statements.

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Alexandria Real Estate Equities, Inc.
Consolidated Statement of Changes in Stockholders’ Equity and Noncontrolling Interests
(Dollars in thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc.’s Stockholders’ Equity									
	Series D Cumulative Convertible Preferred Stock	Series E Cumulative Redeemable Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of December 31, 2014	$237,163	$130,000	71,463,876	$715	$3,461,189	$—	$(628)	$66,804	$3,895,243	$14,315
Net income	—	—	—	—	—	102,212	—	129	102,341	796
Total other comprehensive income	—	—	—	—	—	—	35,866	29	35,895	—
Contributions by noncontrolling interests	—	—	—	—	—	—	—	340	340	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(893)
Issuances of common stock	—	—	56,874	1	5,051	—	—	—	5,052	—
Issuances pursuant to stock plan	—	—	270,140	2	19,600	—	—	—	19,602	—
Purchase of noncontrolling interest	—	—	—	—	(48,463)	—	—	(65,504)	(113,967)	—
Dividends declared on common stock	—	—	—	—	—	(164,806)	—	—	(164,806)	—
Dividends declared on preferred stock	—	—	—	—	—	(18,740)	—	—	(18,740)	—
Distributions in excess of earnings	—	—	—	—	(81,334)	81,334	—	—	—	—
Balance as of September 30, 2015	$237,163	$130,000	71,790,890	$718	$3,356,043	$—	$35,238	$1,798	$3,760,960	$14,218

The accompanying notes are an integral part of these consolidated financial statements.

4

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income	$103,137	$112,808
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	189,044	166,123
Loss on early extinguishment of debt	189	525
Gain on sales of real estate – land parcels	—	(805)
Impairment of real estate	14,510	—
Equity in earnings of unconsolidated joint ventures	(1,825)	—
Distributions of earnings from unconsolidated joint ventures	740	—
Amortization of loan fees	8,348	8,090
Amortization of debt (premiums) discounts	(282)	100
Amortization of acquired below-market leases	(5,121)	(2,191)
Deferred rent	(34,421)	(35,511)
Stock compensation expense	12,922	9,372
Investment gains	(22,368)	(9,481)
Investment losses	11,157	8,725
Changes in operating assets and liabilities:		
Restricted cash	24	—
Tenant receivables	380	(939)
Deferred leasing costs	(47,725)	(25,910)
Other assets	(13,721)	(12,228)
Accounts payable, accrued expenses, and tenant security deposits	31,423	36,446
Net cash provided by operating activities	246,411	255,124
Investing Activities		
Proceeds from sales of real estate	92,455	28,378
Additions to real estate	(362,215)	(345,074)
Purchase of real estate	(248,933)	(97,785)
Deposits for investing activities	(6,707)	(7,292)
Change in restricted cash related to construction projects	—	6,694
Investment in unconsolidated real estate joint ventures	(7,979)	(67,525)
Additions to investments	(67,965)	(35,484)
Sales of investments	39,590	13,883
Repayment of notes receivable	4,264	29,866
Net cash used in investing activities	$(557,490)	$(474,339)

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Financing Activities		
Borrowings from secured notes payable	$47,375	$108,626
Repayments of borrowings from secured notes payable	(12,217)	(228,909)
Proceeds from issuance of unsecured senior notes payable	—	698,908
Borrowings from unsecured senior line of credit	1,432,000	890,000
Repayments of borrowings from unsecured senior line of credit	(893,000)	(952,000)
Repayments of borrowings from unsecured senior bank term loans	(25,000)	(125,000)
Change in restricted cash related to financing activities	(4,737)	375
Payment of loan fees	(4,182)	(7,989)
Proceeds from the issuance of common stock	5,052	—
Dividends on common stock	(162,280)	(150,540)
Dividends on preferred stock	(18,740)	(19,414)
Contributions by noncontrolling interests	340	19,410
Distributions to and purchases of noncontrolling interests	(62,973)	(3,487)
Net cash provided by financing activities	301,638	229,980
Effect of foreign exchange rate changes on cash and cash equivalents	(187)	(1,438)
Net (decrease) increase in cash and cash equivalents	(9,628)	9,327
Cash and cash equivalents as of the beginning of period	86,011	57,696
Cash and cash equivalents as of the end of period	$76,383	$67,023
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest, net of interest capitalized	$64,197	$33,783
Non-Cash Investing Activities		
Change in accrued construction	$(7,305)	$36,235
Assumption of secured notes payable in connection with purchase of real estate	$(82,000)	$(48,329)
Non-Cash Financing Activities		
Payable for purchase of noncontrolling interest	$(51,887)	$—

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Background

As used in this quarterly report on Form 10-Q, references to the "Company," "Alexandria," "ARE," "we," "us," and "our" refe Alexandria Real Estate Equities Inc., and its consolidated subsidiaries.

Alexandria Real Estate Equities, Inc. (NYSE:ARE) is a fully integrated, self-administered, and self-managed urban office REIT uniquely focused on collaborative science and technology campuses in AAA innovation cluster locations with a total market capitalization of $10.8 billion as of September 30, 2015, and an asset base of 31.5 million square feet, including 19.9 million RSF of operating properties and development and redevelopment projects under construction, as well as an additional 11.6 million square feet of near-term and future ground-up development projects. Alexandria pioneered this niche in 1994 and has since established a dominant market presence in key locations, including Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. Alexandria is known for its high-quality and diverse client tenant base. Alexandria has a longstanding and proven track record of developing Class A assets clustered in urban science and technology campuses that provide its innovative client tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value. For additional information on Alexandria, please visit www.are.com.

Our asset base (including unconsolidated joint ventures) consisted of the following, as of September 30, 2015:

	Square Feet
Operating properties	16,803,766
Development projects under construction	2,614,491
Redevelopment projects under construction	525,482
Total operating and development and redevelopment projects under construction	19,943,739
Near-term value-creation projects (CIP), all in North America	1,310,186
Future value-creation projects:	
North America	3,797,375
Asia	6,419,707
	10,217,082
Near-term and future value-creation projects	11,527,268
Total	31,471,007

As of September 30, 2015:

- Investment-grade client tenants represented approximately 53% of our total annualized base rent;
- Approximately 96% of our leases (on an RSF basis) were triple net leases, requiring client tenants to pay substantially all real estate taxes, insurance, utilities, common area, and other operating expenses (including increases thereto) in addition to base rent;
- Approximately 95% of our leases (on an RSF basis) contained effective annual rent escalations that were either fixed (generally ranging from 3% to 3.5%) or indexed based on a consumer price index or other indices; and
- Approximately 94% of our leases (on an RSF basis) provided for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement, and parking lot resurfacing) that we believe

would typically be borne by the landlord in traditional office leases.

Any references to the number of buildings, square footage, number of leases, occupancy, and any amounts derived from these values in the notes to the consolidated financial statements are unaudited and outside the scope of our independent registered public accounting firm's review of our interim consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

2. Basis of presentation and summary of significant accounting policies

We have prepared the accompanying interim consolidated financial statements in accordance with GAAP and in conformity with the rules and regulations of the SEC. In our opinion, the interim consolidated financial statements presented herein reflect all adjustments that are necessary to fairly present the interim consolidated financial statements. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2014.

Basis of presentation and consolidation

The accompanying consolidated financial statements include the accounts of Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated.

In certain circumstances, we may enter into joint venture arrangements with outside partners. On a quarterly basis, we evaluate each joint venture arrangement under the VIE model, and if the entity is determined not to be a VIE, we then evaluate the entity under the voting model to determine if the entity should be consolidated.

Under the VIE model, an entity is determined to be a VIE if it has any of the following characteristics:

- The entity does not have sufficient equity to finance its activities without additional subordinated financial support;
- The equity holders, as a group, lack the characteristics of a controlling financial interest; or
- The legal entity is established with non-substantive voting rights.

If an entity is determined to be a VIE, we evaluate whether we are the primary beneficiary using qualitative analyses. Factors considered include, but are not limited to, the purpose and design of the VIE, risks that the VIE was designed to create and pass through, the form of our ownership interest, our representation on the entity's governing body, the size and seniority of our investment, our ability to participate in policy-making decisions, and the rights of the other investors to participate in the decision-making process and/or liquidate the venture, if applicable. We consolidate VIEs whenever we determine that we are the primary beneficiary.

If an entity is determined not to be a VIE, we then evaluate such entity under the voting model. Under the voting model, if we are the general partner or managing member, or have a similar role that can direct the operations of the entity, we have a presumption that we control the entity and we should consolidate regardless of our ownership percentage. If we determine that the other equity holders have any one of the following rights, it is assumed that we do not control the entity and therefore should not consolidate the entity: (i) the substantive ability to dissolve the entity or remove us from the lead role of the entity or (ii) substantive rights that allow them to participate in the activities that most significantly impact the entity's economic performance.

As of September 30, 2015, we had two real estate joint ventures that did not meet the requirements for consolidation and were accounted for under the equity method of accounting. Refer to Note 3 – "Investments in Real Estate" to our unaudited consolidated financial statements under Item 1 of this report for further information on our unconsolidated joint ventures.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and equity; the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements; and the amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

2. Basis of presentation and summary of significant accounting policies (continued)

Investments in real estate and properties classified as “held for sale”

We recognize real estate acquired (including the intangible value of above- or below-market leases, acquired in-place leases, client tenant relationships, and other intangible assets or liabilities), liabilities assumed, and any noncontrolling interest in an acquired entity at their fair value as of the acquisition date. If there is a bargain fixed-rate renewal option for the period beyond the non-cancelable lease term of an in-place lease, we evaluate factors such as the business conditions in the industry in which the lessee operates, the economic conditions in the area in which the property is located, and the ability of the lessee to sublease the property during the renewal term, in order to determine the likelihood that the lessee will renew. When we determine there is reasonable assurance that such bargain purchase option will be exercised, we consider its impact in determining the intangible value of such lease and its related amortization period. The value of tangible assets acquired is based upon our estimation of value on an as-if-vacant basis. The value of acquired in-place leases includes the estimated costs during the hypothetical lease-up period and other costs that would have been incurred in the execution of similar leases, considering market conditions at the acquisition date of the acquired in-place lease. We assess the fair value of tangible and intangible assets based on numerous factors, including estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions that may affect the property. We also recognize the fair values of assets acquired, the liabilities assumed, and any noncontrolling interest in acquisitions of less than a 100% interest when the acquisition constitutes a change in control of the acquired entity. Acquisition-related costs related to the acquisition of businesses, including real estate acquired with in-place leases, are expensed as incurred.

The values allocated to buildings and building improvements, land improvements, tenant improvements, and equipment are depreciated on a straight-line basis using the shorter of the term of the respective ground lease and up to 40 years for buildings and building improvements, an estimated life of up to 20 years for land improvements, the respective lease term for tenant improvements, and the estimated useful life for equipment. The values of acquired above- and below-market leases are amortized over the terms of the related leases and recognized as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The values of acquired in-place leases are classified in other assets in the accompanying consolidated balance sheets and amortized over the remaining terms of the related leases.

We are required to capitalize project costs, including predevelopment costs, interest, property taxes, insurance, and other costs directly related and essential to the acquisition, development, redevelopment, predevelopment, or construction of a project. Capitalization of development, redevelopment, predevelopment, and construction costs is required while activities are ongoing to prepare an asset for its intended use. Fluctuations in our development, redevelopment, predevelopment, and construction activities could result in significant changes to total expenses and net income. Costs incurred after a project is substantially complete and ready for its intended use are expensed as incurred. Should development, redevelopment, predevelopment, or construction activity cease, interest, property taxes, insurance, and certain other costs would no longer be eligible for capitalization and would be expensed as incurred. Expenditures for repairs and maintenance are expensed as incurred.

A property is classified as “held for sale” when all of the following criteria for a plan of sale have been met: (i) management, having the authority to approve the action, commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of the property is probable and is expected to be completed within one year; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation of assets ceases upon designation of a property as “held for sale.” Prior to our adoption of the new discontinued operations accounting standard on October 1, 2014, the operations of properties “held for sale” were classified as discontinued operations in our consolidated statements of income.

Subsequent to the adoption of the new discontinued operations accounting standard on October 1, 2014, if the disposal of the property represents a strategic shift that has (or will have) a major effect on our operations or financial results, such as (i) a major line of business, (ii) a major geographic area, (iii) a major equity method investment, or (iv) other major parts of an entity, then the operations of the property “held for sale,” including any interest expense directly attributable to it, are classified as discontinued operations in our consolidated statements of income, and amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. The disposal of an individual property generally will not represent a strategic shift and therefore will typically not meet the criteria for classification as discontinued operations.

2. Basis of presentation and summary of significant accounting policies (continued)

Impairment of long-lived assets

Long-lived assets to be held for use, including our rental properties, CIP, land held for development, and intangibles, are individually evaluated for impairment when conditions exist that may indicate that the carrying amount of a long-lived asset may not be recoverable. The carrying amount of a long-lived asset to be held for use is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment indicators or triggering events for long-lived assets to be held for use, including our rental properties, CIP, land held for development, and intangibles, are assessed by project and include significant fluctuations in estimated rental revenues less rental operating expenses, occupancy changes, significant near-term lease expirations, current and historical operating and/or cash flow losses, construction costs, estimated completion dates, rental rates, and other market factors. We assess the expected undiscounted cash flows based upon numerous factors, including, but not limited to, construction costs, available market information, current and historical operating results, known trends, current market/economic conditions that may affect the property, and our assumptions about the use of the asset, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration. Upon determination that an impairment has occurred, a write-down is recognized to reduce the carrying amount to its estimated fair value. If an impairment loss is not required to be recognized, the recognition of depreciation is adjusted prospectively, as necessary, to reduce the carrying amount of the real estate to its estimated disposition value over the remaining period that the real estate is expected to be held for use. We may adjust depreciation of properties that are expected to be disposed of or redeveloped prior to the end of their useful lives.

We use the “held for sale” impairment model for our properties classified as “held for sale.” The “held for sale” impairment model is different from the held for use impairment model. Under the “held for sale” impairment model, an impairment loss is recognized if the carrying amount of the long-lived asset classified as “held for sale” exceeds its fair value less cost to sell. Because of these two different models, it is possible for a long-lived asset previously classified as held for use to require the recognition of an impairment charge upon classification as “held for sale.”

On a quarterly basis, we review current activities and changes in the business conditions of all of our properties prior to and subsequent to the end of each quarter to determine the existence of any triggering events requiring an impairment analysis. If triggering events are identified, we review an estimate of the future undiscounted cash flows for the properties, including a probability-weighted approach if multiple outcomes are under consideration.

Investments

We hold equity investments in certain publicly traded companies and investments in certain privately held entities primarily involved in the science industry. All of our investments in actively traded public companies are considered “available-for-sale” and are reflected in the accompanying consolidated balance sheets at fair value. Fair value has been determined based upon the closing price as of each balance sheet date, with unrealized gains and losses shown as a separate component of comprehensive income. The classification of each investment is determined at the time each investment is made, and such determination is reevaluated at each balance sheet date. The cost of each investment sold is determined by the specific identification method, with realized gains or losses classified in other income in the accompanying consolidated statements of income. Investments in privately held entities are generally accounted for under the cost method when our interest in the entity is so minor that we have virtually no influence over the entity’s operating and financial policies. Certain investments in privately held entities are accounted for under the equity method unless our interest in the entity is deemed to be so minor that we have virtually no influence over the entity’s operating and financial policies. Under the equity method of accounting, we recognize our investment initially at cost and adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee subsequent to the date of our investment. Additionally, we limit our ownership percentage in the voting stock of each individual entity to less than 10%. As of September 30, 2015, and December 31, 2014, our ownership percentage in the voting stock of each individual entity was less than 10%.

We monitor each of our equity investments throughout the year for new developments, including operating results, results of clinical trials, capital-raising events, and merger and acquisition activities. Individual investments are evaluated for impairment when changes in conditions may indicate an impairment exists. The factors that we consider in making these assessments include, but are not limited to, market prices, market conditions, available financing, prospects for favorable or unfavorable clinical trial results, new product initiatives, and new collaborative agreements. If there are no identified events or changes in circumstances that might have an adverse effect on our cost method investments, we do not estimate the investment's fair value. For all of our investments, if a decline in the fair value of an investment below the carrying value is determined to be other than temporary, such investment is written down to its estimated fair value with a charge to current earnings.

2. Basis of presentation and summary of significant accounting policies (continued)

Recognition of rental income and tenant recoveries

Rental income from leases is recognized on a straight-line basis over the respective lease terms. We classify amounts currently recognized as income, and expected to be received in later years as deferred rent in the accompanying consolidated balance sheets. Amounts received currently but recognized as income in future years are classified in accounts payable, accrued expenses, and tenant security deposits in the accompanying consolidated balance sheets. We commence recognition of rental income at the date the property is ready for its intended use and the client tenant takes possession or controls the physical use of the property.

Tenant recoveries related to reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses are recognized as revenue in the period during which the applicable expenses are incurred.

Tenant receivables consist primarily of amounts due for contractual lease payments, reimbursements of common area maintenance expenses, property taxes, and other expenses recoverable from client tenants. Tenant receivables are expected to be collected within one year. We may maintain an allowance for estimated losses that may result from the inability of our client tenants to make payments required under the terms of the lease and for tenant recoveries due. If a client tenant fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the amount of uncollectible tenant receivables and deferred rent arising from the straight-lining of rent. As of September 30, 2015, and December 31, 2014, we had no allowance for uncollectible tenant receivables and deferred rent.

Monitoring client tenant credit quality

During the term of each lease, we monitor the credit quality of our client tenants by (i) monitoring the credit rating of client tenants that are rated by a nationally recognized credit rating agency, (ii) reviewing financial statements of the client tenants that are publicly available or that are required to be delivered to us pursuant to the applicable lease, (iii) monitoring news reports regarding our client tenants and their respective businesses, and (iv) monitoring the timeliness of lease payments. We have a team of employees who, among them, have graduate and undergraduate degrees in biology, chemistry, and industrial biotechnology and experience in the science and technology industries, as well as in finance. Our research team is responsible for assessing and monitoring the credit quality of our client tenants and any material changes in their credit quality.

Other income

The following is a summary of the other income in the accompanying consolidated statements of income for the three and nine months ended September 30, 2015, and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Management fee income	$530	$560	$1,341	$2,202
Interest and other income	1,272	1,994	2,136	3,767
Investment income (loss)	5,378	(229)	11,211	756
Total other income	$7,180	$2,325	$14,688	$6,725

Income taxes

We are organized and qualify as a REIT pursuant to the Internal Revenue Code (the “Code”). Under the Code, a REIT that distributes at least 90% of its REIT taxable income to its shareholders annually and meets certain other conditions is not subject to federal income taxes, but could be subject to certain state and local taxes. We distribute 100% of our taxable income annually; therefore, a provision for federal income taxes is not required. In addition to our REIT returns, we file federal, state, and local tax returns for our subsidiaries. We file with jurisdictions located in the U.S., Canada, India, China, and other international locations. Our tax returns are subject to routine examination in various jurisdictions for calendar years 2010 through 2013.

2. Basis of presentation and summary of significant accounting policies (continued)

Recent accounting pronouncements

In February 2015, the FASB issued an Accounting Standards Update that requires reporting entities to evaluate whether they should consolidate certain legal entities. The update modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities and eliminates the presumption that a general partner should consolidate a limited partnership. This update affects the consolidation analyses of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related-party relationships. The update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments in this update by (i) using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or (ii) applying the amendments retrospectively. We are currently assessing the potential impact that the adoption of the update will have on our consolidated financial statements.

In April 2015, the FASB issued an Accounting Standards Update that requires reporting entities to present debt issuance costs as a direct deduction from the face amount of the related note payable presented in the balance sheet. The update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity is required to apply the amendments in this update retrospectively to all prior periods. We are currently assessing the potential impact that the adoption of the update will have on our consolidated financial statements.

3. Investments in real estate

Our investments in real estate consisted of the following as of September 30, 2015, and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Land (related to rental properties)	$676,459	$624,681
Buildings and building improvements	6,764,292	6,171,504
Other improvements	250,364	192,128
Rental properties	7,691,115	6,988,313
Development and redevelopment projects under construction/Construction in progress (CIP):		
Development projects under construction in North America	644,500	500,894
Redevelopment projects under construction in North America	139,931	42,482
Development projects under construction in Asia	—	14,065
	784,431	557,441
Rental properties and development and redevelopment projects under construction	8,475,546	7,545,754
Near-term value-creation projects in North America (CIP):		
Alexandria Center® at Kendall Square – Binney Street	—	321,907
Other projects	47,358	107,471
	47,358	429,378
Future value-creation projects:		
North America	187,313	175,175
Asia	77,261	78,548
	264,574	253,723
Near-term and future value-creation projects	311,932	683,101
Value-creation pipeline	1,096,363	1,240,542
Gross investments in real estate	8,787,478	8,228,855
Equity method of accounting – unconsolidated joint ventures	126,471	117,406
Gross investments in real estate – including unconsolidated joint ventures	8,913,949	8,346,261
Less: accumulated depreciation	(1,259,740)	(1,120,245)
Investments in real estate	$7,654,209	$7,226,016

Acquisitions

During the nine months ended September 30, 2015, we acquired real estate and real estate related assets with an aggregate purchase price of $438.1 million, including the assumption of debt, consisting of one operating property, two land parcels, two redevelopment projects under construction, and the outstanding noncontrolling interest related to seven operating properties.

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3. Investments in real estate (continued)

Sales of real estate assets and related impairment charges

In June 2015, we completed the sale of 270 Third Street, a residential development project with 91 units at our Alexandria Center® at Kendall Square in our Cambridge submarket in Greater Boston, for a sales price of $43.0 million. The net proceeds of $25.5 million reflect the assumption by the buyer of the cost to complete the construction of $17.5 million. The net proceeds from the sale approximated our carrying amount.

During the three months ended March 31, 2015, we completed the sale of our land and land improvements at 661 University Avenue in Toronto, Canada, for $54.1 million. In December 2014, we recognized an impairment charge of $16.6 million to lower the carrying costs of this property to its estimated fair value less cost to sell, including an estimated $5.0 million foreign currency exchange translation loss. Also, during the three months ended March 31, 2015, we sold a 21,859 RSF operating property located in Pennsylvania for $1.9 million. The sales price less cost to sell for this property approximated its carrying value at the time of sale and resulted in no gain or loss on sale.

During the three months ended December 31, 2014, we placed into service a 175,000 RSF building in Hyderabad, India. We completed a probability-weighted cash flow analysis for this building, inclusive of the estimated costs to complete, and determined that the estimated undiscounted cash flows exceeded the carrying amount of the building as of December 31, 2014.

During the three months ended March 31, 2015, we determined that this building in Hyderabad, India, met the criteria for classification as "held for sale," including, among others, the following: (i) management committed to sell the real estate and executed a purchase and sale agreement on March 23, 2015, and (ii) management determined that the sale was probable within one year. Upon classification as "held for sale," we recognized an impairment charge of $14.5 million to lower the carrying costs of the real estate to its estimated fair value less cost to sell, including an estimated $4.2 million foreign currency exchange translation loss. On March 26, 2015, we completed the sale of the building to an Indian multispecialty healthcare provider for $12.4 million.

As a result of our sales in Canada and India discussed above, our statement of comprehensive income reflects an aggregate $9.2 million of losses that we realized during the nine months ended September 30, 2015, related to foreign currency exchange translation losses, noted above, that were previously classified in accumulated other comprehensive income (loss) on our accompanying consolidated balance sheets.

Development and redevelopment projects under construction

As of September 30, 2015, we had ten ground-up development projects, including two unconsolidated joint venture development projects, under construction in North America. The projects at completion will aggregate 3.3 million RSF, of which 713,524 RSF has been completed and placed into service.

As of September 30, 2015, we had three redevelopment projects under construction in North America aggregating 525,482 RSF.

Investments in unconsolidated joint ventures

Refer to our consolidation policy described in Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies," regarding the following two unconsolidated joint ventures.

360 Longwood Avenue

We are currently developing a building aggregating 413,536 RSF in our Longwood Medical Area submarket of the Greater Boston market through an unconsolidated joint venture. The cost at completion for this unconsolidated joint venture real estate project is approximately $350.0 million. As of September 30, 2015, we had 259,859 RSF, or 63% of the project, leased and in service. The joint venture has a secured construction loan with commitments aggregating $213.2 million, $175.3 million of which was outstanding as of September 30, 2015. The remaining cost to complete the development is expected to be funded primarily from the remaining commitments of $37.9 million under the secured construction loan. The secured construction loan bears interest at LIBOR+3.75%, with a floor of 5.25%. The maturity date of the loan is April 1, 2017, with two, one-year options to extend the stated maturity date to April 1, 2019, subject to certain conditions.

3. Investments in real estate (continued)

We have a 27.5% interest in this unconsolidated joint venture that we account for under the equity method of accounting. Our investment under the equity method of accounting was $50.4 million as of September 30, 2015, and is classified in investments in real estate in our accompanying consolidated balance sheets.

1455/1515 Third Street

In September 2014, Alexandria and Uber Technologies, Inc. (“Uber”), entered into a joint venture agreement and acquired two land parcels supporting the development of two buildings aggregating 422,980 RSF at 1455/1515 Third Street in the Mission Bay submarket of the San Francisco market for a total purchase price of $125.0 million. We have a 51% interest and Uber has a 49% interest in this unconsolidated joint venture. The purchase price was funded by contributions into the joint venture by Uber and us. We account for our investment in this joint venture under the equity method of accounting. Our investment under the equity method of accounting was $76.1 million as of September 30, 2015, and was classified in investments in real estate in our accompanying consolidated balance sheets. The project is expected to be funded by equity contributions from Uber and us. The project is 100% leased to Uber for a 15-year term.

Near-term value-creation projects in North America (CIP)

Land undergoing predevelopment activities is classified as CIP and is undergoing activities prior to commencement of construction of aboveground building improvements. We generally will not commence ground-up development of any land parcels without first securing pre-leasing for such space, except when there is solid market demand. If aboveground construction is not initiated at completion of predevelopment activities, the land parcel will be classified as future value-creation projects. Our objective with predevelopment is to reduce the time it takes to deliver projects to prospective client tenants. Additionally, during predevelopment, we focus on the design of cost-effective buildings with generic and reusable infrastructure to accommodate single-tenancy and multi-tenancy. As of September 30, 2015, we had $47.4 million of land undergoing predevelopment activities in North America aggregating 1.3 million square feet.

Predevelopment costs generally include the following activities prior to commencement of vertical construction:

- Traditional predevelopment costs, including entitlement, design, construction drawings, building information modeling (BIM 3-D virtual modeling), budgeting, sustainability and energy optimization reviews, permitting, and planning for all aspects of the project; and

- Site and infrastructure construction costs, including belowground site work, utility connections, land grading, drainage, egress and regress access points, foundation, and other costs to prepare the site for construction of aboveground building improvements.

Future value-creation projects

Future value-creation projects represent land that we plan to develop in the future, but for which, as of each period presented, no construction or predevelopment activities were ongoing. As a result, interest, property taxes, insurance, and other costs are expensed as incurred. As of September 30, 2015, we had $264.6 million of land held for future development supporting an aggregate of 10.2 million square feet of ground-up development.

4. Investments

Our investments in privately held entities are primarily accounted for under the cost method. Our investments in publicly traded companies are principally marketable equity securities that are accounted for as "available-for-sale" marketable equity securities that are carried at their fair values. Investments in "available-for-sale" marketable equity securities with gross unrealized losses as of September 30, 2015, had been in a continuous unrealized loss position for less than 12 months. We have the ability and intent to hold these investments for a reasonable period of time sufficient for the recovery of our investment. We believe that these unrealized losses are temporary; accordingly, there are no other-than-temporary impairments in accumulated other comprehensive income related to "available-for-sale" marketable equity securities as of September 30, 2015, or December 31, 2014.

The following table summarizes our investments as of September 30, 2015, and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
"Available-for-sale" marketable equity securities, cost basis	$31,399	$21,898
Unrealized gains	107,518	53,625
Unrealized losses	(3,650)	(1,258)
"Available-for-sale" marketable equity securities, at fair value	135,267	74,265
Investments accounted for under cost method	195,303	162,124
Total investments	$330,570	$236,389

The following table outlines our investment income (loss), which is classified in other income in the accompanying consolidated statements of income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Investment gains	$8,658	$3,256	$22,368	$9,481
Investment losses	(3,280)	(3,485)	(11,157)	(8,725)
Investment income (loss)	$5,378	$(229)	$11,211	$756

5. Fair value measurements

We are required to disclose fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. We measure and disclose the estimated fair value of financial assets and liabilities utilizing a fair value hierarchy that distinguishes between data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels, as follows: (i) quoted prices in active markets for identical assets or liabilities, (ii) "significant other observable inputs," and (iii) "significant unobservable inputs." "Significant other observable inputs" can include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. "Significant unobservable inputs" are typically based on an entity's own assumptions, since there is little, if any, related market activity. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers between the levels in the fair value hierarchy during the nine months ended September 30, 2015 and 2014.

5. Fair value measurements (continued)

The following tables set forth the assets and liabilities that we measure at fair value on a recurring basis by level within the fair value hierarchy as of September 30, 2015, and December 31, 2014 (in thousands):

		September 30, 2015		
Description	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
“Available-for-sale” marketable equity securities	$135,267	$135,267	$—	$—
Liabilities:				
Interest rate swap agreements	$8,679	$—	$8,679	$—

		December 31, 2014		
Description	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
“Available-for-sale” marketable equity securities	$74,265	$74,265	$—	$—
Liabilities:				
Interest rate swap agreements	$909	$—	$909	$—

The carrying values of cash and cash equivalents, restricted cash, tenant receivables, other assets, accounts payable, accrued expenses, and tenant security deposits approximate fair value. Our “available-for-sale” marketable equity securities and our interest rate swap agreements have been recognized at fair value. Refer to Note 4 – “Investments” and Note 7 – “Interest Rate Swap Agreements” in our unaudited consolidated financial statements under Item 1 of this report for further details. The fair values of our secured notes payable, unsecured senior notes payable, unsecured senior line of credit, and unsecured senior bank term loans were estimated using widely accepted valuation techniques, including discounted cash flow analyses of “significant other observable inputs” such as available market information on discount and borrowing rates with similar terms, maturities, and credit ratings. Because the valuations of our financial instruments are based on these types of estimates, the actual fair value of our financial instruments may differ materially if our estimates do not prove to be accurate. Additionally, the use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

As of September 30, 2015, and December 31, 2014, the book and estimated fair values of our “available-for-sale” marketable equity securities, interest rate swap agreements, secured notes payable, unsecured senior notes payable, unsecured senior line of credit, and unsecured senior bank term loans were as follows (in thousands):

	September 30, 2015		December 31, 2014	
	Book Value	Fair Value	Book Value	Fair Value
Assets:				
“Available-for-sale” marketable equity securities	$135,267	$135,267	$74,265	$74,265
Liabilities:				
Interest rate swap agreements	$8,679	$8,679	$909	$909
Secured notes payable	$773,619	$807,566	$652,209	$693,338
Unsecured senior notes payable	$1,747,613	$1,776,375	$1,747,370	$1,793,255

Unsecured senior line of credit	$843,000	$843,909	$304,000	$304,369
Unsecured senior bank term loans	$950,000	$951,540	$975,000	$976,010

Fair value measurements for other than on a non-recurring basis

Refer to Note 3 – “Investments in Real Estate” and Note 11 – “Noncontrolling Interests” to our unaudited consolidated financial statements under Item 1 of this report.

6. Secured and unsecured senior debt

The following table summarizes our secured and unsecured senior debt as of September 30, 2015 (dollars in thousands):

	Fixed-Rate/Hedged Variable-Rate	Unhedged Variable-Rate	Total Consolidated	Percentage of Total Debt	Weighted-Average Interest Rate at End of Period [1]	Weighted-Average Remaining Term (in years)
Secured notes payable	$ 478,016	$ 295,603	$ 773,619	17.9 %	4.23 %	2.6
Unsecured senior notes payable	1,747,613	—	1,747,613	40.5	3.98	7.6
$1.5 billion unsecured senior line of credit	100,000	743,000	843,000	19.6	1.19	3.3
2019 Unsecured Senior Bank Term Loan	600,000	—	600,000	13.9	1.72	3.3
2021 Unsecured Senior Bank Term Loan	350,000	—	350,000	8.1	1.52	5.3
Total/weighted-average	$ 3,275,629	$ 1,038,603	$ 4,314,232	100.0 %	2.97 %	5.1
Percentage of total debt	76 %	24 %	100 %			

(1) Represents the weighted-average interest rate as of the end of the period plus the impact of debt premiums/discounts and our interest rate swap agreements. The weighted-average interest rate excludes bank fees and amortization of loan fees.

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6. Secured and unsecured senior debt (continued)

The following table summarizes our outstanding indebtedness and respective principal maturities as of September 30, 2015 (dollars in thousands):

Debt	Stated Rate	Weighted-Average Interest Rate[1]	Maturity Date[2]	Principal Payments Remaining for the Periods Ending December 31, 2015	2016	2017	2018	2019	Thereafter
Secured notes payable									
Greater Boston, San Francisco, and San Diego	5.73 %	5.73 %	[3]	$466	$75,501	$—	$—	$—	$—
Greater Boston, New York City, and San Diego,	5.82	5.82	4/1/16	249	29,389	—	—	—	—
San Diego	5.74	3.00	4/15/16	45	6,916	—	—	—	—
San Francisco	L+1.40	1.59	6/1/16 [4]	—	20,714	—	—	—	—
San Francisco	L+1.50	1.69	7/1/16 [5]	—	47,385	—	—	—	—
San Francisco	6.35	6.35	8/1/16	662	126,715	—	—	—	—
Maryland	2.18	2.18	1/20/17	—	—	76,000	—	—	—
Greater Boston	L+1.35	1.54	8/23/17 [6]	—	—	151,504	—	—	—
San Diego, Seattle, and Maryland	7.75	7.75	4/1/20	404	1,696	1,832	1,979	2,138	104,352
San Diego	4.66	4.66	1/1/23	354	1,464	1,540	1,614	1,692	31,674
Greater Boston	3.93	3.10	3/10/23	—	—	—	1,091	1,505	79,404
San Francisco	6.50	6.50	7/1/36	1	19	20	22	23	728
Unamortized premiums				184	610	573	588	595	1,971
Secured notes payable weighted-average/subtotal	4.35 %	4.23		2,365	310,409	231,469	5,294	5,953	218,129
2019 Unsecured Senior Bank Term Loan	L+1.20 %	1.72	1/3/19	—	—	—	—	600,000	—
2021 Unsecured Senior Bank Term Loan	L+1.10 %	1.52	1/15/21	—	—	—	—	—	350,000
$1.5 billion unsecured senior line of credit	L+1.10 % [7]	1.19	1/3/19	—	—	—	—	843,000	—
Unsecured senior notes payable	2.75 %	2.79	1/15/20	—	—	—	—	—	400,000
Unsecured senior notes payable	4.60 %	4.61	4/1/22	—	—	—	—	—	550,000
Unsecured senior notes payable	3.90 %	3.94	6/15/23	—	—	—	—	—	500,000
Unsecured senior notes payable	4.50 %	4.51	7/30/29	—	—	—	—	—	300,000
Unamortized discounts				(83)	(337)	(350)	(362)	(375)	(880
Unsecured debt weighted-average/subtotal		2.69		(83)	(337)	(350)	(362)	1,442,625	2,099,120
Weighted-average/total		2.97 %		$2,282	$310,072	$231,119	$4,932	$1,448,578	$2,317,249
Balloon payments				$—	$304,999	$227,504	$—	$1,443,000	$2,304,46
Principal amortization				2,282	5,073	3,615	4,932	5,578	12,783

Total consolidated debt	$2,282	$310,072	$231,119	$4,932	$1,448,578	$2,317,249
Fixed-rate/hedged variable-rate debt	$2,282	$241,973	$3,615	$4,932	$705,578	$2,317,249
Unhedged variable-rate debt	—	68,099	227,504	—	743,000	—
Total consolidated debt	$2,282	$310,072	$231,119	$4,932	$1,448,578	$2,317,249

(1) Represents the weighted-average interest rate as of the end of the period plus the impact of debt premiums/discounts and our interest rate swap agreements. The weighted-average interest rate excludes bank fees and amortization of loan fees.

(2) Includes any extension options that we control.

(3) In October 2015, we repaid this secured note payable.

(4) We have two, one-year options to extend the stated maturity date to June 1, 2018, subject to certain conditions.

(5) We have a one-year option to extend the stated maturity date to July 1, 2017, subject to certain conditions.

(6) We have a one-year option to extend the stated maturity date to August 23, 2018, subject to certain conditions.

(7) Our unsecured senior line of credit contains a feature that allows lenders to competitively bid on the interest rate for borrowings under the facility. This may result in an interest rate that is below the stated rate of LIBOR+1.10%. In addition to the cost of borrowing, the facility is subject to an annual facility fee of 0.20%, based on the aggregate commitments outstanding.

6. Secured and unsecured senior debt (continued)

Interest expense

The following table summarizes interest expense for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross interest	$36,115	$32,680	$105,427	$92,551
Capitalized interest	(8,436)	(12,125)	(27,844)	(35,440)
Interest expense	$27,679	$20,555	$77,583	$57,111

Amendment of unsecured senior bank term loan

In June 2015, we completed a partial principal repayment of $25.0 million and extended the maturity of the remaining $350.0 million unsecured senior bank term loan (“2021 Unsecured Senior Bank Term Loan”) from July 31, 2015, to June 30, 2019, subject to our option to extend the maturity up to three times upon the satisfaction of certain conditions, for an additional term of six months for the first and second extensions and for an additional term ending on January 15, 2021, for the third extension. In addition, we reduced the applicable interest rate margin with respect to borrowings outstanding under the loan to LIBOR+1.10% from LIBOR+1.20%. In conjunction with the amendment of our 2021 Unsecured Senior Bank Term Loan and the principal repayment, we recognized a loss on early extinguishment of debt aggregating $189 thousand related to the write-off of a portion of unamortized loan fees.

Secured construction loans

In June 2015, we exercised the first of two, one-year extensions on a $47.4 million secured construction loan, which extended the maturity date from July 1, 2015, to July 1, 2016.

The following table summarizes our secured construction loans as of September 30, 2015 (dollars in thousands):

Market	Stated Rate	Maturity Date	Outstanding Balance	Remaining Commitments	Total Commitments
San Francisco	L+1.40%	6/1/16 (1)	$20,714	$15,286	$36,000
San Francisco	L+1.50%	7/1/16 (2)	47,385	7,615	55,000
Greater Boston	L+1.35%	8/23/17 (3)	151,504	98,896	250,400
			$219,603	$121,797	$341,400

(1) We have two, one-year options to extend the stated maturity date to June 1, 2018, subject to certain conditions.
(2) We have a one-year option to extend the stated maturity date to July 1, 2017, subject to certain conditions.
(3) We have a one-year option to extend the stated maturity date to August 23, 2018, subject to certain conditions.

During October 2015, we executed the following secured construction loan (dollars in thousands):

Market	Stated Rate	Maturity Date	Outstanding Balance	Remaining Commitments	Total Commitments
Greater Boston (1)	L+1.50%	1/28/19	$—	$350,000	$350,000

(1) In October 2015, closed a secured construction loan with aggregate commitments available for borrowing of $350.0 million, for our 98% leased development project at 50/60 Binney Street in our Cambridge submarket, which bears interest at a rate of LIBOR+150 bps.

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7. Interest rate swap agreements

We use interest rate swap agreements to hedge the variable cash flows associated with certain of our existing LIBOR-based variable-rate debt, including our unsecured senior line of credit, unsecured senior bank term loans, and secured notes payable. The ineffective portion of the change in fair value of our interest rate swap agreements is required to be recognized directly in earnings. During the nine months ended September 30, 2015 and 2014, our interest rate swap agreements were 100% effective; as a result, no hedge ineffectiveness was recognized in earnings. Changes in fair value, including accrued interest and adjustments for non-performance risk, on the effective portion of our interest rate swap agreements that are designated and that qualify as cash flow hedges are classified in accumulated other comprehensive income (loss). Amounts classified in accumulated other comprehensive income (loss) are subsequently reclassified into earnings in the period during which the hedged transactions affect earnings. During the next 12 months, we expect to reclassify approximately $4.4 million in accumulated other comprehensive income (loss) to earnings as an increase to interest expense. As of September 30, 2015, and December 31, 2014, the fair values of our interest rate swap agreements aggregating an asset balance were classified in other assets, and those aggregating a liability balance were classified in accounts payable, accrued expenses, and tenant security deposits, based upon their respective fair values, without any offsetting pursuant to master netting agreements. Refer to Note 5 – "Fair Value Measurements" to our unaudited consolidated financial statements under Item 1 of this report. Under our interest rate swap agreements, we have no collateral posting requirements.

The Company has agreements with certain of its derivative counterparties that contain a provision wherein (i) the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness; or (ii) if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. If the Company had breached any of these provisions as of September 30, 2015, it could have been required to settle its obligations under the agreements at their termination value of $8.7 million.

We had the following outstanding interest rate swap agreements that were designated as cash flow hedges of interest rate risk as of September 30, 2015 (dollars in thousands):

Effective Date	Maturity Date	Number of Contracts	Weighted-Average Interest Pay Rate (1)	Fair Value as of 9/30/15	Notional Amount in Effect as of 9/30/15	12/31/15	12/31/16	12/31/17
December 31, 2014	March 31, 2016	3	0.53%	$ (627)	$500,000	$500,000	$—	$—
March 31, 2015	March 31, 2016	7	0.42%	(331)	450,000	450,000	—	—
September 1, 2015	March 31, 2017	2	0.57%	(85)	100,000	100,000	100,000	—
March 31, 2016	March 31, 2017	11	1.15%	(5,149)	—	—	1,000,000	—
March 31, 2017	March 31, 2018	11	1.51%	(2,487)	—	—	—	650,000
Total				$ (8,679)	$1,050,000	$1,050,000	$1,100,000	$650,000

(1) In addition to the interest pay rate for each swap agreement, interest is payable at an applicable margin for borrowings outstanding as of September 30, 2015. Borrowings under our 2019 unsecured senior bank term loan ("2019 Unsecured Senior Bank Term Loan") include an applicable margin of 1.20%, and borrowings outstanding under our unsecured senior line of credit and 2021 Unsecured Senior Bank Term Loan include an applicable margin of 1.10%.

8. Accounts payable, accrued expenses, and tenant security deposits

The following table summarizes the components of accounts payable, accrued expenses, and tenant security deposits as of September 30, 2015, and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Accounts payable and accrued expenses	$143,556	$127,828
Accrued construction	83,805	91,110
Acquired below-market leases	27,072	8,810
Conditional asset retirement obligations	7,828	9,108
Deferred rent liabilities	27,300	36,231
Interest rate swap liabilities	8,679	909
Unearned rent and tenant security deposits	209,584	193,699
Other liabilities [(1)]	78,770	21,390
Total	$586,594	$489,085

(1) Balance as of September 30, 2015. includes a $54.0 million liability related to the second installment payment for our acquisition of the remaining noncontrolling interest in our 1.2 million RSF campus at Alexandria Technology Square®. For additional information, refer to Note 11 – “Noncontrolling Interests” to our unaudited consolidated financial statements under Item 1 of this report.

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9. Earnings per share

We use income from continuing operations attributable to Alexandria's common stockholders as the "control number" in determining whether potential common shares are dilutive or antidilutive to EPS. Pursuant to the presentation and disclosure literature on gains or losses on sales or disposals by REITs and EPS required by the SEC and the FASB, gains or losses on sales or disposals by a REIT that do not qualify as discontinued operations are classified below income from discontinued operations in the consolidated statements of income and included in the numerator for the computation of EPS for income from continuing operations.

We account for unvested restricted stock awards that contain nonforfeitable rights to dividends as participating securities and include these securities in the computation of EPS using the two-class method. Our 7% series D cumulative convertible preferred stock ("Series D Convertible Preferred Stock") is not a participating security, and is not included in the computation of EPS using the two-class method. Under the two-class method, we allocate net income after preferred stock dividends, preferred stock redemption charge, and amounts attributable to noncontrolling interests to common stockholders and unvested restricted stock awards based on their respective participation rights to dividends declared (or accumulated) and undistributed earnings. Diluted EPS is computed using the weighted-average shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities. We had no dilutive securities outstanding during the three and nine months ended September 30, 2015 and 2014.

The table below is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three and nine months ended September 30, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income from continuing operations	$39,699	$36,115	$103,180	$112,492
Gain on sales of real estate – land parcels	—	8	—	805
Dividends on preferred stock	(6,247)	(6,471)	(18,740)	(19,414)
Net income attributable to noncontrolling interests	(170)	(1,340)	(925)	(3,842)
Net income attributable to unvested restricted stock awards	(623)	(506)	(1,736)	(1,285)
Income from continuing operations attributable to Alexandria's common stockholders – basic and diluted	32,659	27,806	81,779	88,756
Loss from discontinued operations	—	(180)	(43)	(489)
Net income attributable to Alexandria's common stockholders – basic and diluted	$32,659	$27,626	$81,736	$88,267
Weighted-average shares of common stock outstanding – basic and diluted	71,500	71,195	71,426	71,121
EPS attributable to Alexandria's common stockholders – basic and diluted:				
Continuing operations	$0.46	$0.39	$1.14	$1.25
Discontinued operations	—	—	—	(0.01)
EPS – basic and diluted	$0.46	$0.39	$1.14	$1.24

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10. Stockholders' equity

"At the market" common stock offering program

During the nine months ended September 30, 2015, we sold an aggregate of 56,874 shares of common stock for gross proceeds of $5.3 million at an average stock price of $94.02 and net proceeds of approximately $5.1 million, including commissions and other expenses of approximately $295 thousand.

Dividends

In September 2015, we declared cash dividends on our common stock for the third quarter of 2015, aggregating $55.8 million, or $0.77 per share. Also in September 2015, we declared cash dividends on our Series D Convertible Preferred Stock for the third quarter of 2015, aggregating approximately $4.2 million, or $0.4375 per share. Additionally, we declared cash dividends on our Series E cumulative redeemable preferred stock ("Series E Preferred Stock") for the third quarter of 2015, aggregating approximately $2.1 million, or $0.403125 per share. In October 2015, we paid the cash dividends on our common stock, Series D Preferred Stock, and Series E Preferred Stock for the third quarter of 2015.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) attributable to Alexandria consists of the following (in thousands):

	Unrealized Gains on Marketable Securities	Unrealized Losses on Interest Rate Swap Agreements	Unrealized Losses on Foreign Currency Translation	Total
Balance as of December 31, 2014	$52,367	$(909)	$(52,086)	$(628)
Other comprehensive income (loss) before reclassifications	54,004	(9,712)	(17,072)	27,220
Amounts reclassified from other comprehensive (loss) income	(2,503)	1,942	9,236	8,675
	51,501	(7,770)	(7,836)	35,895
Amounts attributable to noncontrolling interest	—	—	(29)	(29)
Net other comprehensive income (loss)	51,501	(7,770)	(7,865)	35,866
Balance as of September 30, 2015	$103,868	$(8,679)	$(59,951)	$35,238

Preferred stock and excess stock authorizations

Our charter authorizes the issuance of up to 100.0 million shares of preferred stock, of which 14.7 million shares were issued and outstanding as of September 30, 2015. In addition, 200.0 million shares of "excess stock" (as defined in our charter) are authorized, none of which were issued and outstanding as of September 30, 2015.

11. Noncontrolling interests

Noncontrolling interests represent the third-party interests in certain entities in which we have a controlling interest. These entities owned four projects as of September 30, 2015, and are included in our consolidated financial statements. Noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. Distributions, profits, and losses related to these entities are allocated in accordance with the respective operating agreements.

The following table represents income from continuing operations and discontinued operations attributable to Alexandria Real Estate Equities, Inc., for the three and nine months ended September 30, 2015 and 2014, excluding the amounts attributable to these noncontrolling interests (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income from continuing operations attributable to Alexandria	$39,529	$34,775	$102,255	$108,650
Loss from discontinued operations	$—	$(180)	$(43)	$(489)

Certain of our noncontrolling interests have the right to require us to redeem their ownership interests in the respective entities. We classify these ownership interests in the entities as redeemable noncontrolling interests outside of total equity in the accompanying consolidated balance sheets. Redeemable noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. If the amount of a redeemable noncontrolling interest is less than the maximum redemption value at the balance sheet date, such amount is adjusted to the maximum redemption value. Subsequent declines in the redemption value are recognized only to the extent that previous increases have been recognized.

During the three months ended March 31, 2015, we executed an agreement to purchase the outstanding 10% noncontrolling interest in our 1.2 million RSF campus at Alexandria Technology Square® for $108.3 million. The first installment of $54.3 million was paid on April 1, 2015, and the second installment of $54.0 million is due on April 1, 2016. Upon execution of the purchase agreement, we recognized a liability representing the fair value of the aggregate consideration, primarily consisting of the purchase price in accounts payable, accrued expenses, and tenant security deposits on our accompanying consolidated balance sheet. We measured the fair value of the liability using significant observable inputs, including a discount rate that approximates our cost of debt capital in effect during the period the liability is outstanding. The difference between the noncontrolling interest purchase liability and the noncontrolling interest balance of $48.5 million was recognized as a reduction of additional paid-in capital.

12. Assets classified as "held for sale"

On October 1, 2014, we adopted an Accounting Standards Update on the reporting of discontinued operations that raised the threshold for classification of assets "held for sale" as discontinued operations. As of September 30, 2015, there are no properties which meet the criteria for classification as a discontinued operation in our consolidated financial statements.

The following is a summary of net assets "held for sale" as of September 30, 2015, and December 31, 2014, (in thousands):

	September 30, 2015	December 31, 2014
Investments in real estate	$138,200	$173,706
Other assets	6,659	10,147
Total assets	144,859	183,853
Total liabilities	—	(6,044)
Net assets classified as "held for sale"[1]	$144,859	$177,809

(1) As of September 30, 2015, net assets classified as "held for sale" were composed of three properties.

The following is a summary of the income (loss) included in our income from continuing operations for the three and nine months ended September 30, 2015 and 2014, from assets classified as "held for sale" (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	$3,454	$3,108	$9,694	$9,418
Operating expenses	(1,163)	(1,134)	(3,293)	(2,971)
Total revenues less operating expenses from assets "held for sale"	2,291	1,974	6,401	6,447
Depreciation expense	—	(2,025)	(503)	(6,103)
Impairment of real estate	—	(295)	(14,510)	(295)
Income (loss) from assets "held for sale"[1]	$2,291	$(346)	$(8,612)	$49

(1) Includes the results of operations of three properties with an aggregate 317,060 RSF that were classified as "held for sale" as of September 30, 2015, and three properties with an aggregate 196,859 RSF that were sold during the nine months ended September 30, 2015, but do not qualify for classification as discontinued operations. For additional information, refer to Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies" to our unaudited consolidated financial statements under Item 1 of this report.

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13. Subsequent events

Repayment of Secured Note Payable

In October 2015, we repaid a $76 million secured note payable with an effective interest rate of 5.73%.

Issuance of Secured Construction Loan

In October 2015, we closed a secured construction loan with aggregate commitments available for borrowing aggregating $350.0 million, for our development project at 50/60 Binney Street in our Cambridge submarket. This loan bears interest at a rate of LIBOR+150 bps.

Sale of partial interest in 1500 Owens

In October 2015, we executed an agreement to sell a 49.9% interest in our 158,267 RSF, property at 1500 Owens Street in our Mission Bay submarket in San Francisco to a high-quality institutional investor for $73.4 million, with closing in the fourth quarter of 2015.

Sale of 75/125 Shoreway Road

In October 2015, we executed an agreement for the sale of 75/125 Shoreway Road in our Palo Alto/Stanford Research Park submarket in San Francisco, to a high-quality institutional investor for a sales price of $38.5 million; with closing in the fourth quarter of 2015.

14. Condensed consolidating financial information

Alexandria Real Estate Equities, Inc. (the “Issuer”) has sold certain debt securities registered under the Securities Act of 1933, as amended, that are fully and unconditionally guaranteed by Alexandria Real Estate Equities, L.P. (the “LP” or the “Guarantor Subsidiary”), an indirectly 100% owned subsidiary of the Issuer. The Company’s other subsidiaries, including, but not limited to, the subsidiaries that own substantially all of its real estate (collectively, the “Combined Non-Guarantor Subsidiaries”), will not provide a guarantee of such securities, including the subsidiaries that are partially or 100% owned by the LP. The following condensed consolidating financial information presents the condensed consolidating balance sheets as of September 30, 2015, and December 31, 2014, the condensed consolidating statements of income and comprehensive income for the three and nine months ended September 30, 2015 and 2014, and the condensed consolidating statements of cash flows for the nine months ended September 30, 2015 and 2014, for the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries, as well as the eliminations necessary to arrive at the information for Alexandria Real Estate Equities, Inc., on a consolidated basis, and consolidated amounts. In presenting the condensed consolidating financial statements, the equity method of accounting has been applied to (i) the Issuer’s interests in the Guarantor Subsidiary and the Combined Non-Guarantor Subsidiaries, (ii) the Guarantor Subsidiary’s interests in the Combined Non-Guarantor Subsidiaries, and (iii) the Combined Non-Guarantor Subsidiaries’ interests in the Guarantor Subsidiary, where applicable, even though all such subsidiaries meet the requirements to be consolidated under GAAP. All intercompany balances and transactions between the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries have been eliminated, as shown in the column “Eliminations.” All assets and liabilities have been allocated to the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries generally based on legal entity ownership.

14. Condensed consolidating financial information (continued)

Condensed Consolidating Balance Sheet
as of September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Investments in real estate	$—	$—	$7,654,209	$—	$7,654,209
Cash and cash equivalents	42,738	8	33,637	—	76,383
Restricted cash	95	—	36,898	—	36,993
Tenant receivables	—	—	10,124	—	10,124
Deferred rent	—	—	267,954	—	267,954
Deferred leasing and financing costs	31,708	—	190,635	—	222,343
Investments	—	4,711	325,859	—	330,570
Investments in and advances to affiliates	7,370,645	6,685,933	136,885	(14,193,463)	—
Other assets	24,470	—	114,298	—	138,768
Total assets	$7,469,656	$6,690,652	$8,770,499	$(14,193,463)	$8,737,344
Liabilities, Noncontrolling Interests, and Equity					
Secured notes payable	$—	$—	$773,619	$—	$773,619
Unsecured senior notes payable	1,747,613	—	—	—	1,747,613
Unsecured senior line of credit	843,000	—	—	—	843,000
Unsecured senior bank term loans	950,000	—	—	—	950,000
Accounts payable, accrued expenses, and tenant security deposits	108,828	—	477,766	—	586,594
Dividends payable	61,053	—	287	—	61,340
Total liabilities	3,710,494	—	1,251,672	—	4,962,166
Redeemable noncontrolling interests	—	—	14,218	—	14,218
Alexandria’s stockholders’ equity	3,759,162	6,690,652	7,502,811	(14,193,463)	3,759,162
Noncontrolling interests	—	—	1,798	—	1,798
Total equity	3,759,162	6,690,652	7,504,609	(14,193,463)	3,760,960
Total liabilities, noncontrolling interests, and equity	$7,469,656	$6,690,652	$8,770,499	$(14,193,463)	$8,737,344

14. Condensed consolidating financial information (continued)

Condensed Consolidating Balance Sheet
as of December 31, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Investments in real estate	$—	$—	$7,226,016	$—	$7,226,016
Cash and cash equivalents	52,491	63	33,457	—	86,011
Restricted cash	67	—	26,817	—	26,884
Tenant receivables	—	—	10,548	—	10,548
Deferred rent	—	—	234,124	—	234,124
Deferred leasing and financing costs	35,462	—	166,336	—	201,798
Investments	—	5,235	231,154	—	236,389
Investments in and advances to affiliates	6,874,866	6,295,852	128,943	(13,299,661)	—
Other assets	19,461	—	94,805	—	114,266
Total assets	$6,982,347	$6,301,150	$8,152,200	$(13,299,661)	$8,136,036
Liabilities, Noncontrolling Interests, and Equity					
Secured notes payable	$—	$—	$652,209	$—	$652,209
Unsecured senior notes payable	1,747,370	—	—	—	1,747,370
Unsecured senior line of credit	304,000	—	—	—	304,000
Unsecured senior bank term loans	975,000	—	—	—	975,000
Accounts payable, accrued expenses, and tenant security deposits	69,013	—	420,072	—	489,085
Dividends payable	58,525	—	289	—	58,814
Total liabilities	3,153,908	—	1,072,570	—	4,226,478
Redeemable noncontrolling interests	—	—	14,315	—	14,315
Alexandria's stockholders' equity	3,828,439	6,301,150	6,998,511	(13,299,661)	3,828,439
Noncontrolling interests	—	—	66,804	—	66,804
Total equity	3,828,439	6,301,150	7,065,315	(13,299,661)	3,895,243
Total liabilities, noncontrolling interests, and equity	$6,982,347	$6,301,150	$8,152,200	$(13,299,661)	$8,136,036

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Three Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$—	$—	$155,311	$—	$155,311
Tenant recoveries	—	—	56,119	—	56,119
Other income	3,355	(87)	8,025	(4,113)	7,180
Total revenues	3,355	(87)	219,455	(4,113)	218,610
Expenses:					
Rental operations	—	—	68,846	—	68,846
General and administrative	13,511	—	5,745	(4,113)	15,143
Interest	20,470	—	7,209	—	27,679
Depreciation and amortization	1,799	—	66,154	—	67,953
Total expenses	35,780	—	147,954	(4,113)	179,621
Equity in earnings of unconsolidated joint ventures	—	—	710	—	710
Equity in earnings of affiliates	71,954	63,964	1,259	(137,177)	—
Net income	39,529	63,877	73,470	(137,177)	39,699
Dividends on preferred stock	(6,247)	—	—	—	(6,247)
Net income attributable to noncontrolling interests	—	—	(170)	—	(170)
Net income attributable to unvested restricted stock awards	(623)	—	—	—	(623)
Net income attributable to Alexandria's common stockholders	$32,659	$63,877	$73,300	$(137,177)	$32,659

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14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Three Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$—	$—	$137,718	$—	$137,718
Tenant recoveries	—	—	45,572	—	45,572
Other income	2,797	(1,264)	4,369	(3,577)	2,325
Total revenues	2,797	(1,264)	187,659	(3,577)	185,615
Expenses:					
Rental operations	—	—	57,423	—	57,423
General and administrative	11,369	—	4,817	(3,577)	12,609
Interest	15,307	—	5,248	—	20,555
Depreciation and amortization	1,408	—	56,980	—	58,388
Loss on early extinguishment of debt	525	—	—	—	525
Total expenses	28,609	—	124,468	(3,577)	149,500
Equity in earnings of affiliates	60,415	58,381	1,127	(119,923)	—
Income from continuing operations	34,603	57,117	64,318	(119,923)	36,115
Loss from discontinued operations	—	—	(180)	—	(180)
Gain on sales of real estate – land parcels	—	—	8	—	8
Net income	34,603	57,117	64,146	(119,923)	35,943
Dividends on preferred stock	(6,471)	—	—	—	(6,471)
Net income attributable to noncontrolling interests	—	—	(1,340)	—	(1,340)
Net income attributable to unvested restricted stock awards	(506)	—	—	—	(506)
Net income attributable to Alexandria's common stockholders	$27,626	$57,117	$62,806	$(119,923)	$27,626

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Nine Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$—	$—	$450,724	$—	$450,724
Tenant recoveries	—	—	154,107	—	154,107
Other income	9,890	(128)	17,014	(12,088)	14,688
Total revenues	9,890	(128)	621,845	(12,088)	619,519
Expenses:					
Rental operations	—	—	192,319	—	192,319
General and administrative	38,960	—	17,647	(12,088)	44,519
Interest	57,494	—	20,089	—	77,583
Depreciation and amortization	4,515	—	184,529	—	189,044
Impairment of real estate	—	—	14,510	—	14,510
Loss on early extinguishment of debt	189	—	—	—	189
Total expenses	101,158	—	429,094	(12,088)	518,164
Equity in earnings of unconsolidated joint ventures	—	—	1,825	—	1,825
Equity in earnings of affiliates	193,480	174,800	3,446	(371,726)	—
Income from continuing operations	102,212	174,672	198,022	(371,726)	103,180
Loss from discontinued operations	—	—	(43)	—	(43)
Net income	102,212	174,672	197,979	(371,726)	103,137
Dividends on preferred stock	(18,740)	—	—	—	(18,740)
Net income attributable to noncontrolling interests	—	—	(925)	—	(925)
Net income attributable to unvested restricted stock awards	(1,736)	—	—	—	(1,736)
Net income attributable to Alexandria's common stockholders	$81,736	$174,672	$197,054	$(371,726)	$81,736

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14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Nine Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$—	$—	$403,280	$—	$403,280
Tenant recoveries	—	—	128,198	—	128,198
Other income	8,632	(2,799)	11,534	(10,642)	6,725
Total revenues	8,632	(2,799)	543,012	(10,642)	538,203
Expenses:					
Rental operations	—	—	162,283	—	162,283
General and administrative	33,735	—	16,576	(10,642)	39,669
Interest	41,339	—	15,772	—	57,111
Depreciation and amortization	4,335	—	161,788	—	166,123
Loss on early extinguishment of debt	525	—	—	—	525
Total expenses	79,934	—	356,419	(10,642)	425,711
Equity in earnings of affiliates	180,275	172,989	3,356	(356,620)	—
Income from continuing operations	108,973	170,190	189,949	(356,620)	112,492
Loss from discontinued operations	(7)	—	(482)	—	(489)
Gain on sales of real estate – land parcels	—	—	805	—	805
Net income	108,966	170,190	190,272	(356,620)	112,808
Dividends on preferred stock	(19,414)	—	—	—	(19,414)
Net income attributable to noncontrolling interests	—	—	(3,842)	—	(3,842)
Net income attributable to unvested restricted stock awards	(1,285)	—	—	—	(1,285)
Net income attributable to Alexandria's common stockholders	$88,267	$170,190	$186,430	$(356,620)	$88,267

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14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Three Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$39,529	$63,877	$73,470	$(137,177)	$39,699
Other comprehensive loss:					
Unrealized losses on marketable equity securities:					
Unrealized holding losses arising during the period	—	(41)	(29,791)	—	(29,832)
Reclassification adjustment for gains included in net income	—	(117)	(4,851)	—	(4,968)
Unrealized losses on marketable equity securities, net	—	(158)	(34,642)	—	(34,800)
Unrealized losses on interest rate swap agreements:					
Unrealized interest rate swap losses arising during the period	(5,474)	—	—	—	(5,474)
Reclassification adjustment for amortization of interest income included in net income	727	—	—	—	727
Unrealized losses on interest rate swap agreements, net	(4,747)	—	—	—	(4,747)
Unrealized losses on foreign currency translation:					
Unrealized foreign currency translation losses during the period	—	—	(9,294)	—	(9,294)
Unrealized losses on foreign currency translation, net	—	—	(9,294)	—	(9,294)
Total other comprehensive loss	(4,747)	(158)	(43,936)	—	(48,841)
Comprehensive income	34,782	63,719	29,534	(137,177)	(9,142)
Less: comprehensive income attributable to noncontrolling interests	—	—	(71)	—	(71)
Comprehensive income attributable to Alexandria’s common stockholders	$34,782	$63,719	$29,463	$(137,177)	$(9,213)

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Three Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$34,603	$57,117	$64,146	$(119,923)	$35,943
Other comprehensive income (loss):					
Unrealized losses on marketable equity securities:					
Unrealized holding losses arising during the period	—	(310)	(2,144)	—	(2,454)
Reclassification adjustment for losses included in net income	—	—	111	—	111
Unrealized losses on marketable equity securities, net	—	(310)	(2,033)	—	(2,343)
Unrealized gains on interest rate swap agreements:					
Unrealized interest rate swap gains arising during the period	1,206	—	—	—	1,206
Reclassification adjustment for amortization of interest expense included in net income	1,129	—	—	—	1,129
Unrealized gains on interest rate swap agreements, net	2,335	—	—	—	2,335
Unrealized losses on foreign currency translation:					
Unrealized foreign currency translation losses during the period	—	—	(12,259)	—	(12,259)
Reclassification adjustment for gains included in net income	—	—	(199)	—	(199)
Unrealized foreign currency translation losses, net	—	—	(12,458)	—	(12,458)
Total other comprehensive income (loss)	2,335	(310)	(14,491)	—	(12,466)
Comprehensive income	36,938	56,807	49,655	(119,923)	23,477
Less: comprehensive income attributable to noncontrolling interests	—	—	(1,340)	—	(1,340)
Comprehensive income attributable to Alexandria's common stockholders	$36,938	$56,807	$48,315	$(119,923)	$22,137

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14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Nine Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 102,212	$ 174,672	$ 197,979	$ (371,726)	$ 103,137
Other comprehensive (loss) income:					
Unrealized (losses) gains on marketable equity securities:					
Unrealized holding (losses) gains arising during the year	—	(19)	54,023	—	54,004
Reclassification adjustment for gains included in net income	—	(76)	(2,427)	—	(2,503)
Unrealized (losses) gains on marketable equity securities, net	—	(95)	51,596	—	51,501
Unrealized losses on interest rate swap agreements:					
Unrealized interest rate swap losses arising during the year	(9,712)	—	—	—	(9,712)
Reclassification adjustment for amortization of interest expense included in net income	1,942	—	—	—	1,942
Unrealized losses on interest rate swap agreements, net	(7,770)	—	—	—	(7,770)
Unrealized losses on foreign currency translation:					
Unrealized foreign currency translation losses arising during the year	—	—	(17,072)	—	(17,072)
Reclassification adjustment for losses included in net income	—	—	9,236	—	9,236
Unrealized losses on foreign currency translation, net	—	—	(7,836)	—	(7,836)
Total other comprehensive (loss) income	(7,770)	(95)	43,760	—	35,895
Comprehensive income	94,442	174,577	241,739	(371,726)	139,032
Less: comprehensive income attributable to noncontrolling interests	—	—	(954)	—	(954)
Comprehensive income attributable to Alexandria's common stockholders	$ 94,442	$ 174,577	$ 240,785	$ (371,726)	$ 138,078

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Nine Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 108,966	$ 170,190	$ 190,272	$ (356,620)	$ 112,808
Other comprehensive income:					
Unrealized gains on marketable equity securities:					
Unrealized holding gains arising during the year	—	—	13,591	—	13,591
Reclassification adjustment for losses included in net income	—	—	517	—	517
Unrealized gains on marketable equity securities, net	—	—	14,108	—	14,108
Unrealized gains on interest rate swap agreements:					
Unrealized interest rate swap losses arising during the year	(2,708)	—	—	—	(2,708)
Reclassification adjustment for amortization of interest expense included in net income	5,742	—	—	—	5,742
Unrealized gains on interest rate swap agreements, net	3,034	—	—	—	3,034
Unrealized losses on foreign currency translation:					
Unrealized foreign currency translation losses	—	—	(9,450)	—	(9,450)
Reclassification adjustment for gains included in net income	—	—	(199)	—	(199)
Unrealized losses on foreign currency translation, net	—	—	(9,649)	—	(9,649)
Total other comprehensive income	3,034	—	4,459	—	7,493
Comprehensive income	112,000	170,190	194,731	(356,620)	120,301
Less: comprehensive income attributable to noncontrolling interests	—	—	(3,842)	—	(3,842)
Comprehensive income attributable to Alexandria's common stockholders	$ 112,000	$ 170,190	$ 190,889	$ (356,620)	$ 116,459

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows
for the Nine Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income	$ 102,212	$ 174,672	$ 197,979	$ (371,726)	$ 103,137
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization	4,515	—	184,529	—	189,044
Loss on early extinguishment of debt	189	—	—	—	189
Impairment of real estate	—	—	14,510	—	14,510
Equity in earnings of unconsolidated joint ventures	—	—	(1,825)	—	(1,825)
Distributions of earnings from unconsolidated joint ventures	—	—	740	—	740
Amortization of loan fees	5,717	—	2,631	—	8,348
Amortization of debt discounts (premiums)	243	—	(525)	—	(282)
Amortization of acquired below-market leases	—	—	(5,121)	—	(5,121)
Deferred rent	—	—	(34,421)	—	(34,421)
Stock compensation expense	12,922	—	—	—	12,922
Equity in earnings of affiliates	(193,480)	(174,800)	(3,446)	371,726	—
Investment gains	—	—	(22,368)	—	(22,368)
Investment losses	—	269	10,888	—	11,157
Changes in operating assets and liabilities:					
Restricted cash	(28)	—	52	—	24
Tenant receivables	—	—	380	—	380
Deferred leasing costs	—	—	(47,725)	—	(47,725)
Other assets	(9,228)	—	(4,493)	—	(13,721)
Accounts payable, accrued expenses, and tenant security deposits	31,895	—	(472)	—	31,423
Net cash (used in) provided by operating activities	(45,043)	141	291,313	—	246,411
Investing Activities					
Proceeds from sale of real estate	—	—	92,455	—	92,455
Additions to real estate	—	—	(362,215)	—	(362,215)
Purchase of real estate	—	—	(248,933)	—	(248,933)
Deposits for investing activities	—	—	(6,707)	—	(6,707)
Investment in unconsolidated real estate joint ventures	—	—	(7,979)	—	(7,979)

Investments in subsidiaries	(302,455)	(215,128)	(4,493)	522,076	—
Additions to investments	—	—	(67,965)	—	(67,965)
Sales of investments	—	6	39,584	—	39,590
Repayment of notes receivable	—	—	4,264	—	4,264
Net cash used in investing activities	$ (302,455)	$ (215,122)	$ (561,989)	$ 522,076	$ (557,490)

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows (continued)
for the Nine Months Ended September 30, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Financing Activities					
Borrowings from secured notes payable	$ —	$ —	$ 47,375	$ —	$ 47,375
Repayments of borrowings from secured notes payable	—	—	(12,217)	—	(12,217)
Borrowings from unsecured senior line of credit	1,432,000	—	—	—	1,432,000
Repayments of borrowings from unsecured senior line of credit	(893,000)	—	—	—	(893,000)
Repayments of borrowings from unsecured senior bank term loans	(25,000)	—	—	—	(25,000)
Transfer to/from parent company	1,853	214,926	305,297	(522,076)	—
Change in restricted cash related to financing activities	—	—	(4,737)	—	(4,737)
Payment of loan fees	(2,140)	—	(2,042)	—	(4,182)
Proceeds from the issuance of common stock	5,052	—	—	—	5,052
Dividends on common stock	(162,280)	—	—	—	(162,280)
Dividends on preferred stock	(18,740)	—	—	—	(18,740)
Contributions by noncontrolling interests	—	—	340	—	340
Distributions to and purchases of noncontrolling interests	—	—	(62,973)	—	(62,973)
Net cash provided by financing activities	337,745	214,926	271,043	(522,076)	301,638
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(187)	—	(187)
Net (decrease) increase in cash and cash equivalents	(9,753)	(55)	180	—	(9,628)
Cash and cash equivalents as of the beginning of period	52,491	63	33,457	—	86,011
Cash and cash equivalents as of the end of period	$ 42,738	$ 8	$ 33,637	$ —	$ 76,383
Supplemental Disclosure of Cash Flow Information					
Cash paid during the period for interest, net of interest capitalized	$ 47,193	$ —	$ 17,004	$ —	$ 64,197
Non-Cash Investing Activities					

Change in accrued construction	$ —	$ —	$ (7,305)	$ —	$ (7,305)
Assumption of secured notes payable in connection with purchase of properties	$ —	$ —	$ (82,000)	$ —	$ (82,000)
Non-Cash Financing Activities					
Payable for purchase of noncontrolling interest	$ (51,887)	$ —	$ —	$ —	$ (51,887)

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14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows
for the Nine Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income	$ 108,966	$ 170,190	$ 190,272	$ (356,620)	$ 112,808
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization	4,335	—	161,788	—	166,123
Loss on early extinguishment of debt	525	—	—	—	525
Gain on sale of land parcel	—	—	(805)	—	(805)
Amortization of loan fees	5,424	—	2,666	—	8,090
Amortization of debt discounts (premiums)	152	—	(52)	—	100
Amortization of acquired below-market leases	—	—	(2,191)	—	(2,191)
Deferred rent	—	—	(35,511)	—	(35,511)
Stock compensation expense	9,372	—	—	—	9,372
Equity in earnings of affiliates	(180,275)	(172,989)	(3,356)	356,620	—
Investment gains	—	(3)	(9,478)	—	(9,481)
Investment losses	—	2,802	5,923	—	8,725
Changes in operating assets and liabilities:					
Restricted cash	(15)	—	15	—	—
Tenant receivables	—	—	(939)	—	(939)
Deferred leasing costs	(80)	—	(25,830)	—	(25,910)
Other assets	(5,263)	—	(6,965)	—	(12,228)
Accounts payable, accrued expenses, and tenant security deposits	50,210	—	(13,764)	—	36,446
Net cash (used in) provided by operating activities	(6,649)	—	261,773	—	255,124
Investing Activities					
Proceeds from sale of real estate	—	—	28,378	—	28,378
Additions to real estate	—	—	(345,074)	—	(345,074)
Purchase of real estate	—	—	(97,785)	—	(97,785)
Deposit for investing activities	—	—	(7,292)	—	(7,292)
Change in restricted cash related to construction projects	—	—	6,694	—	6,694
Investment in unconsolidated real estate joint ventures	—	—	(67,525)	—	(67,525)
Investments in subsidiaries	(322,228)	(291,300)	(12,150)	625,678	—
Additions to investments	—	—	(35,484)	—	(35,484)

Sales of investments	—	—	13,883	—	13,883
Repayment of notes receivable	—	—	29,866	—	29,866
Net cash used in investing activities	$ (322,228)	$ (291,300)	$ (486,489)	$ 625,678	$ (474,339)

14. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows (continued)
for the Nine Months Ended September 30, 2014
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Financing Activities					
Borrowings from secured notes payable	$ —	$ —	$ 108,626	$ —	$ 108,626
Repayments of borrowings from secured notes payable	—	—	(228,909)	—	(228,909)
Proceeds from issuance of unsecured senior notes payable	698,908	—	—	—	698,908
Borrowings from unsecured senior line of credit	890,000	—	—	—	890,000
Repayments of borrowings from unsecured senior line of credit	(952,000)	—	—	—	(952,000)
Repayment of unsecured senior bank term loan	(125,000)	—	—	—	(125,000)
Transfer to/from parent company	103	291,300	334,275	(625,678)	—
Change in restricted cash related to financing activities	—	—	375	—	375
Payment of loan fees	(6,515)	—	(1,474)	—	(7,989)
Dividends on common stock	(150,540)	—	—	—	(150,540)
Dividends on preferred stock	(19,414)	—	—	—	(19,414)
Contributions by noncontrolling interests	—	—	19,410	—	19,410
Distributions to and purchases of noncontrolling interests	—	—	(3,487)	—	(3,487)
Net cash provided by financing activities	335,542	291,300	228,816	(625,678)	229,980
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(1,438)	—	(1,438)
Net increase in cash and cash equivalents	6,665	—	2,662	—	9,327
Cash and cash equivalents as of the beginning of period	14,790	—	42,906	—	57,696
Cash and cash equivalents as of the end of period	$ 21,455	$ —	$ 45,568	$ —	$ 67,023
Supplemental Disclosure of Cash Flow Information					
Cash paid during the period for interest, net of interest capitalized	$ 20,089	$ —	$ 13,694	$ —	$ 33,783
Non-Cash Investing Activities					

Change in accrued construction	$ —	$ —	$ 36,235	$ —	$ 36,235
Assumption of secured notes payable in connection with purchase of properties	$ —	$ —	$ (48,329)	$ —	$ (48,329)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain information and statements included in this quarterly report on Form 10-Q, including, without limitation, statements containing the words "forecast," "guidance," "projects," "estimates," "anticipates," "believes," "expects," "intends," "plans," "seeks," "should," or "will," or the negative of these words or similar words, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, results of operations, and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by the forward-looking statements, including, but not limited to, the following:

- Operating factors such as a failure to operate our business successfully in comparison to market expectations or in comparison to our competitors, our inability to obtain capital when desired or refinance debt maturities when desired, and/or a failure to maintain our status as a REIT for federal tax purposes.
- Market and industry factors such as adverse developments concerning the science and technology industries and/or our client tenants.
- Government factors such as any unfavorable effects resulting from federal, state, local, and/or foreign government policies, laws, and/or funding levels.
- Global factors such as negative economic, political, financial, credit market, and/or banking conditions.
- Other factors such as climate change, cyber intrusions, and/or changes in laws, regulations, and financial accounting standards.

This list of risks and uncertainties is not exhaustive. Additional information regarding risk factors that may affect us is included under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the fiscal year ended December 31, 2014. Readers of this quarterly report on Form 10-Q should also read our other documents filed publicly with the SEC for further discussion regarding such factors.

Overview

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for federal income tax purposes. We are the largest and leading urban office REIT uniquely focused on collaborative science and technology campuses in AAA innovation cluster locations with a total market capitalization of $10.8 billion as of September 30, 2015, and an asset base of 31.5 million square feet, including 19.9 million RSF of operating properties and development and redevelopment projects under construction, as well as an additional 11.6 million square feet of near-term and future ground-up development projects. Alexandria pioneered this niche in 1994 and has since established a dominant market presence in key locations, including Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. Alexandria is known for its high-quality and diverse client tenant base, with approximately 53% of total annualized base rent as of September 30, 2015, generated from investment-grade client tenants – a REIT industry-leading percentage. Alexandria has a longstanding and proven track record of developing Class A assets clustered in urban science and technology campuses that provide its innovative client tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value.

Our primary business objective is to maximize stockholder value by providing our stockholders with the greatest possible total return and long-term asset value based on a multifaceted platform of internal and external growth. A key element of our strategy is our unique focus on Class A assets clustered in urban campuses. These key urban campus locations are characterized by high barriers to entry for new landlords, and a limited supply of available space. They represent highly desirable locations for tenancy by science and technology entities because of their close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Our strategy also includes drawing upon our deep and broad real estate, science, and technology relationships in order to identify and attract new and leading client tenants and to source additional value-creation real estate opportunities.

Executive summary

Our best-in-class team delivered another strong quarter of financial and operating results, including the following key highlights:

- Executed agreement for the sales of partial interests in Class A facilities to TIAA-CREF with closings in the fourth quarter of 2015:
- 4.8% cash cap rate on sale of 49.9% interest in 1500 Owens Street located in our Mission Bay submarket for a sale price of $73.4 million;
- 4.5% cash cap rate on sale of 70% interest in 225 Binney Street in our Cambridge submarket for a sale price of $190 million;
- Highly leased development and redevelopment projects:
- 1.5 million RSF, 89% leased, targeted for completion by 4Q16 (weighted toward 4Q16), will generate $75 to $80 million incremental annual NOI upon stabilization;
- 1.8 million RSF, 71% leased, targeted for completion in 2017 and 2018, will generate $105 to $110 million of incremental annual NOI upon stabilization;
- FFO per share – diluted, as adjusted, for the three months ended September 30, 2015, of $1.33, up 9.9%, compared to $1.21 for the three months ended September 30, 2014;
- Same property NOI growth of 1.1% and 4.8% (cash basis) for the three months ended September 30, 2015, compared to the three months ended September 30, 2014;
-

Executed leases for 1,021,756 RSF and 3,959,804 RSF during the three and nine months ended September 30, 2015, respectively, highest nine-month leasing volume in the Company’s 20-year history;

- Rental rate increases of 17.5% and 8.8% (cash basis) for the three months ended September 30, 2015 lease renewals and re-leasing of space aggregating 456,602 RSF (included in the 1,021,756 RSF above); and
- Common stock dividend for the three months ended September 30, 2015, of $0.77 per common share, up 5 cents, or 7%, over the three months ended September 30, 2014; continuation of strategy to share growth in cash flows from operating activities with our shareholders while also importantly retaining capital for reinvestment.

Sales of partial interest in two core real estate assets at 4.5% and 4.8% cash cap rates:

- In July and October 2015, we executed agreements for the sales of partial interests in two Class A facilities to TIAA-CREF, with closings in the fourth quarter of 2015:

Property	Submarket	Interest To Be Sold	RSF	Sales Price	Cash Cap Rate
225 Binney Street	Cambridge	70%	305,212	$190,110	4.5%
1500 Owens Street	Mission Bay	49.9%	158,267	73,353	4.8%
			463,479	$263,463	4.6%

Refer to our "Dispositions and other sources of capital" for information on additional asset sales expected in the fourth quarter of 2015.

Results

- FFO attributable to Alexandria's common stockholders – diluted, as adjusted:
  - $1.33 per share for the three months ended September 30, 2015, up 9.9%, compared to $1.21 per share for the three months ended September 30, 2014
  - $3.92 per share for the nine months ended September 30, 2015, up 9.8%, compared to $3.57 per share for the nine months ended September 30, 2014
  - $95.0 million for the three months ended September 30, 2015, up $9.0 million, or 10.4%, compared to $86.1 million for the three months ended September 30, 2014
  - $280.0 million for the nine months ended September 30, 2015, up $26.3 million, or 10.4%, compared to $253.7 million for the nine months ended September 30, 2014
- Investment income of $5.4 million, or $0.08 per share, included gross investment gains of $8.7 million, primarily from the sale of two publicly traded securities.

- Net income attributable to Alexandria's common stockholders – diluted:
  - $32.7 million, or $0.46 per share, for the three months ended September 30, 2015, compared to $27.6 million, or $0.39 per share, for the three months ended September 30, 2014
  - $81.7 million, or $1.14 per share, for the nine months ended September 30, 2015, compared to $88.3 million, or $1.24 per share, for the nine months ended September 30, 2014

Core operating metrics

- Total revenues:
  - $218.6 million for the three months ended September 30, 2015, up $33.0 million, or 17.8%, compared to $185.6 million for the three months ended September 30, 2014
  - $619.5 million for the nine months ended September 30, 2015, up $81.3 million, or 15.1%, compared to $538.2 million for the nine months ended September 30, 2014
- NOI, including our share of unconsolidated joint ventures:
  - $151.2 million for the three months ended September 30, 2015, up $23.0 million, or 17.9%, compared to $128.2 million for the three months ended September 30, 2014
  - $430.4 million for the nine months ended September 30, 2015, up $54.5 million, or 14.5%, compared to $375.9 million for the nine months ended September 30, 2014
- Occupancy for operating properties in North America of 96.2% as of September 30, 2015
- 53% of our total ABR generated from investment-grade client tenants
- Same property NOI growth:

- 1.1% and 4.8% (cash basis) increase for the three months ended September 30, 2015, compared to the three months ended September 30, 2014
- 1.2% and 5.6% (cash basis) increase for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014
- Operating margins at 69% for the three months ended September 30, 2015
- Adjusted EBITDA margins at 65% for the three months ended September 30, 2015

Core operating metrics (continued)

- Executed leases for 1,021,756 RSF during the three months ended September 30, 2015:
- 253,108 RSF to bluebird bio, Inc., representing 99% of our 60 Binney Street development project under construction in our Cambridge submarket in Greater Boston
- 150,000 RSF to Pinterest, Inc., representing 100% of phase one of the recently acquired near-term development project at 505 Brannan Street in our SoMa submarket in San Francisco
- 78,916 RSF renewal with UMass Memorial Realty, Inc. at 306 Belmont Street in our Route 495/Worcester submarket in Greater Boston
- 60,917 RSF renewal with Vertex Pharmaceuticals Incorporated at 245/275 Armand Frappier Boulevard in our Canadian submarket
- 50,231 RSF leased and delivered to The Children's Hospital Corporation at 360 Longwood Avenue in our Longwood Medical Area submarket in Greater Boston
- 17.5% and 8.8% (cash basis) rental rate increases on lease renewals and re-leasing of space aggregating 456,602 RSF
- Executed leases for 3,959,804 RSF for the nine months ended September 30, 2015; highest nine-month leasing volume in the Company's 20-year history
- 19.6% and 10.6% (cash basis) rental rate increases on lease renewals and re-leasing of space aggregating 1,729,239 RSF

External growth: development and redevelopment projects under construction and acquisitions

Highly leased development and redevelopment projects under construction

- Highly leased development and redevelopment projects:
- 1.5 million RSF, 89% leased, targeted for completion by fourth quarter of 2016 (weighted toward fourth quarter of 2016), will generate $75 to $80 million incremental annual NOI upon stabilization
- 1.8 million RSF 71% leased, targeted for completion in 2017 and 2018, will generate $105 to $110 million of incremental annual NOI upon stabilization
- Key development projects placed into service during the three months ended September 30, 2015, include:
- 62,490 RSF, including 30,408 RSF to Eli Lilly and Company and 30,408 RSF to Galderma Laboratories, L.P. (a wholly-owned subsidiary of Nestle S.A.), at our 430 East 29th Street development in our Manhattan submarket in New York City
- 50,231 RSF to The Children's Hospital Corporation at our 360 Longwood Avenue development in our Longwood Medical Area submarket in Greater Boston
- Commencements of development and redevelopment projects during the three months ended September 30, 2015, including:
- 431,483 RSF development project at 100 Binney Street in our Cambridge submarket; 98% leased/negotiating, including 58% leased to Bristol-Myers Squibb Company
- 304,326 RSF redevelopment project at 10290 Campus Point Drive in our University Town Center submarket, acquired in July 2015 for $105.0 million; 100% leased to Eli Lilly and Company
- 300,000 RSF development project at 510 Townsend Street in our SoMa submarket; 100% leased to Stripe, Inc.
- 162,156 RSF redevelopment project at 9625 Towne Centre Drive in our University Town Center submarket
- 59,000 RSF redevelopment project at 11 Hurley Street, in our Cambridge submarket, acquired in September 2015 for $5.9 million; 100% under negotiation

Acquisitions

-

In July and September 2015, we acquired 10290 Campus Point Drive and 11 Hurley Street, respectively. We commenced conversion of these buildings into office/laboratory space through redevelopment during the three months ended September 30, 2015.

Balance sheet

- In October 2015, closed a secured construction loan with aggregate commitments available for borrowing of $350.0 million, for our 98% leased development project at 50/60 Binney Street in our Cambridge submarket, which bears interest at a rate of LIBOR+1.50%
- $855 million of liquidity as of as of September 30, 2015; $1.2 billion of liquidity as of September 30, 2015 on a pro forma basis for the available borrowings under the construction loan noted immediately above
- $10.8 billion total market capitalization as of September 30, 2015
- 13% of gross investments in real estate in value-creation pipeline (74% of pipeline undergoing construction) as of September 30, 2015, with a target range from 10% to 15% as of the fourth quarter of 2016
- 7.4 times net debt to Adjusted EBITDA – third quarter of 2015 annualized, with target of less than 7.0 times by the fourth quarter of 2015
- 3.5 times fixed-charge coverage ratio – third quarter of 2015 annualized
- Limited debt maturities through 2018; well-laddered maturity profile
- Executed additional interest rate swap agreements during the three months ended September 30, 2015, with an aggregate notional amount of $750 million, to increase notional hedged variable-rate debt to a minimum of $1.1 billion and $650 million during 2016 and 2017, respectively
- 24% unhedged variable-rate debt as a percentage of total debt as of September 30, 2015, with a target of less than 15% by December 31, 2015

LEED statistics

- 56% of our total ABR will be generated from LEED projects upon completion of our in-process projects

Other subsequent events

- In October 2015, we repaid a $76.0 million secured note payable with an effective interest rate of 5.73%
- In October 2015, we executed an agreement to sell a 49.9% interest in our 158,267 RSF, property at 1500 Owens Street in our Mission Bay submarket in San Francisco to a high-quality institutional investor for $73.4 million, with closing in the fourth quarter of 2015
- In October 2015, we executed an agreement for the sale of 75/125 Shoreway Road in our Palo Alto/Stanford Research Park submarket in San Francisco to a high-quality institutional investor at a sales price of $38.5 million and a cash capitalization rate of 5.8%; with closing in the fourth quarter of 2015

Operating summary

Key real estate statistics

The following table presents information regarding our asset base, including unconsolidated joint ventures, as of September 30, 2015, and December 31, 2014:

	September 30, 2015	December 31, 2014
(Rentable square feet)		
Operating properties	16,803,766	16,727,985
Development properties	2,614,491	1,857,520
Redevelopment properties	525,482	143,777
Total properties	19,943,739	18,729,282
Number of properties	198	193
Occupancy in North America at period-end – operating	96.2 %	97.0 %
Occupancy in North America at period-end – operating and redevelopment	93.0 %	96.1 %
Annualized base rent per occupied RSF at period-end	$39.44	$37.23

Leasing

- Executed a total of 172 leases, with a weighted-average lease term of 9.0 years, for 3,959,804 RSF, including 2,003,746 RSF related to our development and redevelopment projects during the nine months ended September 30, 2015
- Achieved rental rate increases for renewed/re-leased space of 19.6% and 10.6% (cash basis) on 1,729,239 RSF during the nine months ended September 30, 2015
- Occupancy rate for operating properties in North America of 96.2% as of September 30, 2015

Approximately 64% of the 172 leases executed during the nine months ended September 30, 2015, did not include concessions for free rent. During the nine months ended September 30, 2015, we granted tenant concessions/free rent averaging 2.8 months with respect to the 3,959,804 RSF leased.

The following table summarizes our leasing activity at our properties:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015			Year Ended December 31, 2014	
	Including Straight-line Rent	Cash Basis	Including Straight-line Rent		Cash Basis	Including Straight-line Rent	Cash Basis
(Dollars are per RSF)							
Leasing activity:							
Renewed/re-leased space [1]							
Rental rate changes	17.5%	8.8%	19.6%		10.6%	13.3%	5.4%
New rates	$34.85	$34.64	$36.13		$36.37	$40.32	$40.73
Expiring rates	$29.66	$31.83	$30.21		$32.87	$35.60	$38.63
Rentable square footage	456,602		1,729,239			1,447,516	
Number of leases	32		117			124	
Tenant improvements/leasing commissions	$11.82		$10.24			$10.49	
Average lease terms	5.2 years		4.8 years			3.5 years	
Developed/redeveloped/previously vacant space leased							
New rates	$68.18	$64.29	$59.72		$54.30	$40.62	$36.50
Rentable square footage	565,154		2,230,565			1,321,317	
Number of leases	17		55			66	
Tenant improvements/leasing commissions	$17.38		$19.01			$14.96	
Average lease terms	11.5 years		12.2 years			11.5 years	
Leasing activity summary (totals):							
New rates	$53.29	$51.04	$49.42		$46.47	$40.46	$38.71
Rentable square footage	1,021,756		3,959,804	(2)		2,768,833	
Number of leases	49		172			190	
Tenant improvements/leasing commissions	$14.89		$15.18			$12.62	
Average lease terms	8.7 years		9.0 years			7.3 years	
Lease expirations [1]							
Expiring rates	$26.84	$28.54	$28.67		$30.94	$33.09	$35.79
Rentable square footage	635,195		2,262,674			1,733,614	
Number of leases	45		158			151	

(1) Excludes 16 month-to-month leases for 37,054 RSF and 20 month-to-month leases for 43,672 RSF as of September 30, 2015, and December 31, 2014, respectively.

(2) During the nine months ended September 30, 2015, we granted tenant concessions/free rent averaging 2.8 months with respect to the 3,959,804 RSF leased.

Summary of lease expirations

The following table summarizes information with respect to the lease expirations at our properties as of September 30, 2015:

Year of Lease Expiration	Number of Leases Expiring	RSF of Expiring Leases	Percentage of Aggregate Total RSF	ABR of Expiring Leases (per RSF)
2015	20 (1)	232,526 (1)	1.4 %	$37.03
2016	80	1,321,642	7.9 %	$31.79
2017	81	1,386,364	8.3 %	$27.89
2018	86	1,838,064	10.9 %	$38.73
2019	68	1,401,460	8.3 %	$35.98
2020	65	1,556,981	9.3 %	$37.05
2021	43	1,320,614	7.9 %	$39.08
2022	27	900,680	5.4 %	$34.35
2023	22	1,188,496	7.1 %	$37.66
2024	15	830,169	4.9 %	$45.26
Thereafter	50	3,704,202	22.0 %	$48.00

(1) Excludes 16 month-to-month leases for 37,054 RSF.

The following tables present information by market with respect to our lease expirations as of September 30, 2015, for the remainder of 2015 and all of 2016:

	2015 RSF of Expiring Leases					
Market	Leased	Negotiating/ Anticipating	Targeted for Redevelopment	Remaining Expiring Leases	Total (1)	ABR of Expiring Leases (per RSF)
Greater Boston	—	34,560	—	4,284	38,844	$46.40
San Francisco	87,834	—	—	—	87,834	43.98
New York City	—	199	—	9,528	9,727	N/A
San Diego	—	—	48,880 (2)	1,000	49,880	N/A
Seattle	—	27,200	—	1,893	29,093	22.45
Maryland	2,109	—	—	3,386	5,495	20.69
Research Triangle Park	4,575	—	—	—	4,575	29.03
Non-cluster markets	—	—	—	3,009	3,009	14.00
Asia	—	—	—	4,069	4,069	N/A
Total	94,518	61,959	48,880	27,169	232,526	$37.03
Percentage of expiring leases	41 %	27 %	21 %	11 %	100 %	

	2016 RSF of Expiring Leases					
Market	Leased	Negotiating/ Anticipating	Targeted for Redevelopment	Remaining Expiring Leases	Total	ABR of Expiring Leases (per RSF)
Greater Boston	104,369	27,232	—	47,561	179,162	$43.51
San Francisco	726	31,611	—	111,578	143,915	30.75

New York City	—	—	—	5,447	5,447	N/A
San Diego	46,033	158,645 (3)	—	367,013 (4)	571,691	33.90
Seattle	2,468	—	—	44,684	47,152	38.79
Maryland	16,560	—	—	125,103	141,663	25.74
Research Triangle Park	54,642	—	—	88,383	143,025	23.13
Non-cluster markets	—	346	—	3,508	3,854	20.57
Asia	45,835	35,335	—	4,563	85,733	16.29
Total	270,633	253,169	—	797,840	1,321,642	$31.79
Percentage of expiring leases	20 %	19 %	— %	61 %	100 %	

(1) Excludes 16 month-to-month leases for 37,054 RSF.

(2) Represents 48,880 RSF at 10151 Barnes Canyon Road. We expect to commence redevelopment of the property into tech office space upon expiration of the acquired in-place lease in the fourth quarter of 2015.

(3) Represents two leases at 3115/3215 Merryfield Row with contractual expirations in January and August 2016, respectively, at an average annualized base rent of $26.62 per square foot. We are in negotiations with a high-quality client tenant for approximately 155,000 RSF of build-to-suit space at the ARE Spectrum campus.

(4) Includes 125,409 RSF leased to Eli Lilly and Company at 10300 Campus Point Drive with a contractual expiration in the fourth quarter of 2016. This client tenant will relocate and expand into 304,326 RSF at our recently acquired redevelopment project at 10290 Campus Point Drive project.

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High-Quality Cash Flows from Innovative Client Tenants with
53% of Total ABR from Investment-Grade Client Tenants

High-Quality Client Tenant Base

Diverse Client Tenant Base

High-Quality Cash Flows from Class A Assets in AAA Locations

Focus in Key Locations

Class A Assets
in AAA Locations
75%
of ARE's Total ABR

% of ARE's Total ABR

Demand for Class A Assets in AAA Locations Drives Solid Occupancy

Occupancy Across Key Locations
as of September 30, 2015

Solid Occupancy [2]
95%
Over 10 Years

(1) Traditional Office and Tech space comprises of 2.2% and 0.8% of ABR, respectively.
(2) Average occupancy of operating properties in North America as of December 31 for the last 10 years.

Location of properties

The locations of our properties are diversified among a number of science and technology cluster markets. The following table sets forth, as of September 30, 2015, the total RSF, number of properties, and annualized base rent of our properties in each of our existing markets (dollars in thousands):

Market	RSF Operating	Development	Redevelopment	Total	% Total		Number of Properties	Annualized Base Rent			ABR per RSF [1]
Greater Boston	4,534,155	1,115,637	59,000	5,708,792	28	%	44	$218,520	35	%	$50.38
San Francisco	2,630,791	722,980	—	3,353,771	17		27	116,017	19		44.10
New York City	744,917	67,912	—	812,829	4		4	58,481	10		78.80
San Diego	3,065,910	358,609	466,482	3,891,001	19		50	99,565	16		34.22
Seattle	746,260	287,806	—	1,034,066	5		11	32,203	5		43.75
Maryland	2,156,196	—	—	2,156,196	11		29	50,249	8		24.37
Research Triangle Park	980,763	61,547	—	1,042,310	5		15	19,444	3		21.65
Canada	322,967	—	—	322,967	2		4	7,768	1		24.21
Non-cluster markets	105,033	—	—	105,033	1		3	1,444	—		19.12
North America	15,286,992	2,614,491	525,482	18,426,965	92		187	603,691	97		41.03
Asia	1,199,714	—	—	1,199,714	6		8	6,887	1		9.66
Subtotal	16,486,706	2,614,491	525,482	19,626,679	98		195	610,578	98		39.58
Properties "held for sale" [2]	317,060	—	—	317,060	2		3	9,271	2		31.63
Total	16,803,766	2,614,491	525,482	19,943,739	100	%	198	$619,849	100	%	$39.44

(1) Represents ABR per occupied RSF as of September 30, 2015.

(2) Refer to Note 12 – "Assets classified as held for sale" to our unaudited consolidated financial statements under Item 1 of this report for additional information regarding properties classified as "held for sale" as of September 30, 2015.

Summary of occupancy percentages in North America

The following table sets forth the occupancy percentages for our operating assets and our assets under redevelopment in each of our North America markets as of the following dates:

Market	Operating Properties 9/30/15		6/30/15		9/30/14		Operating and Redevelopment Properties 9/30/15		6/30/15		9/30/14	
Greater Boston	95.7	% [1]	96.5	%	98.6	%	94.4	%	96.5	%	95.7	%
San Francisco	100.0		100.0		99.0		100.0		100.0		99.0	
New York City	99.6		99.6		98.4		99.6		99.6		98.4	
San Diego	94.9	[2]	94.5		97.1		82.4		94.5		96.1	
Seattle	98.6		96.0		94.7		98.6		96.0		94.7	
Maryland	95.6		93.6		93.8		95.6		93.6		93.8	
Research Triangle Park	91.6	[3]	91.0		96.7		91.6		91.0		96.7	
Subtotal	96.3	[4]	96.0		97.3		93.1		96.0		96.3	

Canada	99.3	99.3	97.6	99.3	99.3	97.6
Non-cluster markets	71.9	68.0	93.9	71.9	68.0	93.9
North America	96.2 %(4)	95.9 %	97.3 %	93.0 %	95.9 %	96.3 %

(1) The decline from September 30, 2014 is primarily driven by a 128,325 RSF full-building lease that expired at 19 Presidential Way in our Route 128 submarket. We are in the process of marketing the property for multi-tenancy office/laboratory use.

(2) The decline from September 30, 2014 is primarily driven by expirations of leases at 9363 and 9373 Towne Centre Drive in our University Towne Center submarket. We re-leased approximately 66% of these buildings.

(3) The decline from September 30, 2014 is primarily driven by an 81,580 RSF full-building lease that expired at 2525 East NC Highway 54 in our Research Triangle Park submarket. We are in the process of marketing the property for multi-tenancy office/laboratory use.

(4) See footnotes 1, 2, and 3 above.

Client tenants

Our properties are leased to a high-quality and diverse group of client tenants, with no individual client tenant accounting for more than 5.4% of our annualized base rent. The following table sets forth information regarding leases with our 20 largest client tenants based upon annualized base rent as of September 30, 2015 (dollars in thousands):

	Client Tenant	Remaining Lease Term in Years (1)	Aggregate RSF	ABR	Percentage of Aggregate ABR	Investment-Grade Ratings Fitch	Moody's	S&P
1	Novartis AG	2.2	693,480	$33,524	5.4 %	AA	Aa3	AA-
2	ARIAD Pharmaceuticals, Inc.	14.5	386,111 (2)	29,994	4.8	—	—	—
3	Illumina, Inc.	14.4	595,886	25,452	4.1	—	—	BBB
4	New York University	15.0	209,224	19,897	3.2	—	Aa3	AA-
5	Eli Lilly and Company	7.3	287,527	19,341	3.1	A	A2	AA-
6	Roche	5.0	343,472	16,490	2.7	AA	A1	AA
7	Dana-Farber Cancer Institute, Inc.	14.8	203,090	15,038	2.4	—	A1	—
8	United States Government	9.6	263,147	14,778	2.4	AAA	Aaa	AA+
9	Celgene Corporation	6.5	361,071	14,770	2.4	—	Baa2	BBB+
10	FibroGen, Inc.	8.1	234,249	14,278	2.3	—	—	—
11	Amgen Inc.	8.0	401,623	14,260	2.3	BBB	Baa1	A
12	Biogen Inc.	12.6	313,872	13,735	2.2	—	Baa1	A-
13	Massachusetts Institute of Technology	4.1	208,274	10,971	1.8	—	Aaa	AAA
14	Bristol-Myers Squibb Company	3.4	251,316	10,743	1.7	A-	A2	A+
15	The Regents of the University of California	8.0	230,633	10,354	1.7	AA	Aa2	AA
16	The Scripps Research Institute	2.4	218,031	10,023	1.6	AA-	Aa3	—
17	GlaxoSmithKline plc	3.8	208,394	9,510	1.5	A+	A2	A+
18	Sanofi	5.9	179,697	8,084	1.3	AA-	A1	AA
19	Alnylam Pharmaceuticals, Inc.	6.0	129,424	7,314	1.2	—	—	—
20	Sumitomo Dainippon Pharma Co., Ltd.	7.5	106,232	6,501	1.0	—	—	—
	Total/weighted-average	8.6	5,824,753	$305,057	49.1 %			

(1) Based on percentage of aggregate annualized base rent in effect as of September 30, 2015.

(2) In August 2015, ARIAD Pharmaceuticals, Inc. ("ARIAD") entered into a sublease with IBM Watson Health, a digital health venture of the International Business Machines Corporation ("IBM") under which IBM will sublease approximately 163,186 RSF at 75 Binney Street for an initial lease term of 10 years. IBM holds investment-grade ratings of A+ (Fitch), Aa3 (Moody's), and AA- (S&P) and has the option to extend the sublease term through the end of the ARIAD lease, in March 2030, at 75/125 Binney Street.

Value-creation projects and external growth

Key real estate metrics as of September 30, 2015

2015 Disciplined Allocation of Capital [1]	13% of Gross Investments in Real Estate in Value-Creation Pipeline	
Highly Leased Development and Redevelopment Projects	Pre-Leased [3] Percentage of Ground-Up Developments Since January 1, 2009	
80%	Single-Tenant	Multi-Tenant
Leased	100% Pre-leased	38% Pre-leased
	2.3M RSF	2.5M RSF

(1) Includes actual and projected construction and acquisitions for the year ending December 31, 2015. Refer to pages 64 and 65 for additional details.
(2) Upon completion of our in-process LEED certification projects.
(3) Represents average pre-leased percentage at the time development commenced.

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LEED Sustainability

Focused on Excellence, Sustainability and Operational Efficiency

56%	ABR From LEED® Projects [(1)]	51	LEED® Projects [(1)]

(1) Upon completion of 20 in-process LEED certification projects

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Investments in real estate

Our investments in real estate consisted of the following as of September 30, 2015 (dollars in thousands, except per square foot amounts):

	Investments in Real Estate				Square Feet			
	Consolidated	ARE Share of Unconsolidated Joint Ventures	Total Amount	%	Consolidated	Unconsolidated Joint Ventures	Total	Per SF [1]
Rental properties	$7,691,115	$ 69,685	$7,760,800	87 %	16,543,907	259,859	16,803,766	$471
Development and redevelopment projects under construction/construction in progress (CIP):								
Development projects under construction	644,500	96,712	741,212		2,037,834	576,657	2,614,491	337
Redevelopment projects under construction	139,931	—	139,931		525,482	—	525,482	266
Development and redevelopment projects under construction /construction in progress (CIP)	784,431	96,712	881,143	10	2,563,316	576,657	3,139,973	325
Rental properties and development and redevelopment projects under construction	8,475,546	166,397	8,641,943		19,107,223	836,516	19,943,739	448
Near-term value-creation projects (CIP)	47,358	—	47,358	—	1,310,186	—	1,310,186	36
Future value-creation projects:								
North America	187,313	—	187,313	2	3,797,375	—	3,797,375	49
Asia	77,261	—	77,261	1	6,419,707	—	6,419,707	12
	264,574	—	264,574		10,217,082	—	10,217,082	26
Near-term and future value-creation projects	311,932	—	311,932		11,527,268	—	11,527,268	27
Value-creation pipeline	1,096,363	96,712	1,193,075	13	14,090,584	576,657	14,667,241	91
Gross investments in real estate	8,787,478	166,397	$8,953,875	100%	30,634,491	836,516	31,471,007	$294
Equity method of accounting – unconsolidated joint ventures	126,471	N/A						
	8,913,949	N/A						

Gross investments in real estate – including unconsolidated joint ventures		
Less: accumulated depreciation	(1,259,740)	(1,289)
Investments in real estate	$7,654,209	$ 165,108

(1) Items that include our share of unconsolidated joint ventures are not calculated directly from amounts shown on this page. The per square foot amount represents the total cost of our rental properties and development and redevelopment projects under construction, including our partners' share, divided by the total rentable or developable square feet of the respective property.

Development, redevelopment, and future value-creation projects

A key component of our business model is our disciplined allocation of capital to Class A development and redevelopment projects located in highly dynamic and collaborative science and technology campuses in AAA urban innovation cluster locations that inspire innovation. These projects are focused on providing high-quality, generic, and reusable space to meet the real estate requirements of, and that are reusable by, a wide range of client tenants. During the period of construction, these assets are non-income-producing assets. A significant number of our development and redevelopment projects under construction are highly leased and expected to be placed into service in the near term. Upon completion, each value-creation project is expected to generate significant increases in rental income, NOI, and cash flows. Our development and redevelopment projects are generally in locations that are highly desirable to high-quality science and technology entities, which we believe results in higher occupancy levels, longer lease terms, and higher rental income and returns.

Development projects consist of the ground-up development of generic and reusable facilities. Redevelopment projects consist of the permanent change in use of office, warehouse, and shell space into office/laboratory or tech office space. We generally will not commence new development projects for aboveground construction of Class A office/laboratory or tech office space without first securing significant pre-leasing for such space, except when there is solid market demand for high-quality Class A facilities. Predevelopment activities include entitlements, permitting, design, site work, and other activities preceding commencement of construction of aboveground building improvements. The advancement of predevelopment efforts is focused on reducing the time required to deliver projects to prospective client tenants. These critical activities add significant value for future ground-up development and are required for the vertical construction of buildings. Ultimately, these projects will provide high-quality facilities and are expected to generate significant revenue and cash flows.

Our initial stabilized yield is calculated as the quotient of the estimated amounts of NOI upon stabilization and our investment in the property and excludes the impact of leverage. Our cash rents related to our value-creation projects are expected to increase over time, and our average cash yields are expected, in general, to be greater than our initial stabilized yields (cash basis). Our estimates for initial stabilized yields, initial stabilized yields (cash basis), and total costs at completion represent our initial estimates at the commencement of the project. We expect to update this information upon completion of the project, or sooner if there are significant changes to the expected project yields or costs. Initial stabilized yield reflects rental income, including contractual rent escalations and any rent concessions over the term(s) of the lease(s), calculated on a straight-line basis. Initial stabilized yield (cash basis) reflects cash rents at the stabilization date after initial rental concessions, if any, have elapsed. Average cash yield reflects cash rents, including contractual rent escalations after initial rental concessions have elapsed, calculated on a straight-line basis. The stabilized occupancy date represents the estimated date on which the project is expected to reach occupancy of 95% or greater.

Overview of value-creation pipeline

A substantial portion of our value-creation pipeline is expected to be placed into service in the near term. The completion of these highly leased projects is expected to contribute additional rental income, NOI, and cash flows. The following table sets forth the expected year in which our projects under construction and near-term value-creation development projects are forecasted to contribute incremental NOI:

Visible Growth Pipeline: Highly Leased Projects to Be Placed into Service by December 31, 2016

1.5M	89%	\$75M – \$80M
RSF	Leased	Incremental Annual NOI [1]

Property Market/Submarket	ARE's Ownership Interest	CIP Square Feet	Total Project Square Feet	Leased	Negotiating	Leased/Negotiating	Stabilization Date
Development and redevelopment projects under construction							
430 East 29th Street — New York City/Manhattan	100 %	67,912	418,639	87 %	11 %	98 %	4Q15
6040 George Watts Hill Drive — Research Triangle Park/RTP	100 %	61,547	61,547	100	—	100	1Q16
5200 Illumina Way, Building 6 — San Diego/University Town Center	100 %	295,609	295,609	100	—	100	3Q16
50/60 Binney Street — Greater Boston/Cambridge	100 %	530,477	530,477	98	—	98	4Q16
3013/3033 Science Park Road — San Diego/Torrey Pines	100 %	63,000	165,938	81	—	81	4Q16
360 Longwood Avenue — Greater Boston/Longwood Medical Area	27.5 %	153,677	413,536	63	1	64	4Q16
10290 Campus Point Drive — San Diego/University Town Center	100 %	304,326	304,326	100	—	100	Late 4Q16
		1,476,548	2,190,072	89 %	2 %	91 %	
Near-term development projects							
4796 Executive Drive — San Diego/University Town Center	100 %	61,755	61,755	100	—	100 %	4Q16
Total/weighted-average		1,538,303	2,251,827	89 %	2 %	91 %	

(1) Represents incremental annual NOI upon stabilization, including our 27.5% share of the incremental annual NOI from our 360 Longwood Avenue project.

Overview of value-creation pipeline (continued)

Visible Growth Pipeline: Highly Leased Projects to Be Placed into Service in 2017 and 2018

1.8M	71%	$105M to $110M
RSF	Leased	Incremental Annual NOI (1)

Property – Market/Submarket	ARE's Ownership Interest	Total Project Square Feet	Leased	Negotiating	Leased/Negotiating	Forecast Year of NOI Initial Contribution 2017	2018	2019
Development and redevelopment projects under construction								
400 Dexter Avenue North — Seattle/Lake Union	100 %	287,806	56 %	23 %	79 %			
510 Townsend Street — San Francisco/SoMa	100 %	300,000	100	—	100			
100 Binney Street — Greater Boston/Cambridge	100 %	431,483	58	40	98			
9625 Towne Centre Drive — San Diego/University Town Center	100 %	162,156	—	—	—			
11 Hurley Street — Greater Boston/Cambridge	100 %	59,000	—	100	100			
		1,240,445	57 %	24 %	81 %			
Near-term development projects								
505 Brannan Street — San Francisco/SoMa	100 %	150,000	100	—	100			
		1,390,445	62 %	21 %	83 %			
Development projects under construction								
1455/1515 Third Street — San Francisco/Mission Bay	51 %	422,980	100	—	100 %			
		1,813,425	71 %	16 %	87 %			
Near-term development projects								
5200 Illumina Way — San Diego/University Town Center	100 %	386,044	—	—	—			
10300 Campus Point Drive, Building 2 — San Diego/University Town Center	100 %	292,387	—	—	—			
East 29th Street — New York City/Manhattan	100 %	420,000	—	—	—			
Total/weighted-average		2,911,856	44 %	10 %	54 %			

Development project
Redevelopment project

(1)

Represents incremental annual NOI upon stabilization, including our 51% share of the incremental annual NOI from our 1455/1515 Third Street project.

Development projects under construction

The following table sets forth our consolidated development projects as of September 30, 2015 (dollars in thousands):

	Project RSF			Leased Status							
				Leased		Negotiating		Total Leased/Negotiating		Project Start Date	Initial Occupancy Date
Property – Market/Submarket	In Service	CIP	Total	RSF	%	RSF	%	RSF	%		
Consolidated development projects											
430 East 29th Street – New York City/Manhattan	350,727	67,912	418,639	363,710	87 %	45,821	11%	409,531	98 %	4Q12	4Q13
50/60 Binney Street – Greater Boston/Cambridge	—	530,477	530,477	520,385 [1]	98 %	—	—%	520,385	98 %	1Q15	4Q16
3013/3033 Science Park Road – San Diego/Torrey Pines	102,938	63,000	165,938	135,002	81 %	—	—%	135,002	81 %	2Q14	4Q14
5200 Illumina Way, Building 6 – San Diego/University Town Center	—	295,609	295,609	295,609	100%	—	—%	295,609	100%	3Q14	3Q16
6040 George Watts Hill Drive – Research Triangle Park/Research Triangle Park	—	61,547	61,547	61,547	100%	—	—%	61,547	100%	4Q14	1Q16
100 Binney Street – Greater Boston/Cambridge	—	431,483	431,483	252,022	58 %	171,853	40%	423,875	98 %	3Q15	4Q17
510 Townsend Street – San Francisco/SoMa	—	300,000	300,000	300,000	100%	—	—%	300,000	100%	3Q15	3Q17
400 Dexter Avenue North – Seattle/Lake Union	—	287,806	287,806	161,433	56 %	67,122	23%	228,555	79 %	2Q15	1Q17
Consolidated development projects	453,665	2,037,834	2,491,499	2,089,708	84 %	284,796	11%	2,374,504	95 %		

Property – Market/Submarket	Investment		Cost to Complete					Unlevered		
			2015		Thereafter					
	In Service	CIP	Construction Financing	Internal Funding	Construction Financing	Internal Funding	Total at Completion	Average Cash Yield	Initial Stabilized Yield (Cash	Initial Stabilized Yield

										Basis)
Consolidated development projects										
430 East 29th Street – New York City/Manhattan	$371,391	$66,494	$—	$25,360	$—	$—	$463,245	7.1%	6.6%	6.5%
50/60 Binney Street – Greater Boston/Cambridge	$—	$256,990	$24,875 (2)	$—	$218,135 (2)	$—	$500,000	8.1%	7.3%	7.4%
3013/3033 Science Park Road – San Diego/Torrey Pines	$54,098	$7,980	$—	$7,768	$—	$34,944	$104,790	7.7%	7.2%	7.1%
5200 Illumina Way, Building 6 – San Diego/University Town Center	$—	$32,937	$—	$16,765	$—	$20,198	$69,900	8.6%	7.0%	8.4%
6040 George Watts Hill Drive – Research Triangle Park/Research Triangle Park	$—	$18,537	$—	$5,534	$—	$1,729	$25,800	8.1%	7.3%	8.1%
100 Binney Street – Greater Boston/Cambridge	$—	$160,605	$—	$12,000	$—	$TBD	$TBD	(3)	(3)	(3)
510 Townsend Street – San Francisco/SoMa	$—	$63,542	$—	$6,120	$—	168,338	238,000	7.9%	7.0%	7.2%
400 Dexter Avenue North – Seattle/Lake Union	$—	$37,415	$—	$21,578	$—	$TBD	$TBD	(3)	(3)	(3)
Consolidated development projects	$425,489	$644,500	$24,875	$95,125	$218,135	$TBD	$TBD			

(1) bluebird bio, Inc. has temporarily leased 23,195 RSF at 215 First Street, and will relocate this space to 60 Binney Street upon completion of our development project under construction. Additionally, bluebird bio, Inc. occupies 53,455 RSF at 150 Second Street through December 2022.

(2) Funding for this project will be provided primarily by a secured construction loan that we closed in October 2015, with aggregate commitments of $350.0 million at a rate of LIBOR+1.50%. We have two, one-year options to extend the stated maturity date to January 28, 2019, subject to certain conditions.

(3) The design and budget of this project are in process, and the estimated project costs with related yields are expected to be disclosed in the near future.

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Development projects under construction – unconsolidated joint ventures

The following table sets forth our unconsolidated joint venture development projects as of September 30, 2015 (dollars in thousands):

	Project RSF			Leased Status								
				Leased		Negotiating		Total Leased/Negotiating		Project Start Date	Initial Occupancy Date	Stabilized Occupancy Date
Property – Market/Submarket	In Service	CIP	Total	RSF	%	RSF	%	RSF	%			
Unconsolidated joint venture development projects												
360 Longwood Avenue – Greater Boston/Longwood Medical Area	259,859	153,677	413,536	259,859	63 %	3,677	1 %	263,536	64 %	2Q12	3Q14	2016
1455/1515 Third Street – San Francisco/Mission Bay	—	422,980	422,980	422,980	100 %	—	— %	422,980	100 %	3Q14	2Q/3Q18 [1]	2018
Unconsolidated joint venture development projects	259,859	576,657	836,516	682,839	82 %	3,677	— %	686,516	82 %			

	Investment		Cost to Complete					Unlevered [2]		
			2015		Thereafter					
Property – Market/Submarket	In Service	CIP	Construction Financing	Internal Funding	Construction Financing	Internal Funding	Total at Completion	Average Cash Yield	Initial Stabilized Yield (Cash Basis)	Initial Stabilized Yield
Unconsolidated joint venture development projects [3]										
100% of joint venture:										
360 Longwood Avenue – Greater Boston/Longwood Medical Area	$194,617	$115,486	$11,996	$—	$27,901	$—	$350,000			
100% of joint venture:										
1455/1515 Third Street – San Francisco/Mission Bay [3]	$21,150	$114,118	$—	$5,243	$—	$TBD	$TBD			

ARE share of unconsolidated joint venture development projects (3)										
27.5% of joint venture: 360 Longwood Avenue – Greater Boston/Longwood Medical Area	$58,898	$35,004	$3,299	$249	$7,673	$3,842	$108,965	8.2%	7.3%	7.8%
51.0% of joint venture: 1455/1515 Third Street – San Francisco/Mission Bay	$10,787	$61,708	$—	$3,751	$—	$TBD	$TBD	(4)	(4)	(4)
Total ARE share of unconsolidated joint venture development projects	$69,685	$96,712	$3,299	$4,000	$7,673	$TBD	$TBD			

(1) Pursuant to the terms of our lease with Uber Technologies, Inc. (“Uber”), contractual rental payments commence in the first quarter of 2017. Uber has redesigned the buildings and is in the process of obtaining regulatory approval of their design. As part of these modifications, Uber is expected to make a significant investment in the project. Despite rental payments commencing in in the first quarter of 2017, we do not expect to recognize rental revenue until we complete the project which is expected to occur around the second or third quarter of 2018. We expect to provide an update on our estimated cost at completion and targeted yields in the near future.

(2) Our projected unlevered initial stabilized yield (cash basis) is based upon our share of the investment in real estate, including costs incurred directly by us outside of the joint venture. Development management fees earned from these development projects have been excluded from our estimate of unlevered yields.

(3) Refer to page 69 and 70 for additional information regarding our unconsolidated joint ventures.

(4) The design and budget of this project are in process, and the estimated project costs with related yields are expected to be disclosed in the near future.

Redevelopment projects under construction

The following table sets forth our consolidated redevelopment projects as of September 30, 2015 (dollars in thousands):

	Project RSF			Leased Status								
				Leased		Negotiating		Total Leased/Negotiating		Project Start Date	Initial Occupancy Date	Stabilized Occupancy Date
Property – Market/Submarket	In Service	CIP	Total	RSF	%	RSF	%	RSF	%			
Consolidated redevelopment projects												
10290 Campus Point Drive – San Diego/University Town Center	—	304,326	304,326	304,326	100%	—	— %	304,326	100%	3Q15	4Q16	2016
11 Hurley Street – Greater Boston/Cambridge	—	59,000	59,000	—	— %	59,000	100%	59,000	100%	3Q15	1Q17	2017
9625 Towne Centre Drive – San Diego/University Town Center	—	162,156	162,156	—	— %	—	— %	—	— %	3Q15	1Q17	2017
Consolidated redevelopment projects	—	525,482	525,482	304,326	58 %	59,000	11 %	363,326	69 %			

	Investment					Unlevered		
			Cost to Complete					
Property – Market/Submarket	In Service	CIP	2015	Thereafter	Total at Completion	Average Cash Yield	Initial Stabilized Yield (Cash Basis)	Initial Stabilized Yield
Consolidated redevelopment projects								
10290 Campus Point Drive – San Diego/University Town Center	$—	$110,570	$7,504	$122,926	$ 241,000	7.6%	6.8%	7.0%
11 Hurley Street – Greater Boston/Cambridge	$—	$6,403	$2,496	$TBD	$ TBD	(1)	(1)	(1)
9625 Towne Centre Drive – San Diego/University Town Center	$—	$22,958	$1,000	$TBD	$ TBD	(1)	(1)	(1)
Consolidated redevelopment projects	$—	$139,931	$11,000	$122,926	$ 241,000			

(1) The design and budget of this project are in process, and the estimated project costs with related yields are expected to be disclosed in the near future.

Near-term and future value-creation development projects in North America

The following table summarizes the components of the book value and square footage of our near-term and future value-creation development projects in North America as of September 30, 2015 (dollars in thousands, except per square foot amounts):

Property – Market/Submarket	Book Value	Square Feet Value-Creation Project	Embedded Land [1]	Total	Cost Per Square Foot
Near-Term Value-Creation Development Projects – Land undergoing predevelopment activities (CIP)					
505 Brannan Street, Phase I – San Francisco/SoMa	$24,935	150,000	—	150,000	$ 166
East 29th Street – New York City/Manhattan	—	—	420,000 [2]	420,000	—
5200 Illumina Way – San Diego/University Town Center	9,926	386,044	—	386,044	26
10300 Campus Point Drive, Building 2 – San Diego/University Town Center	6,530	292,387	—	292,387	22
4796 Executive Drive – San Diego/University Town Center	5,967	61,755	—	61,755	97
Near-term value-creation development projects	47,358	890,186	420,000	1,310,186	36
Future Value-Creation Development Projects – Land held for development					
Alexandria Technology Square® – Greater Boston/Cambridge	7,790	100,000	—	100,000	78
505 Brannan Street, Phase II – San Francisco/SoMa	12,744	165,000	—	165,000	77
Grand Avenue – San Francisco/South San Francisco [3]	45,056	397,132	—	397,132	113
560 Eccles Avenue – San Francisco/South San Francisco [4]	17,655	144,000	—	144,000	123
ARE Sunrise – San Diego/Torrey Pines	—	—	133,000	133,000	—
1150/1165/1166 Eastlake Avenue East – Seattle/Lake Union [5]	34,079	266,266	—	266,266	128
1818 Fairview Avenue East – Seattle/Lake Union	8,562	188,490	—	188,490	45
Other	61,427	1,967,487	436,000	2,403,487	26
Future value-creation development projects	187,313	3,228,375	569,000	3,797,375	49
Total near-term and future value-creation development projects in North America	$234,671	4,118,561	989,000	5,107,561	$ 46

(1) Embedded land generally represents adjacent land acquired in connection with the acquisition of operating properties. As a result, the real estate basis attributable to these land parcels is primarily classified in rental properties.

(2) We hold a right to ground-lease a parcel supporting the future ground-up development of approximately 420,000 Square Feet at the Alexandria Center® for Life Science pursuant to an option under our ground lease. We have begun discussions regarding this option and the potential to increase the site density beyond 420,000 Square Feet.

(3) Represents two additional land parcels located adjacent to/surrounding the recently developed 249/259/269 East Grand Avenue campus leased to Amgen Inc. in South San Francisco.

(4) Represents an additional land parcel located nearby our 341/343 Oyster Point Boulevard properties and within walking distance of Roche’s campus in South San Francisco.

(5)

The cost per square foot for 1165 Eastlake Avenue East includes an existing structure that can substantially be incorporated into the development plans.

Summary of capital expenditures

The following table summarizes the total projected construction spending for the three months, and year ending December 31, 2015, which includes interest, property taxes, insurance, payroll, and other indirect project costs (in thousands):

Projected Construction Spending	Three Months Ending December 31, 2015		
Development and redevelopment projects under construction:			
Development (consolidated)	$ 120,000		
Development (unconsolidated joint venture)	4,000		
Redevelopment	11,000		
Developments/redevelopments recently transferred to rental properties	27,500	(1)	
Generic laboratory infrastructure/building improvement projects	21,000	(2)	
Development and redevelopment projects under construction		183,500	
Near-term value-creation projects		15,000	(3)
Value-creation projects		198,500	
Non-revenue-enhancing capital expenditures and tenant improvements		3,500	
Projected construction spending for the three months ending December 31, 2015 (midpoint)		$ 202,000	

Full-Year Construction Spending Guidance	Year Ending December 31, 2015
Projected construction spending for the three months ending December 31, 2015 (range)	$ 177,000 – 227,000
Actual construction spending for the nine months ended September 30, 2015	358,351
Guidance range for the year ending December 31, 2015	$ 535,000 – 585,000

(1) Includes spending for projects recently placed into service, including 11055/11065/11075 Roselle Street, 4757 Nexus Center Drive, and 1616 Eastlake Avenue East, that may require additional construction prior to occupancy, generally ranging from 15,000 to 30,000 RSF of the project, plus amounts related to 75/125 Binney Street.

(2) Includes, among others, 3535 General Atomics Court, 9373 Towne Centre Drive, 5810/5820/6175 Nancy Ridge Drive, 44 Hartwell Avenue, 19 Presidential Way, and 2525 East NC Highway 54.

(3) See the overview of our near-term value-creation projects on pages 58, 59 and 63.

Our construction spending for the nine months ended September 30, 2015, consisted of the following (in thousands):

Actual Construction Spending	Nine Months Ended September 30, 2015	
Development	$228,577	
Redevelopment	32,833	
Predevelopment	27,602	
Generic laboratory infrastructure/building improvement projects [1]	66,061	
Asia	7,816	
Total construction spending	$362,889	
Total construction spending, consolidated	$354,910	
Total construction spending, unconsolidated joint ventures	7,979	(2)
Total construction spending	$362,889	

(1) Includes revenue-enhancing projects and non-revenue-enhancing capital expenditures shown in the table below.

(2) Construction spending for unconsolidated joint ventures is reflected as investment in unconsolidated real estate joint ventures in our consolidated statements of cash flows.

The table below reconciles construction spending on an accrual basis to our additions to properties on a cash basis (in thousands):

Actual Construction Spending	Nine Months Ended September 30, 2015
Construction spending, consolidated real estate (accrual basis)	$354,910
Change in accrued construction	7,305
Additions to real estate (cash basis)	$362,215

The table below shows the average per RSF of property-related non-revenue-enhancing capital expenditures, tenant improvements, and leasing costs, excluding capital expenditures and tenant improvements that are recoverable from client tenants, revenue-enhancing, or related to properties that have undergone redevelopment (dollars in thousands, except per RSF amounts):

Non-Revenue-Enhancing Capital Expenditures, Tenant Improvements, and Leasing Costs	Nine Months Ended September 30, 2015			Recent Average Per RSF [1]
	Amount	RSF	Per RSF	
Non-revenue-enhancing capital expenditures	$7,425	16,270,212	$0.46	$0.35
Tenant improvements and leasing costs:				
Re-tenanted space	$7,630	514,223	$14.84	$13.47
Renewal space	10,073	1,215,016	8.29	6.73
Total tenant improvements and leasing costs/weighted-average	$17,703	1,729,239	$10.24	$8.38

(1) Represents the average of the years ended December 31, 2011, through December 31, 2014, and the nine months ended September 30, 2015, annualized.

Value-creation projects – commencement of development projects in North America

During the nine months ended September 30, 2015, we commenced four ground-up development projects in North America, consisting of our development of (i) a 530,477 RSF project at 50/60 Binney Street in our Cambridge submarket, which is 98% leased to Sanofi and bluebird, bio, Inc., (ii) a 287,806 RSF project at 400 Dexter Avenue North in our Lake Union submarket, with 161,433 RSF, or 56% of the project, currently leased to Juno Therapeutics, Inc., excluding the expansion option it holds to lease an additional 67,122 RSF, (iii) a 431,483 RSF project at 100 Binney Street in our Cambridge submarket, which is 98% leased or under negotiation, including 252,022 RSF, or 58% of the project, leased to Bristol-Myers Squibb Company, and (iv) a 300,000 RSF project at 510 Townsend Street in our SoMa submarket, which is 100% leased to Stripe, Inc. Refer to “Development Projects Under Construction” appearing elsewhere in Item 2 of this report for further information.

External growth – development and redevelopment projects placed into service

The following table presents key development and redevelopment projects, including our unconsolidated joint ventures, placed into service during the nine months ended September 30, 2015 (dollars in thousands):

Property – Market/Submarket	Date Placed into Service	RSF in Service Prior to 1/1/15	RSF in Service Placed into Service in 2015 First Quarter	RSF in Service Placed into Service in 2015 Second Quarter	Total	% of Project in Service	Total Project	Unlevered Average Cash Yield	Initial Stabilized Yield (Cash Basis)	Initial Stabilized Yield