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

FORM 10-Q

(Mark One)

_X__ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002

OR

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 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) |

135 North Los Robles Avenue, Suite 250, Pasadena, California 91101
(Address of principal executive offices)

(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 ___X___ No ________

As of August 12, 2002, 18,963,925 shares of common stock, par value $.01 per share, were outstanding.

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## PART I – FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(Unaudited)
*(dollars in thousands)*

| | June 30, 2002 | December 31, 2001 |
|---|---|---|
| **Assets** | | |
| Rental properties, net | $ 855,287 | $ 796,626 |
| Property under development | 82,779 | 65,250 |
| Cash and cash equivalents | 2,942 | 2,376 |
| Tenant security deposits and other restricted cash | 10,238 | 11,528 |
| Secured note receivable | -- | 6,000 |
| Tenant receivables | 1,500 | 3,123 |
| Deferred rent | 22,998 | 20,593 |
| Other assets | 66,010 | 56,650 |
| Total assets | $ 1,041,754 | $ 962,146 |
| **Liabilities and stockholders' equity** | | |
| Secured notes payable | $ 245,121 | $ 245,161 |
| Unsecured line of credit and unsecured term loan | 339,000 | 328,000 |
| Accounts payable, accrued expenses and tenant security deposits | 40,154 | 48,057 |
| Dividends payable | 10,306 | 8,290 |
| Total liabilities | 634,581 | 629,508 |
| Stockholders' equity: | | |
| Series A preferred stock | 38,588 | 38,588 |
| Series B preferred stock | 57,500 | -- |
| Common stock | 169 | 163 |
| Additional paid-in capital | 318,101 | 301,818 |
| Deferred compensation | (236) | (1,782) |
| Retained earnings | -- | -- |
| Accumulated other comprehensive income | (6,949) | (6,149) |
| Total stockholders' equity | 407,173 | 332,638 |
| Total liabilities and stockholders' equity | $ 1,041,754 | $ 962,146 |

*See accompanying notes.*

Alexandria Real Estate Equities, Inc. and Subsidiaries

Condensed Consolidated Income Statements
(Unaudited)
*(dollars in thousands, except per share amounts)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Revenues: | | | | |
| Rental | $ 28,840 | $ 23,589 | $ 56,298 | $ 47,161 |
| Tenant recoveries | 6,823 | 5,872 | 13,785 | 12,207 |
| Interest and other income | 327 | 938 | 834 | 2,026 |
| | 35,990 | 30,399 | 70,917 | 61,394 |
| Expenses: | | | | |
| Rental operations | 7,031 | 5,910 | 13,925 | 12,630 |
| General and administrative | 3,308 | 2,819 | 6,781 | 5,693 |
| Interest | 6,874 | 6,883 | 13,594 | 14,244 |
| Depreciation and amortization | 8,557 | 7,463 | 16,794 | 14,197 |
| | 25,770 | 23,075 | 51,094 | 46,764 |
| Net income | 10,220 | 7,324 | 19,823 | 14,630 |
| Dividends on preferred stock | 2,225 | 916 | 4,130 | 1,832 |
| Net income available to common stockholders | $ 7,995 | $ 6,408 | $ 15,693 | $ 12,798 |
| Net income per common share: | | | | |
| -Basic | $ 0.48 | $ 0.40 | $ 0.95 | $ 0.81 |
| -Diluted | $ 0.47 | $ 0.39 | $ 0.93 | $ 0.80 |
| Weighted average shares of common stock outstanding: | | | | |
| -Basic | 16,747,201 | 16,011,654 | 16,579,163 | 15,742,870 |
| -Diluted | 17,117,830 | 16,253,036 | 16,920,762 | 15,970,586 |

*See accompanying notes.*

Alexandria Real Estate Equities, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)
*(dollars in thousands)*

| | Six Months Ended June 30, 2002 | Six Months Ended June 30, 2001 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 19,823 | $ 14,630 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 16,794 | 14,197 |
| Amortization of loan fees and costs | 1,489 | 613 |
| Amortization of premiums on secured notes | (176) | (167) |
| Stock compensation expense | 1,929 | 1,261 |
| Changes in operating assets and liabilities: | | |
| Tenant security deposits and other restricted cash | 1,290 | (13,997) |
| Tenant receivables | 1,623 | (166) |
| Deferred rent | (2,405) | (2,900) |
| Other assets | (6,515) | 318 |
| Accounts payable, accrued expenses and tenant security deposits | (6,892) | 5,527 |
| Net cash provided by operating activities | $ 26,960 | $ 19,316 |
| **Investing Activities** | | |
| Purchase of rental properties | (50,287) | (28,160) |
| Additions to rental properties | (22,415) | (23,551) |
| Additions to property under development | (17,529) | (31,088) |
| Additions to investments | (8,898) | (9,675) |
| Net cash used in investing activities | (99,129) | (92,474) |
| **Financing Activities** | | |
| Proceeds from secured notes payable | 2,913 | 29,145 |
| Net proceeds from issuance of preferred stock | 55,129 | -- |
| Net proceeds from issuance of common stock | 16,077 | 16,751 |
| Proceeds from exercise of stock options | 3,376 | 3,032 |
| Net borrowings from unsecured line of credit and unsecured term loan | 11,000 | 43,000 |
| Principal reductions of secured notes payable | (2,777) | (1,922) |
| Proceeds from repayment of note receivable | 6,000 | -- |
| Dividends paid on common stock | (15,945) | (14,126) |
| Dividends paid on preferred stock | (3,038) | (1,832) |
| Net cash provided by financing activities | 72,735 | 74,048 |
| Net decrease in cash and cash equivalents | 566 | 890 |
| Cash and cash equivalents at beginning of period | 2,376 | 2,776 |
| Cash and cash equivalents at end of period | $ 2,942 | $ 3,666 |

*See accompanying notes.*

## 1. Background and Basis of Presentation

### Background

Alexandria Real Estate Equities, Inc. is a real estate investment trust ("REIT") formed in 1994. We are engaged primarily in the ownership, operation, management, acquisition, expansion and selective development and redevelopment of properties containing a combination of office and laboratory space. We refer to these properties as "life science facilities." Our life science facilities are designed and improved for lease primarily to pharmaceutical, biotechnology, life science product and service companies, not-for-profit scientific research institutions, universities and related government agencies. As of June 30, 2002, our portfolio consisted of 85 properties in nine states with approximately 5.5 million rentable square feet.

We have prepared the accompanying interim financial statements in accordance with accounting principles generally accepted in the United States and in conformity with the rules and regulations of the Securities and Exchange Commission. In our opinion, the interim financial statements presented herein reflect all adjustments, consisting solely of normal and recurring adjustments, which are necessary to fairly present the interim 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, 2002. These financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2001.

### Basis of Presentation and Significant Accounting Policies

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

### Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following (in thousands):

| | June 30, 2002 | December 31, 2001 |
|---|---|---|
| Unrealized (loss) gain on marketable securities | $ (981) | $ 829 |
| Unrealized loss on interest rate swap agreements | (5,968) | (6,978) |
| | $ (6,949) | $ (6,149) |

The following table provides a reconciliation of comprehensive income (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Net income | $ 10,220 | $ 7,324 | $ 19,823 | $ 14,630 |
| Unrealized (loss) gain on marketable securities | (879) | 2,891 | (1,810) | 3,277 |
| Unrealized (loss) gain on interest rate swap agreements | (713) | (424) | 1,010 | (2,033) |
| Comprehensive income | $ 8,628 | $ 9,791 | $ 19,023 | $ 15,874 |

**Investments**

We hold equity investments in certain publicly traded companies and privately held entities primarily involved in the life science industry. All of our investments in publicly traded companies are considered "available for sale" under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and have been included at fair value in other assets in the accompanying balance sheets. Fair value has been determined by the closing trading price at the balance sheet date, with unrealized gains and losses shown as a separate component of stockholders' equity. The cost of investments sold is determined using the specific identification method, with realized gains and losses included in interest and other income. The following table summarizes our available-for-sale securities (in thousands):

| | June 30, 2002 | December 31, 2001 |
|---|---|---|
| Cost of available-for-sale securities | $ 3,124 | $ 3,192 |
| Gross unrealized gains | 361 | 1,527 |
| Gross unrealized losses | (1,342) | (698) |
| Fair value of available-for-sale securities | $ 2,143 | $ 4,021 |

Investments in privately held entities as of June 30, 2002, totaled $33,382,000. These investments are accounted for under the cost method and are included in other assets in the accompanying balance sheets.

## 2. Rental Properties

Rental properties consist of the following (in thousands):

| | June 30, 2002 | December 31, 2001 |
|---|---|---|
| Land | $ 132,922 | $ 121,005 |
| Buildings and improvements | 721,525 | 667,435 |
| Tenant and other improvements | 98,971 | 92,276 |
| | 953,418 | 880,716 |
| Less accumulated depreciation | (98,131) | (84,090) |
| | $ 855,287 | $ 796,626 |

During the six months ended June 30, 2002, we acquired two properties containing approximately 170,000 rentable square feet from unrelated third parties for an aggregate purchase price (including closing and transaction costs) of approximately $50 million.

## 3. Secured Note Receivable

In connection with the acquisition of a life science facility in San Diego, California, in March 1998, we made a $6,000,000 loan to the sole tenant of the property, fully secured by a first deed of trust on certain improvements at the property. The loan bore interest at a rate of 11% per year and was repaid in March 2002.

## 4. Unsecured Line of Credit and Unsecured Term Loan

We have an unsecured line of credit that provides for borrowings of up to $325 million (as of June 30, 2002) and a $50 million unsecured term loan. Borrowings under the line of credit and term loan bear interest at a floating rate based on our election of either a LIBOR based rate or the higher of the bank's reference rate and the Federal Funds rate plus 0.5%. For each LIBOR based advance, we must elect to fix the rate for a period of one, two, three or six months.

The line of credit and term loan contain financial covenants, including, among other things, maintenance of minimum net worth, a total liabilities to gross asset value ratio, and a fixed charge coverage ratio. In addition, the terms of the line of credit and term loan restrict, among other things, certain investments, indebtedness, distributions and mergers. The line of credit and term loan expire February 2003 and provide for an extension (provided there is no default) of an additional one-year period upon notice by the company and consent of the participating banks. As of June 30, 2002, borrowings outstanding on the line of credit and term loan carried a weighted average interest rate of 3.65% and 3.57%, respectively.

Aggregate borrowings under the line of credit and the term loan are limited to an amount based on the net operating income derived from a pool of unencumbered assets. As of June 30, 2002, the amount calculated under these provisions was $390 million.

In July 2002, we amended our line of credit to expand its size and extend its maturity date. See footnote 7, Subsequent Events.

We utilize interest rate swap agreements to hedge our exposure to variable interest rates associated with our unsecured line of credit. These agreements involve the exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the "notional amount"). Interest received under all of our swap agreements is based on the one-month LIBOR rate. The net difference between the interest paid and interest received is reflected as an adjustment to interest expense.

The following table summarizes our interest rate swap agreements as of June 30, 2002 (dollars in thousands):

| Transaction Date | Effective Date | Notional Amount | Interest Pay Rate | Termination Date | Fair Value |
|---|---|---|---|---|---|
| April 2000 | May 20, 2000 | $ 50,000 | 6.995% | January 2, 2003 | $ (1,318) |
| July 2000 | May 31, 2001 | $ 50,000 | 7.070% | May 31, 2003 | (2,258) |
| January 2001 | January 31, 2001 | $ 50,000 | 6.350% | December 31, 2002 | (1,141) |
| March 2002 | December 31, 2002 | $ 50,000 | 5.364% | December 31, 2004 | (1,488) |
| | | | | | $ (6,205) |

In July 2002, we entered into two additional interest rate swap agreements. See footnote 7, Subsequent Events.

## 5. Stockholders' Equity

On June 25, 2002, we declared a cash dividend on our common stock aggregating $8,449,000 ($ 0.50 per share) for the calendar quarter ended June 30, 2002. We paid the dividend on July 15, 2002. On June 25, 2002, we declared a cash dividend on our Series A preferred stock aggregating $916,000 ($ 0.59375 per share) for the period from April 15, 2002 through July 14, 2002. We paid the dividend on July 15, 2002. On June 25, 2002, we also declared a cash dividend on our Series B preferred stock aggregating $1,308,000 ($0.56875 per share) for the period April 15, 2002 through July 14, 2002. We paid the dividend on July 15, 2002.

## 6. Net Income Per Share

The following table shows the computation of net income per share of our common stock outstanding (dollars in thousands, except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Net income available to common stockholders | $ 7,995 | $ 6,408 | $ 15,693 | $ 12,798 |
| Weighted average shares of common stock outstanding - basic | 16,747,201 | 16,011,654 | 16,579,163 | 15,742,870 |
| Add: dilutive effect of stock options and stock grants | 370,629 | 241,382 | 341,599 | 227,716 |
| Weighted average shares of common stock outstanding - diluted | 17,117,830 | 16,253,036 | 16,920,762 | 15,970,586 |
| Net income per common share: | | | | |
| - Basic | $ 0.48 | $ 0.40 | $ 0.95 | $ 0.81 |
| - Diluted | $ 0.47 | $ 0.39 | $ 0.93 | $ 0.80 |
| Common dividends declared per share | $ 0.50 | $ 0.46 | $ 1.00 | $ 0.92 |

## 7. Subsequent Events

In July 2002, we expanded and extended our unsecured line of credit. Our new line of credit amends the $325 million unsecured line of credit that was scheduled to mature in February 2003 and has been used to payoff our $50 million unsecured term loan. The amended line of credit provides for borrowings up to $400 million, and may be increased, subject to certain conditions, to $450 million. The amended line of credit has a maturity date of July 2005, which may be extended at our sole option for an additional one-year period. Borrowings under our unsecured line of credit, as amended, bear interest at a floating rate based on our election of either a LIBOR based rate or the higher of the bank's reference rate and the Federal Funds rate plus 0.5%. Financial covenants for our unsecured line of credit, as amended, are substantially similar to those under the original line.

In July 2002, we entered into two additional interest rate swap agreements as follows (dollars in thousands):

| Transaction Date | Effective Date | Notional Amount | Interest Pay Rate | Termination Date |
|---|---|---|---|---|
| July 2002 | January 1, 2003 | $ 25,000 | 3.855% | June 30, 2005 |
| July 2002 | January 1, 2003 | $ 25,000 | 3.865% | June 30, 2005 |

In July 2002, we obtained a loan for $41,750,000, secured by first deeds of trust on four life science facilities located in San Diego, California. The loan bears interest at a rate of 6.95% per annum and is payable in monthly installments based on a 20-year amortization schedule. The loan is due in July 2009. The proceeds from the loan were used to payoff an existing $7.2 million loan that carried interest at the rate of 9% per annum. A prepayment fee of approximately $841,000 was incurred in connection with the payoff of this loan. The remaining proceeds were used to pay down a portion of the outstanding balance on our unsecured line of credit.

In July 2002, we sold 2,000,000 shares of our common stock. The shares were issued at a price of $41.0741 per share, resulting in aggregate proceeds of approximately $81.7 million (after deducting underwriting discounts and other offering costs).

## 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 "believes," "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates" or "anticipates", 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 operation, 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, those described below in this report and under the headings "Business Risks" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2001. We do not take any responsibility to update any of these factors or to announce publicly any revisions to any of the forward-looking statements contained in this or any other document, whether as a result of new information, future events or otherwise. Readers of this Form 10-Q should also read our Securities and Exchange Commission and other publicly filed documents for further discussion regarding such factors.

As used in this Form 10-Q, "we," "our," "ours" and "us" refer to Alexandria Real Estate Equities, Inc. and its subsidiaries.

The following discussion should be read in conjunction with the financial statements and notes appearing elsewhere in this report.

### Overview

Since our formation in October 1994, we have devoted substantially all of our resources to the ownership, operation, management, acquisition, expansion and selective redevelopment and development of high quality, strategically located properties containing a combination of office and laboratory space leased principally to tenants in the life science industry. We refer to these properties as "life science facilities".

As of June 30, 2002, our portfolio consisted of 85 properties containing approximately 5.5 million rentable square feet of office/laboratory space. As of that date, our properties were approximately 97% leased, excluding those properties in our redevelopment program. Our primary source of revenue is rental income and tenant recoveries from leases at the properties we own. The comparability of financial data from period to period is affected by the timing of our property acquisition and development activities.

### Results of Operations

*Comparison of Three Months Ended June 30, 2002 ("Second Quarter 2002") to Three Months Ended June 30, 2001 ("Second Quarter 2001")*

Rental revenue increased by $5.3 million, or 22%, to $28.8 million for Second Quarter 2002 compared to $23.6 million for Second Quarter 2001. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after April 1, 2001. Rental revenue from the properties operating continuously before April 1, 2001 (the "Second Quarter Same Properties") increased by $873,000, or 4.4%, primarily due to increases in rental rates.

Tenant recoveries increased by $951,000, or 16%, to $6.8 million for Second Quarter 2002 compared to $5.9 million for Second Quarter 2001. The increase resulted primarily from tenant recoveries from the properties acquired, placed in service or redeveloped after April 1, 2001. Tenant recoveries for the Second Quarter Same Properties increased by $226,000, or 4.6%, primarily due to increases in certain recoverable operating expenses.

Interest and other income decreased by $611,000, or 65%, to $327,000 for Second Quarter 2002 compared to $938,000 for Second Quarter 2001 resulting primarily from a decrease in service fee income and investment income.

Rental operating expenses increased by $1.1 million, or 19%, to $7.0 million for Second Quarter 2001 compared to $5.9 million for Second Quarter 2001. The increase resulted partially from rental operating expenses from the properties acquired, placed in service or redeveloped after April 1, 2001. Operating expenses for the Second Quarter Same Properties increased by $376,000, or 7.8%, primarily due to increases in property insurance and utilities, substantially all of which are recoverable from our tenants through tenant recoveries.

The following is a comparison of property operating data computed under accounting principles generally accepted in the United States ("GAAP Basis") and under accounting principles generally accepted in the United States, adjusted to exclude the effect of straight line rent adjustments required by GAAP ("Cash Basis") for the Second Quarter Same Properties (dollars in thousands):

| | For the Three Months Ended June 30, 2002 | For the Three Months Ended June 30, 2001 | Change |
|---|---|---|---|
| GAAP BASIS: | | | |
| Revenue | $ 25,809 | $ 24,721 | 4.4% |
| Rental operating expenses | 5,188 | 4,812 | 7.8% |
| Net operating income | $ 20,621 | $ 19,909 | 3.6% |
| CASH BASIS (1): | | | |
| Revenue | $ 25,201 | $ 23,831 | 5.7% |
| Rental operating expenses | 5,188 | 4,812 | 7.8% |
| Net operating income | $ 20,013 | $ 19,019 | 5.2% |

(1) Revenue and operating expenses are computed in accordance with GAAP, except that revenue excludes the effect of straight line rent adjustments.

General and administrative expenses increased by $489,000, or 17%, to $3.3 million for Second Quarter 2002 compared to $2.8 million for Second Quarter 2001. The increase was primarily due to general and administrative expenses associated with the continued expansion in the scope of our national operations.

Interest expense decreased by $9,000, or 0.1%, to $6.9 million for Second Quarter 2002 compared to $6.9 million for Second Quarter 2001. The decrease resulted from (a) a reduction in variable interest rates on our unsecured line of credit and (b) lower interest payments on a secured loan due to the $8 million prepayment of its principal balance in December 2001. This was partially offset by (a) indebtedness incurred to purchase two rental properties in April 2002 and (b) indebtedness incurred to finance the development and redevelopment of properties which have now been completed.

Depreciation and amortization increased by $1.1 million, or 15%, to $8.6 million for Second Quarter 2002 compared to $7.5 million for Second Quarter 2001. The increase resulted primarily from depreciation associated with the properties acquired, placed in service or redeveloped after April 1, 2000.

As a result of the foregoing, net income was $10.2 million for Second Quarter 2002 compared to $7.3 million for Second Quarter 2001.

*Comparison of Six Months Ended June 30, 2002 ("Six Months 2002") to Six Months Ended June 30, 2001 ("Six Months 2001")*

Rental revenue increased by approximately $9.1 million, or 19%, to $56.3 million for Six Months 2002 compared to $47.2 million for Six Months 2001. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after January 1, 2001. Rental revenue from the Properties acquired or placed in service before January 1, 2001 (the "Six Months Same Properties") increased by $1.7 million, or 4.3%, primarily due to increases in rental rates and occupancy.

Tenant recoveries increased by approximately $1.6 million, or 13%, to $13.8 million for Six Months 2002 compared to $12.2 million for Six Months 2001. The increase resulted primarily from tenant recoveries from properties acquired, placed in service or redeveloped after January 1, 2001. Tenant recoveries from the Six Months Same Properties increased by $423,000, or 4.2%, primarily due to increases in certain recoverable operating expenses.

Interest and other income decreased by $1.2 million, or 59%, to $834,000 for Six Months 2002 compared to $2.0 million for Six Months 2001, primarily resulting from a decrease in service fee income and investment income.

Rental operating expenses increased by approximately $1.3 million, or 10%, to $13.9 million for Six Months 2002 compared to $12.6 million for Six Months 2001. The increase resulted primarily from properties acquired, placed in service or redeveloped after January 1, 2001. Operating expenses for the Six Months Same Properties increased by $412,000, or 4.2%, primarily due to increases in property insurance, substantially all of which are recoverable from our tenants through tenant recoveries.

The following is a comparison of property operating data computed on a GAAP Basis and on a Cash Basis for the Six Months Same Properties (dollars in thousands):

| | For the Six Months Ended June 30, 2002 | For the Six Months Ended June 30, 2001 | Change |
|---|---|---|---|
| GAAP BASIS: | | | |
| Revenue | $ 51,190 | $ 49,119 | 4.2% |
| Rental operating expenses | 10,333 | 9,921 | 4.2% |
| Net operating income | $ 40,857 | $ 39,198 | 4.2% |
| CASH BASIS (1): | | | |
| Revenue | $ 50,061 | $ 47,134 | 6.2% |
| Rental operating expenses | 10,333 | 9,921 | 4.2% |
| Net operating income | $ 39,728 | $ 37,213 | 6.8% |

(1) Revenue and operating expenses are computed in accordance with GAAP, except that revenue excludes the effect of straight line rent adjustments.

General and administrative expenses increased by approximately $1.1 million, or 19%, to $6.8 million for Six Months 2002 compared to $5.7 million for Six Months 2001. The increase was primarily due to the continued expansion in the scope of our national operations.

Interest expense decreased by approximately $650,000, or 5%, to $13.6 million for Six Months 2002 compared to $14.2 million for Six Months 2001. The decrease resulted from (a) a reduction in variable interest rates on our unsecured line of credit and (b) lower interest payments on a secured loan due to the $8 million prepayment of its principal balance in December 2001. This is partially offset by (a) indebtedness incurred to purchase two rental properties in April 2002 and (b) indebtedness incurred to finance the development and redevelopment of properties which have now been completed.

Depreciation and amortization increased by approximately $2.6 million, or 18%, to $16.8 million for Six Months 2002 compared to $14.2 million for Six Months 2001. The increase resulted primarily from depreciation associated with properties acquired, placed in service or redeveloped after January 1, 2001.

As a result of the foregoing, net income was $19.8 million for Six Months 2002 compared to $14.6 million for Six Months 2001.

## Liquidity and Capital Resources

### *Cash flows*

Net cash provided by operating activities for Six Months 2002 increased by $7.6 million, to $27.0 million compared to $19.3 million for Six Months 2001. The increase resulted primarily from increases in operating cash flows from properties acquired, placed in service or redeveloped after January 1, 2001 and by the decrease in restricted cash held in escrow to complete the development of an office/laboratory facility. The increase was partially offset by the decrease in accounts payable, accrued expenses and tenant security deposits resulting from (a) the increase of accrued expenses and (b) the increase of prepaid rent.

Net cash used in investing activities increased by $6.7 million, to $99.1 million for Six Months 2002 compared to $92.5 million for Six Months 2001 primarily due to a higher level of acquisition, development and redevelopment activity during Six Months 2002 compared to Six Months 2001.

Net cash provided by financing activities decreased by $1.3 million, to $72.7 million for Six Months 2002 compared to $74.0 million for Six Months 2001. Cash provided by financing activities for Six Months 2002 and Six Months 2001 consisted primarily of net proceeds from our unsecured line of credit, secured debt and exercise of stock options, partially offset by principal reductions on our secured debt and distributions to stockholders.

### *Commitments*

As of June 30, 2002, we were committed under the terms of construction contracts or certain leases to complete the development or redevelopment of buildings and related improvements at a remaining aggregate cost of $2.5 million.

As of June 30, 2002, we were also committed to fund approximately $40.2 million for the construction of building infrastructure improvements under the terms of various leases and for certain investments.

As of June 30, 2002, we were committed under the terms of ground leases at five of our properties. The ground leases have remaining lease terms of 14 to 53 years, with aggregate remaining ground lease payments of approximately $15.1 million.

***Restricted cash***

Restricted cash as of June 30, 2002 consists of the following (in thousands):

| | | Amount |
|---|---|---|
| Funds held in trust as additional security required under the terms of certain secured notes payable | $ | 6,254 |
| Security deposit funds based on the terms of certain lease agreements | | 1,951 |
| Funds held in escrow to complete the development of an office/laboratory facility | | 2,033 |
| | $ | 10,238 |

***Secured debt***

Secured debt as of June 30, 2002 consists of the following (dollars in thousands):

| Location of Collateral | Balance at June 30, 2002 | Stated Interest Rate | Maturity Date |
|---|---|---|---|
| Worcester, MA (1) | $ 10,547 | 8.75% | January 2006 |
| Durham, NC (two properties) | 12,111 | 8.68% | December 2006 |
| Gaithersburg, MD (three properties) | 9,857 | 8.25% | August 2007 |
| Cambridge, MA (2) | 18,971 | 9.125% | October 2007 |
| Chantilly, VA and Seattle, WA | 35,059 | 7.22% | May 2008 |
| Worcester, MA and San Diego, CA | 18,608 | 8.71% | January 2010 |
| Gaithersburg, MD (two properties) | 24,411 | 8.33% | November 2010 |
| San Diego, CA (six properties) | 23,934 | 7.75% | July 2011 |
| San Diego, CA | 11,777 | 7.50% | August 2011 |
| Gaithersburg, MD (three properties) | 28,148 | 7.40% | January 2012 |
| Alameda, CA | 4,177 | 7.165% | January 2014 |
| San Diego, CA (two properties) | 7,185 | 9.00% | December 2014 |
| Seattle, WA (two properties) | 18,483 | 7.75% | June 2016 |
| San Francisco, CA (two properties) (3) | 21,853 | LIBOR + 1.70% | June 2003 (4) |
| | $ 245,121 | | |

(1) The balance shown includes an unamortized premium of $435,000. The effective rate of the loan is 7.25%.
(2) The balance shown includes an unamortized premium of $1,503,000. The effective rate of the loan is 7.25%.
(3) The borrowings shown represent the amount drawn on a construction loan that provides for borrowings of up to $25,175,000.
(4) The loan may be extended for two additional 15-month periods.

The following is a summary of the scheduled principal payments for our secured debt as of June 30, 2002 (in thousands):

| Year | Amount |
|---|---|
| 2002 | $ 2,860 |
| 2003 | 27,975 |
| 2004 | 5,901 |
| 2005 | 5,713 |
| 2006 | 24,764 |
| Thereafter | 175,970 |
| Subtotal | 243,183 |
| Unamortized Premium | 1,938 |
| | $ 245,121 |

***Unsecured line of credit and unsecured term loan***

An unsecured line of credit that provides for borrowings of up to $325 million (as of June 30, 2002) and a $50 million unsecured term loan. Borrowings under the line of credit and term loan bear interest at a floating rate based on our election of either a LIBOR based rate or the higher of the bank's reference rate and the Federal Funds rate plus 0.5%. For each LIBOR based advance, we must elect to fix the rate for a period of one, two, three or six months.

The line of credit and term loan contain financial covenants, including, among other things, maintenance of minimum net worth, a total liabilities to gross asset value ratio, and a fixed charge coverage ratio. In addition, the terms of the line of credit and term loan restrict, among other things, certain investments, indebtedness, distributions and mergers. The line of credit and term loan expire February 2003 and provide for an extension (provided there is no default) of an additional one-year period upon notice by the company and consent of the participating banks. As of June 30, 2002, borrowings outstanding on the line of credit and term loan carried a weighted average interest rate of 3.65% and 3.57%, respectively.

Aggregate borrowings under the line of credit and term loan are limited to an amount based on the net operating income derived from a pool of unencumbered properties. As of June 30, 2002, the amount calculated under these provisions was $390 million.

In July 2002, we expanded and extended our unsecured line of credit. Our new line of credit amends the $325 million unsecured line of credit that was scheduled to mature in February 2003 and has been used to payoff our $50 million unsecured term loan. The amended line of credit provides for borrowings up to $400 million, and may be increased, subject to certain conditions, to $450 million. The amended line of credit has a maturity date of July 2005, which may be extended at our sole option for an additional one-year period. Borrowings under our unsecured line of credit, as amended, bear interest at a floating rate based on our election of either a LIBOR based rate or the higher of the bank's reference rate and the Federal Funds rate plus 0.5%. Financial covenants for our unsecured line of credit, as amended, are substantially similar to those under the original line.

We utilize interest rate swap agreements to hedge our exposure to variable interest rates associated with our unsecured line of credit and unsecured term loan. These agreements involve an exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the "notional amount"). Interest received under all of our swap agreements is based on the one-month LIBOR rate. The net difference between the interest paid and the interest received is reflected as an adjustment to interest expense.

The following table summarizes our interest rate swap agreements (dollars in thousands):

| Transaction Date | Effective Date | Notional Amount | Interest Pay Rate | Termination Date | Fair Value |
|---|---|---|---|---|---|
| April 2000 | May 20, 2000 | $ 50,000 | 6.995% | January 2, 2003 | $ (1,318) |
| July 2000 | May 31, 2001 | $ 50,000 | 7.070% | May 31, 2003 | (2,258) |
| January 2001 | January 31, 2001 | $ 50,000 | 6.350% | December 31, 2002 | (1,141) |
| March 2002 | December 31, 2002 | $ 50,000 | 5.364% | December 31, 2004 | (1,488) |
| | | | | | $ (6,205) |

In July 2002, we entered into two additional interest rate swap agreements as follows (dollars in thousands):

| Transaction Date | Effective Date | Notional Amount | Interest Pay Rate | Termination Date |
|---|---|---|---|---|
| July 2002 | January 1, 2003 | $ 25,000 | 3.855% | June 30, 2005 |
| July 2002 | January 1, 2003 | $ 25,000 | 3.865% | June 30, 2005 |

We do not believe we are exposed to more than a nominal amount of credit risk in our interest rate swap agreements as the counterparties are established, well-capitalized financial institutions. In addition, we have entered into master derivative agreements to minimize those risks.

***Other resources and liquidity requirements***

We expect to continue meeting our short-term liquidity and capital requirements generally by using our working capital and net cash provided by operating activities. We believe that the net cash provided by operating activities will continue to be sufficient to make distributions necessary to enable us to continue qualifying as a real estate investment trust. We also believe that net cash provided by operations will be sufficient to fund our recurring non-revenue enhancing capital expenditures and leasing commissions.

We expect to meet certain long-term liquidity requirements, such as property acquisitions, property development and redevelopment activities, scheduled debt maturities, expansions and other non-recurring capital improvements, through excess net cash provided by operating activities, long-term secured and unsecured indebtedness, including borrowings under our line of credit and the issuance of additional debt and/or equity securities.

**Capital Expenditures and Leasing Costs**

The following provides additional information with respect to capital expenditures and leasing costs incurred for the six months ended June 30, 2002:

| | |
|---|---|
| Property-related capital expenditures (1) | $ 1,310,000 |
| Leasing costs (2) | $ 958,000 |
| Property renovation and redevelopment costs | $ 23,029,000 |
| Property development costs | $ 17,530,000 |
| Purchases of rental properties | $ 50,287,000 |

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(1) Property-related capital expenditures include all capital expenditures except capital expenditures that are recoverable from tenants, revenue-enhancing capital expenditures or costs related to the renovation or redevelopment of a property. Capital expenditures fluctuate in any given period due to the nature, extent or timing of improvements required and the extent to which they are recoverable from tenants. Approximately 87% of our leases (based on rentable square feet) provide for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement and parking lot resurfacing). In addition, we implement an active preventative maintenance program at each of our properties to minimize capital expenditures.

(2) Leasing costs consist of tenant improvements and leasing commissions related to leasing of acquired vacant space and second generation space. Leasing costs exclude tenant improvements that are revenue-enhancing.

**Inflation**

Approximately 83% of our leases (on a square footage basis) are triple net leases, requiring tenants to pay substantially all real estate taxes and insurance, common area and other operating expenses, including increases therein. In addition, approximately 11% of our leases (on a square footage basis) require the tenants to pay a majority of operating expenses. Approximately 93% of our leases (on a square footage basis) contain effective annual rent escalations that are either fixed (generally ranging from 3% to 4%) or indexed based on a CPI index. Accordingly, we do not believe that our earnings or cash flow are subject to any significant risk from inflation. An increase in inflation, however, could result in an increase in the cost of our variable borrowings, including our unsecured line of credit and unsecured term loan.

**Funds from Operations**

We believe that funds from operations ("FFO") is helpful to investors as an additional measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of our ability to incur and service debt, to make capital expenditures and to make distributions. We compute FFO in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in its October 1999 White Paper (the "White Paper"), which may differ from the methodology for calculating FFO utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for our discretionary use because a portion of FFO is needed for capital replacement or expansion, debt service obligations, or other commitments and uncertainties. The White Paper defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. FFO should not be considered as an alternative to net income determined in accordance with GAAP as an indication of our financial performance or to cash flows from operating activities determined in accordance with GAAP as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

The following table presents our FFO for the three and six months ended June 30, 2002 and 2001 (in thousands):

| | For the Three Months Ended June 30, | |
|---|---|---|
| | 2002 | 2001 |
| Net income | $ 10,220 | $ 7,324 |
| Add: | | |
| Depreciation and amortization | 8,557 | 7,463 |
| Subtract: | | |
| Dividends on preferred stock | (2,225) | (916) |
| FFO | $ 16,552 | $ 13,871 |

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2002 | 2001 |
| Net income | $ 19,823 | $ 14,630 |
| Add: | | |
| Depreciation and amortization | 16,794 | 14,197 |
| Subtract: | | |
| Dividends on preferred stock | (4,130) | (1,832) |
| FFO | $ 32,487 | $ 26,995 |

## Property and Lease Information

The following table is a summary of our property portfolio as of June 30, 2002 (dollars in thousands):

| | Number of Properties | Rentable Square Feet | Annualized Base Rent | Occupancy Percentage | |
|---|---|---|---|---|---|
| **Market:** | | | | | |
| Suburban Washington D.C. | 20 | 1,666,945 | $ 27,002 | 98.0% | |
| California - San Diego | 21 | 863,741 | 24,386 | 98.8% | |
| California - San Francisco Bay | 9 | 582,416 | 18,522 | 100.0% | |
| Southeast | 4 | 220,553 | 3,572 | 89.2% | (1) |
| New Jersey/Suburban Philadelphia | 6 | 344,390 | 6,135 | 100.0% | |
| Eastern Massachusetts | 7 | 537,897 | 15,157 | 84.9% | |
| Washington - Seattle | 3 | 281,948 | 9,514 | 100.0% | |
| Subtotal | 70 | 4,497,890 | 104,288 | 96.7% | |
| Redevelopment properties | 15 | 989,006 | 9,752 | 42.6% | |
| Total | 85 | 5,486,896 | $ 114,040 | 86.9% | |

(1) All, or substantially all, of the vacant space is office or warehouse space.

The following table provides information with respect to the lease expirations at our properties as of June 30, 2002:

| Year of Lease Expiration | Number of Expiring Leases | Square Footage of Expiring Leases | Percentage of Aggregate Portfolio Lease Square Footage | Annualized Base Rent of Expiring Leases (per square foot) |
|---|---|---|---|---|
| 2002 (1) | 29 | 202,508 | 4.2% | $16.89 |
| 2003 | 26 | 391,925 | 8.2% | $20.02 |
| 2004 | 30 | 497,277 | 10.4% | $20.09 |
| 2005 | 17 | 319,070 | 6.7% | $26.37 |
| 2006 | 31 | 733,824 | 15.4% | $23.70 |
| Thereafter | 56 | 2,624,893 | 55.1% | $25.52 |

(1) Represents leases expiring between July 1, 2002 and December 31, 2002.

The following table is a summary of our lease activity for the three months ended June 30, 2002 computed on a GAAP Basis and on a Cash Basis:

| | Number of Leases | Square Footage | Expiring Rate | New Rate | Rental Rate Increase | TI'S/Lease Commissions Per Foot | Average Lease Term |
|---|---|---|---|---|---|---|---|
| ***Lease Activity - Expired Leases*** | | | | | | | |
| Lease Expirations | | | | | | | |
| Cash Basis | 29 | 324,674 | $19.27 | -- | -- | -- | -- |
| GAAP Basis | 29 | 324,674 | $19.07 | -- | -- | -- | -- |
| Renewed / Released Space | | | | | | | |
| Cash Basis | 10 | 198,718 | $19.45 | $21.58 | 11.0% | $2.39 | 3.3 years |
| GAAP Basis | 10 | 198,718 | $19.39 | $22.64 | 16.8% | $2.39 | 3.3 years |
| Month-to-Month Leases | | | | | | | |
| Cash Basis | 11 | 38,201 | $14.60 | $14.93 | 2.3% | -- | -- |
| GAAP Basis | 11 | 38,201 | $14.48 | $14.93 | 3.1% | -- | -- |
| Total Leasing | | | | | | | |
| Cash Basis | 21 | 236,919 | $18.67 | $20.51 | 9.9% | -- | -- |
| GAAP Basis | 21 | 236,919 | $18.59 | $21.40 | 15.1% | -- | -- |
| ***Vacant Space Leased*** | | | | | | | |
| Cash Basis | 5 | 32,608 | -- | $22.29 | -- | $2.53 | 5.3 Years |
| GAAP Basis | 5 | 32,608 | -- | $23.28 | -- | $2.53 | 5.3 Years |
| ***All Lease Activity*** | | | | | | | |
| Cash Basis | 26 | 269,527 | -- | $20.73 | -- | -- | -- |
| GAAP Basis | 26 | 269,527 | -- | $21.63 | -- | -- | -- |

The following table is a summary of our lease activity for the six months ended June 30, 2002 computed on a GAAP Basis and on a Cash Basis:

| | Number of Leases | Square Footage | Expiring Rate | New Rate | Rental Rate Increase | | TI'S/Lease Commissions Per Foot | Average Lease Term |
|---|---|---|---|---|---|---|---|---|
| ***Lease Activity - Expired Leases*** | | | | | | | | |
| Lease Expirations | | | | | | | | |
| Cash Basis | 47 | 535,450 | $21.90 | -- | -- | | -- | -- |
| GAAP Basis | 47 | 535,450 | $22.00 | -- | -- | | -- | -- |
| Renewed / Released Space | | | | | | | | |
| Cash Basis | 16 | 285,583 | $22.47 | $23.02 | 2.4% | (a) | $2.12 | 3.2 Years |
| GAAP Basis | 16 | 285,583 | $22.16 | $24.00 | 8.3% | (a) | $2.12 | 3.2 Years |
| Month-to-Month Leases | | | | | | | | |
| Cash Basis | 10 | 37,516 | $14.47 | $14.81 | 2.3% | | -- | -- |
| GAAP Basis | 10 | 37,516 | $14.35 | $14.81 | 3.2% | | -- | -- |
| Total Leasing | | | | | | | | |
| Cash Basis | 26 | 323,099 | $21.55 | $22.07 | 2.4% | (b) | -- | -- |
| GAAP Basis | 26 | 323,099 | $21.26 | $22.93 | 7.9% | (b) | -- | -- |
| ***Vacant Space Leased*** | | | | | | | | |
| Cash Basis | 13 | 97,380 | -- | $23.32 | -- | | $3.66 | 4.5 Years |
| GAAP Basis | 13 | 97,380 | -- | $24.10 | -- | | $3.66 | 4.5 Years |
| ***All Lease Activity*** | | | | | | | | |
| Cash Basis | 39 | 420,479 | -- | $22.36 | -- | | -- | -- |
| GAAP Basis | 39 | 420,479 | -- | $23.21 | -- | | -- | -- |

(a) Excluding a lease for 8,424 square feet in the San Francisco Bay market, rental rates for renewed or released space were on average approximately 10.6% higher than expiring rates on a Cash Basis and approximately 16.5% higher than expiring rates on a GAAP Basis.

(b) Excluding a lease for 8,424 square feet in the San Francisco Bay market, rental rates for all lease activity for expired leases were on average approximately 9.9% higher than expiring rates on a Cash Basis and approximately 15.3% higher than expiring rates on a GAAP basis.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we are exposed is interest rate risk, which is the result of many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

In order to modify and manage the interest characteristics of our outstanding debt and limit the effects of interest rates on our operations, we may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks such as counter-party credit risk and legal enforceability of hedging contracts.

Our future earnings, cash flows and fair values relating to financial instruments are primarily dependent upon market rates of interest, such as LIBOR. However, our interest rate swap agreements are intended to reduce the effects of interest rate changes. Based on interest rates at, and our swap agreements in effect on, June 30, 2002, we estimate that a 1% increase in interest rates on our line of credit and term loan, after considering the effect of our interest rate swap agreements, would decrease annual future earnings and cash flows, by approximately $1.9 million. We further estimate that a 1% decrease in interest rates on our line of credit and term loan, after considering the effect of our interest rate swap agreements in effect on June 30, 2002, would increase annual future earnings and cash flows by approximately $1.9 million. A 1% increase in interest rates on our secured debt and interest rate swap agreements would decrease their aggregate fair value by approximately $13.5 million. A 1% decrease in interest rates on our secured debt and interest rate swap agreements would increase their aggregate fair value by approximately $14.4 million.

These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost and our interest rate swap agreements in effect on June 30, 2002. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. In addition, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

## PART II – OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

To our knowledge, no litigation is pending against us, other than routine actions and administrative proceedings, none of which, in the aggregate, are expected to have a material adverse effect on our financial condition, results of operations or cash flows, and substantially all of which are expected to be covered by liability insurance.

### Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 29, 2002, we held our Annual Meeting of Stockholders.

At the meeting, seven directors were elected to serve for a one-year term and until their successors are duly elected and qualify. The following directors were elected to pursuant to the votes indicated:

| Director | "For" | "Withheld" |
|---|---|---|
| Jerry M. Sudarsky | 13,913,005 | 727,336 |
| Joel S. Marcus | 10,425,867 | 4,214,474 |
| James H. Richardson | 10,425,867 | 4,214,474 |
| Richard B. Jennings | 14,001,331 | 639,010 |
| David M. Petrone | 14,001,331 | 639,010 |
| Anthony M. Solomon | 14,001,331 | 639,010 |
| Alan G. Walton | 14,001,331 | 639,010 |

We have no other directors.

In addition, the stockholders voted to ratify the selection of Ernst & Young, LLP as our independent public accountants for the fiscal year ending December 31, 2002. A total of 13,977,204 shares voted "for" the ratification, 169,751 voted "against" and 493,386 shares abstained.

### Item 5. OTHER INFORMATION

None.

**Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

10.1 Third Amended and Restated Revolving Loan Agreement dated July 11, 2002

12.1 Computation of Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

(b) Reports on Form 8-K.

On July 22, 2002, we filed a Current Report on Form 8-K, dated July 18, 2002, with respect to the sale of 2,000,000 shares of our common stock to institutional investors.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 14, 2002.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

/s/ Joel S. Marcus

Joel S. Marcus
Chief Executive Officer
(Principal Executive Officer)

/s/ Peter J. Nelson

Peter J. Nelson
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

The following statement is provided by the undersigned to accompany the foregoing Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed pursuant to any provision of the Exchange Act of 1934 or any other securities law:

Each of the undersigned certifies that the foregoing Report on Form 10-Q complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Alexandria Real Estate Equities, Inc.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

/s/ Joel S. Marcus

Joel S. Marcus
Chief Executive Officer
(Principal Executive Officer)

/s/ Peter J. Nelson

Peter J. Nelson
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)