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 September 30, 2003

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 ________

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ___X___ No ________

As of November 12, 2003, 19,161,756 shares of common stock, par value $.01 per share, were outstanding.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc. and Subsidiaries

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

	September 30, 2003	December 31, 2002
Assets		
Rental properties, net	$ 942,794	$ 976,422
Properties under development	143,287	68,386
Cash and cash equivalents	3,225	3,790
Tenant security deposits and other restricted cash	9,246	8,020
Tenant receivables	1,821	2,641
Deferred rent	29,967	26,063
Other assets	80,805	73,921
Total assets	$ 1,211,145	$ 1,159,243
Liabilities and Stockholders' Equity		
Secured notes payable	$ 321,316	$ 276,878
Unsecured line of credit	334,000	338,000
Accounts payable, accrued expenses and tenant security deposits	41,883	47,118
Dividends payable	12,584	11,394
Total liabilities	709,783	673,390
Stockholders' equity:		
Series A preferred stock	38,588	38,588
Series B preferred stock	57,500	57,500
Common stock	192	190
Additional paid-in capital	415,313	399,831
Deferred compensation	(3,127)	(1,432)
Retained earnings	-	-
Accumulated other comprehensive income	(7,104)	(8,824)
Total stockholders' equity	501,362	485,853
Total liabilities and stockholders' equity	$ 1,211,145	$ 1,159,243

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 September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Revenues				
Rental	$ 31,702	$ 28,653	$ 95,018	$ 82,976
Tenant recoveries	8,355	7,911	24,953	21,313
Interest and other income	725	300	1,482	1,088
	40,782	36,864	121,453	105,377
Expenses				
Rental operations	8,463	8,255	25,596	21,811
General and administrative	3,568	3,203	10,661	9,984
Interest	6,532	5,726	19,915	18,602
Depreciation and amortization	9,813	8,334	29,034	24,642
Loss on early extinguishment of debt	-	1,002	-	1,002
	28,376	26,520	85,206	76,041
Income from continuing operations	12,406	10,344	36,247	29,336
Income from discontinued operations, net	9,188	411	10,045	1,242
Net income	$ 21,594	$ 10,755	$ 46,292	$ 30,578
Dividends on preferred stock	2,225	2,225	6,674	6,354
Net income available to common stockholders	$ 19,369	$ 8,530	$ 39,618	$ 24,224
Basic income per common share:				
Income from continuing operations	$ 0.65	$ 0.56	$ 1.91	$ 1.71
Income from discontinued operations, net	$ 0.48	$ 0.02	$ 0.53	$ 0.07
Net income	$ 1.14	$ 0.59	$ 2.44	$ 1.78
Net income available to common stockholders	$ 1.02	$ 0.47	$ 2.09	$ 1.41
Diluted income per common share:				
Income from continuing operations	$ 0.64	$ 0.56	$ 1.89	$ 1.68
Income from discontinued operations, net	$ 0.48	$ 0.02	$ 0.52	$ 0.07
Net income	$ 1.12	$ 0.58	$ 2.41	$ 1.75
Net income available to common stockholders	$ 1.00	$ 0.46	$ 2.06	$ 1.39
Weighted average shares of common stock outstanding:				
-Basic	19,023,162	18,329,443	18,957,609	17,169,003
-Diluted	19,276,932	18,556,300	19,191,021	17,463,727

See accompanying notes.

Alexandria Real Estate Equities, Inc. and Subsidiaries

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

	Nine Months Ended September 30,	
	2003	**2002**
Operating Activities		
Net income	$ 46,292	$ 30,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	-	1,002
Gain/loss on sales of property	(8,322)	-
Depreciation and amortization	29,034	25,376
Amortization of loan fees and costs	1,513	1,957
Amortization of premiums on secured notes	(259)	(270)
Stock compensation expense	1,974	2,736
Changes in operating assets and liabilties:		
Tenant security deposits and other restricted cash	(1,226)	484
Tenant receivables	820	1,606
Deferred rent	(5,044)	(3,620)
Other assets	(6,508)	(11,678)
Accounts payable, accrued expenses and tenant security deposits	(2,865)	(9,575)
Net cash provided by operating activities	55,409	38,596
Investing Activities		
Purchase of rental properties	(3,677)	(50,325)
Proceeds from sales of property	33,478	-
Additions to rental properties	(34,290)	(41,166)
Additions to properties under development	(68,234)	(34,691)
Additions to investments, net	(5,348)	(12,031)
Net cash used in investing activities	(78,071)	(138,213)
Financing Activities		
Proceeds from secured notes payable	64,667	44,663
Proceeds from exercise of stock options	2,648	3,551
Proceeds from issuance of common stock	-	97,601
Proceeds from issuance of preferred stock	-	55,129
Proceeds from repayment of note receivable	-	6,000
Principal reductions to unsecured line of credit	(4,000)	(64,000)
Principal reductions of secured notes payable	(4,847)	(12,419)
Dividends paid on common stock	(29,697)	(24,427)
Dividends paid on preferred stock	(6,674)	(5,264)
Net cash provided by financing activities	22,097	100,834
Net (decrease) increase in cash and cash equivalents	(565)	1,217
Cash and cash equivalents at beginning of period	3,790	2,376
Cash and cash equivalents at end of period	$ 3,225	$ 3,593

See accompanying notes.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 redevelopment and development 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 September 30, 2003, our portfolio consisted of 87 properties in nine states with approximately 5.6 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, 2003. 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, 2002.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

1. Background and Basis of Presentation (continued)

Accumulated Other Comprehensive Income

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

	September 30, 2003	December 31, 2002
Unrealized gain on marketable securities	$ 558	$ 214
Unrealized loss on interest rate swap agreements	(7,662)	(9,038)
	$ (7,104)	$ (8,824)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	$ 21,594	$ 10,755	$ 46,292	$ 30,578
Unrealized (loss) gain on marketable securities	(177)	(388)	344	(2,198)
Unrealized gain (loss) on interest rate swap agreements	1,776	(1,913)	1,376	(902)
Comprehensive income	$ 23,193	$ 8,454	$ 48,012	$ 27,478

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" ("SFAS 115"), and are recorded at fair value and included 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 classification of investments under SFAS 115 is determined at the time each investment is made, and such determination is reevaluated at each balance sheet date. The cost of investments sold is determined by the specific identification method, with realized gains and losses included in interest and other income.

Investments in privately held entities are included in other assets and accounted for under the provisions of Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock". Investments in privately held entities are generally accounted for under the cost method because we do not influence any operating or financial policies of the entities in which we invest.

1. Background and Basis of Presentation (continued)

Investments in privately held entities as of September 30, 2003, totaled $43,314,000 and are included in other assets in the accompanying balance sheets.

For all of our investments, if a decline in the fair value of an investment below its carrying value is determined to be other than temporary, such investment is written down to its estimated fair value with a non-cash charge to current earnings.

The following table summarizes our available-for-sale securities (in thousands):

	September 30, 2003	December 31, 2002
Adjusted cost of available-for-sale securities	$ 1,470	$ 1,876
Gross unrealized gains	558	214
Gross unrealized losses	-	-
Fair value of available-for-sale securities	$ 2,028	$ 2,090

Impact of Recently Issued Accounting Standards

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. We adopted SFAS 150 in the third quarter of 2003. The adoption of SFAS 150 did not have an impact on our financial statements.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 149, among other things, clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component and amends the definition of an "underlying" to conform it to language used in FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". SFAS 149 is effective for contracts entered into or modified after September 30, 2003 and for hedging relationships designated after September 30, 2003. The adoption of SFAS 149 did not have an impact on our financial statements.

1. Background and Basis of Presentation (continued)

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51 ("FIN 46"), which requires the consolidation of entities with respect to which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, an entity is generally consolidated by an enterprise when it has a controlling financial interest through ownership of a majority voting interest in the entity. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and is generally effective December 31, 2003 for variable interest entities acquired before February 1, 2003. The adoption of FIN 46 did not have an impact on our financial statements.

In April 2002, the FASB issued Statement of Accounting Standards No. 145, "Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), which requires any gain or loss on early extinguishment of debt that was previously classified as an extraordinary item that does not meet certain criteria, be reclassified from extraordinary items to continuing operations. In accordance with SFAS 145, in 2003 we reclassified the loss on early extinguishment of debt recognized in 2002, totaling $1,002,000 to continuing operations.

2. Rental Properties

Rental properties consist of the following (in thousands):

	September 30, 2003	December 31, 2002
Land	$ 145,939	$ 151,297
Buildings and improvements	812,127	829,739
Tenant and other improvements	118,567	108,863
	1,076,633	1,089,899
Less accumulated depreciation	(133,839)	(113,477)
	$ 942,794	$ 976,422

3. Unsecured Line of Credit

We have an unsecured line of credit under which we may borrow up to $440 million. As of September 30, 2003, the line of credit had a maturity date of July 2005, which could be extended at our sole option for an additional one-year period. Borrowings under our unsecured line of credit 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 a LIBOR period of one, two, three or six months.

Our line of credit contains 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 restrict, among other things, certain investments, indebtedness, distributions and mergers. As of September 30, 2003, borrowings outstanding on the line of credit carried a weighted average interest rate of 2.75%.

3. Unsecured Line of Credit (continued)

The line of credit contains provisions which limit aggregate borrowings under the line. This limit is calculated based on the net operating income derived from a pool of unencumbered assets not to exceed the full amount available under the line of credit of $440 million. As of September 30, 2003, the maximum permitted borrowings under the line of credit were limited to $419 million.

We utilize interest rate swap agreements to hedge certain of 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.

In November 2003, we amended our line of credit to extend its maturity date to November 2006 and we also obtained a five year unsecured term loan for $150 million. See footnote 8, Subsequent Events.

The following table summarizes our interest rate swap agreements as of September 30, 2003 (dollars in thousands):

Transaction Dates	Effective Dates	Notional Amounts	Interest Pay Rates	Termination Dates	Fair Values
March 2002	December 31, 2002	$ 50,000	5.36%	December 31, 2004	$ (2,582)
July 2002	January 1, 2003	25,000	3.86%	June 30, 2005	(1,016)
July 2002	January 1, 2003	25,000	3.87%	June 30, 2005	(1,021)
December 2002	January 2, 2003	25,000	3.29%	June 30, 2006	(791)
December 2002	January 2, 2003	25,000	3.29%	June 30, 2006	(791)
November 2002	June 1, 2003	25,000	3.12%	December 31, 2005	(719)
November 2002	June 1, 2003	25,000	3.16%	December 31, 2005	(742)
Total					$ (7,662)

4. Stockholders' Equity

In September 2003, we declared a cash dividend on our common stock aggregating $10,731,000 ($ 0.56 per share) for the calendar quarter ended September 30, 2003. In September 2003, we declared a cash dividend on our Series A preferred stock aggregating $916,000 ($ 0.59375 per share) for the period from July 16, 2003 through October 15, 2003. In September 2003, we also declared a cash dividend on our Series B preferred stock aggregating $1,308,000 ($0.56875 per share) for the period July 16, 2003 through October 15, 2003. We paid these dividends on October 15, 2003.

5. Stock Option Plan

For 2002 and all prior years, we elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for our employee and non-employee director stock options, stock grants and stock appreciation rights. Under APB 25, because the exercise price of the options we granted equals the market price of the underlying stock on the date of grant, no compensation expense has been recognized.

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure" ("SFAS 148"), which addresses alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. Effective January 1, 2003, we have adopted the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), prospectively to all employee awards granted, modified or settled after January 1, 2003.

The following table provides pro forma disclosures of the estimated fair value of the options amortized to expense over the option vesting periods as if we had accounted for our stock option awards for all periods under the fair value method under SFAS 123 from the date they were granted (in thousands, except per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income available to common stockholders, as reported	$ 19,369	$ 8,530	$ 39,618	$ 24,224
Add: Stock-based employee compensation expense included in reported net income	-	-	-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(329)	(340)	(997)	(821)
Pro forma net income available to common stockholders	$ 19,040	$ 8,190	$ 38,621	$ 23,403
Earnings per share:				
Basic - as reported	$ 1.02	$ 0.47	$ $2.09	$ $1.41
Basic - pro forma	$ 1.00	$ 0.45	$ $2.04	$ $1.36
Diluted - as reported	$ 1.00	$ 0.46	$ $2.06	$ $1.39
Diluted - pro forma	$ 0.99	$ 0.44	$ $2.01	$ $1.34

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 September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income available to common stockholders	$ 19,369	$ 8,530	$ 39,618	$ 24,224
Weighted average shares of common stock outstanding - basic	19,023,162	18,329,443	18,957,609	17,169,003
Add: dilutive effect of stock options and stock grants	253,770	226,857	233,412	294,724
Weighted average shares of common stock outstanding - diluted	19,276,932	18,556,300	19,191,021	17,463,727
Net income per common share:				
- Basic	$ 1.02	$ 0.47	$ 2.09	$ 1.41
- Diluted	$ 1.00	$ 0.46	$ 2.06	$ 1.39
Common dividends declared per share	$ 0.56	$ 0.50	$ 1.62	$ 1.50

7. Discontinued Operations

On January 1, 2002, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") became effective. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Under SFAS 144, a property is classified as held for sale when all of the following criteria for a plan of sale have been met: 1) management, having the authority to approve the action, commits to a plan to sell the property, 2) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary, 3) an active program to locate a buyer, and other actions required to complete the plan to sell, have been initiated, 4) the sale of the property is probable and is expected to be completed within one year, 5) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and 6) actions necessary to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. When all of these criteria have been met, the property is classified as held for sale and its operations are classified as discontinued operations. Amounts from prior periods are reclassified from continuing operations to discontinued operations. A loss is recognized for any initial adjustment of the asset's carrying amount to fair value less costs to sell in the period the asset qualifies as held for sale. Depreciation of assets is discontinued commencing on the date they are designated as "held for sale". The accompanying statements have been presented in compliance with SFAS 144.

7. Discontinued Operations (continued)

During the third quarter of 2003, we sold one property located in the Eastern Massachusetts market that had been designated as "held for sale" beginning the fourth quarter of 2002. The total sale price for the property was approximately $46.5 million. In connection with this sale, we recorded a gain on sale of property of approximately $8.8 million during the three months ended September 30, 2003. Interest expense included in discontinued operations represents interest related to a secured note payable which was assumed by the buyer in connection with the sale. During the first quarter of 2003, we sold one property located in the San Francisco Bay market which could not be redeveloped pursuant to our original strategic objectives and that had been designated as "held for sale" during the fourth quarter 2002. The total sale price for the property was approximately $6.8 million. In connection with this sale, we recorded a loss on sale of property of $455,000 during the three months ended March 31, 2003. Gains and losses on sales of these properties are included on the income statement in income from discontinued operations in 2003. Properties held for sale as of December 31, 2002, are included in rental properties in the consolidated balance sheets.

The following is a summary of operations and net assets of the properties designated as "held for sale" (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenue	$ 757	$ 1,200	3,158	3,604
Operating expenses	123	185	511	554
Revenue less operating expenses	634	1,015	2,647	3,050
Interest	223	356	924	1,074
Depreciation	-	248	-	734
Income before gain/loss on sales of property	411	411	1,723	1,242
Gain/loss on sales of property	8,777	-	8,322	-
Income from discontinued operations	$ 9,188	$ 411	$ 10,045	$ 1,242

	September 30, 2003	December 31, 2002
Properties held for sale, net	$ -	$ 43,361
Cash and cash equivalents	-	3
Tenant security deposits and other		0
restricted cash	-	115
Tenant receivables	-	0
Deferred rent	-	1,081
Other assets	-	97
Total assets	$ -	$ 44,657
Secured note payable	-	18,777
Accounts payable, accrued expenses and tenant security deposits	-	1,112
Total liabilities	-	19,889
Net assets of discontinued operations	$ -	$ 24,768

8. Subsequent Events

In November 2003, we renewed our $440 million unsecured line of credit and extended its maturity date to November 2006. We have the right to extend the line of credit for an additional one year at our option.

In November 2003, we also obtained an unsecured term loan for $150 million. The loan, which is due in November 2008, contains financial covenants similar to our unsecured line of credit. The proceeds of the loan were used to pay down a portion of the outstanding balance on our unsecured line of credit.

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, 2002. 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 September 30, 2003, our portfolio consisted of 87 properties containing approximately 5.6 million rentable square feet of office/laboratory space. As of that date, our properties were approximately 94% 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, development and redevelopment activities.

Results of Operations

Comparison of Three Months Ended September 30, 2003 ("Third Quarter 2003") to Three Months Ended September 30, 2002 ("Third Quarter 2002")

Rental revenue increased by $3.0 million, or 11%, to $31.7 million for Third Quarter 2003 compared to $28.7 million for Third Quarter 2002. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after July 1, 2002. Rental revenue from the properties operating continuously since July 1, 2002 (the "Third Quarter Same

Properties") increased by $313,000, or 1.4%, primarily due to increases in rental rates. The average occupancy level of the Third Quarter Same Properties was 95.4% as of September 30, 2003, compared to 95.9% as of September 30, 2002.

Tenant recoveries increased by $444,000, or 6%, to $8.4 million for Third Quarter 2003 compared to $7.9 million for Third Quarter 2002. The increase resulted primarily from tenant recoveries from properties acquired, placed in service or redeveloped after July 1, 2002. Tenant recoveries for the Third Quarter Same Properties decreased by $105,000, or 1.6%, primarily due to decreases in certain recoverable operating expenses.

Interest and other income increased by $425,000, to $725,000, for Third Quarter 2003 compared to $300,000 for Third Quarter 2002. The increase resulted primarily from a general increase in miscellaneous sources of income.

Rental operating expenses increased by $208,000, or 3%, to $8.5 million for Third Quarter 2003 compared to $8.3 million for Third Quarter 2002. The increase resulted partially from rental operating expenses for properties acquired, placed in service or redeveloped after July 1, 2002. Operating expenses for the Third Quarter Same Properties decreased by $242,000, or 3.6%, primarily due to decreases in repairs and maintenance expenses, 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 Third Quarter Same Properties (dollars in thousands):

	For the Three Months Ended September 30,		
	2003	**2002**	**Change**
GAAP BASIS (1):			
Revenue	$ 29,760	$ 29,527	0.8%
Operating expenses	6,389	6,631	-3.6%
Revenue less operating expenses	$ 23,371	$ 22,896	2.1%
CASH BASIS (1):			
Revenue	$ 29,052	$ 28,654	1.4%
Operating expenses	6,389	6,631	-3.6%
Revenue less operating expenses	$ 22,663	$ 22,023	2.9%

(1) Revenue less operating expenses computed on a GAAP basis is total revenue associated with Third Quarter Same Properties (excluding lease termination fees, if any) less property operating expenses. Under GAAP, rental revenue is recognized on a straight-line basis over the respective lease terms. Revenue less operating expenses on a cash basis is total revenue associated with the Third Quarter Same Properties (excluding termination fees, if any) less property operating expenses, adjusted to exclude the effect of straight-line rent adjustments required by GAAP. Straight-line rent adjustments for the three months ended September 30, 2003 and 2002 for the Third Quarter Same Properties were $708,000 and $873,000, respectively. We believe that revenue less operating expenses on a cash basis is helpful to investors as an additional measure of operating performance because it eliminates non-cash adjustments to rental revenue.

General and administrative expenses increased by $365,000, or 11%, to $3.6 million for Third Quarter 2003 compared to $3.2 million for Third Quarter 2002, mainly due to general increases in administrative costs, primarily payroll and related expenses.

Interest expense increased by $806,000, or 14%, to $6.5 million for Third Quarter 2003 compared to $5.7 million for Third Quarter 2002. The increase for Third Quarter 2003 resulted from approximately $51 million in additional secured indebtedness incurred since July 1, 2002, offset by a reduction in the floating interest rate on our unsecured line of credit. The weighted average interest rate on borrowings under our unsecured line of credit (excluding the effect of swap agreements) decreased from 3.31% as of September 30, 2002 to 2.75% as of September 30, 2003.

Depreciation and amortization increased by $1.5 million, or 18%, to $9.8 million for Third Quarter 2003 compared to $8.3 million for Third Quarter 2002. The increase resulted primarily from depreciation associated with the properties acquired, placed in service or redeveloped after July 1, 2002.

Loss on early extinguishment of debt for Third Quarter 2002 of $1 million was incurred as the result of the early retirement of a $7.2 million secured loan. This loss is related to prepayment penalties and the write-off of loan costs. In 2002, this loss was classified as an extraordinary item as previously required under SFAS 4, “Reporting Gains and Losses from Extinguishment of Debt”. Pursuant to SFAS 145, “Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections”, in 2003 we reclassified the 2002 loss on early extinguishment of debt to continuing operations.

Income from discontinued operations of $9.2 million for Third Quarter 2003 reflects the results of operations of one property that was previously designated as held for sale and was sold during Third Quarter 2003. In connection with the sale, we recognized a gain on sale of property of approximately $8.8 million.

As a result of the foregoing, net income was $21.6 million for Third Quarter 2003 compared to $10.8 million for Third Quarter 2002.

Comparison of Nine Months Ended September 30, 2003 (“Nine Months 2003”) to Nine Months Ended September 30, 2002 (“Nine Months 2002”)

Rental revenue increased by $12.0 million, or 15%, to $95.0 million for Nine Months 2003 compared to $83.0 million for Nine Months 2002. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after January 1, 2002. Rental revenue from the properties operating continuously since January 1, 2002 (the "Nine Months Same Properties") increased by $1.1 million, or 1.8%, primarily due to increases in rental rates. The average occupancy level of the Nine Months Same Properties for the nine months ended September 30, 2003 and 2002 was 96.9%.

Tenant recoveries increased by $3.6 million, or 17%, to $25.0 million for Nine Months 2003 compared to $21.3 million for Nine Months 2002. The increase resulted primarily from tenant recoveries from properties acquired, placed in service or redeveloped after January 1, 2002. Tenant recoveries for the Nine Months Same Properties increased by $1.5 million, or 9.0%, primarily due to increases in certain recoverable operating expenses.

Interest and other income increased by $394,000, or 36%, to $1.5 million for Nine Months 2003 compared to $1.1 million for Nine Months 2002. The increase resulted primarily from a general increase in miscellaneous sources of income.

Rental operating expenses increased by $3.8 million, or 17%, to $25.6 million for Nine Months 2003 compared to $21.8 million for Nine Months 2002. The increase resulted partially from rental operating expenses for properties acquired, placed in service or redeveloped after January 1, 2002. Operating expenses for the Nine Months Same Properties increased by $1.2 million, or 7.2%, primarily due to increases in property taxes and insurance, 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 Nine Months Same Properties (dollars in thousands):

	For the Nine Months Ended September 30,		
	2003	**2002**	**Change**
GAAP BASIS (1):			
Revenue	$ 81,881	$ 79,232	3.3%
Operating expenses	17,703	16,512	7.2%
Revenue less operating expenses	$ 64,178	$ 62,720	2.3%
CASH BASIS (1):			
Revenue	$ 80,034	$ 76,955	4.0%
Operating expenses	17,703	16,512	7.2%
Revenue less operating expenses	$ 62,331	$ 60,443	3.1%

---

(1) Revenue less operating expenses computed on a GAAP basis is total revenue associated with Nine Months Same Properties (excluding lease termination fees, if any) less property operating expenses. Under GAAP, rental revenue is recognized on a straight-line basis over the respective lease terms. Revenue less operating expenses on a cash basis is total revenue associated with the Nine Months Same Properties (excluding termination fees, if any) less property operating expenses, adjusted to exclude the effect of straight-line rent adjustments required by GAAP. Straight-line rent adjustments for the Nine months ended September 30, 2003 and 2002 for the Nine Months Same Properties were $1,847,000 and $2,277,000, respectively. We believe that revenue less operating expenses on a cash basis is helpful to investors as an additional measure of operating performance because it eliminates non-cash adjustments to rental revenue.

General and administrative expenses increased by $677,000, or 7%, to $10.7 million for Nine Months 2003 compared to $10.0 million for Nine Months 2002, mainly due to general increases in administrative costs, primarily payroll and related expenses.

Interest expense increased by $1.3 million, or 7%, to $19.9 million for Nine Months 2003 compared to $18.6 million for Nine Months 2002. The increase resulted from approximately $85 million in additional secured indebtedness incurred since January 1, 2002, offset by a reduction in the floating interest rate on our unsecured line of credit. The weighted average interest rate on borrowings under our unsecured line of credit (excluding the effect of swap agreements) decreased from 3.31% as of September 30, 2002 to 2.75% as of September 30, 2003.

Depreciation and amortization increased by $4.4 million, or 18%, to $29.0 million for Nine Months 2003 compared to $24.6 million for Nine Months 2002. The increase resulted primarily from depreciation associated with the properties acquired, placed in service or redeveloped after January 1, 2002.

Loss on early extinguishment of debt for Nine Months 2002 of $1 million was incurred as the result of the early retirement of a $7.2 million secured loan. This loss is related to prepayment penalties and the write-off of loan costs. In 2002, this loss was classified as an extraordinary item as previously required under SFAS 4, “Reporting Gains and Losses from Extinguishment of Debt”. Pursuant to SFAS 145, “Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections”, in 2003 we reclassified the 2002 loss on early extinguishment of debt to continuing operations.

Income from discontinued operations of $10.0 million for Nine Months 2003 reflects the results of operations of two properties that were previously designated as held for sale. In the third quarter of 2003, we sold one property in the Eastern Massachusetts market. In the first quarter of 2003, we sold one property in the San Francisco Bay market. In connection with these sales, we recorded a net gain of approximately $8.3 million.

As a result of the foregoing, net income was $46.3 million for Nine Months 2003 compared to $30.6 million for Nine Months 2002.

Liquidity and Capital Resources

Cash flows

Net cash provided by operating activities for Nine Months 2003 increased by $16.8 million to $55.4 million compared to $38.6 million for Nine Months 2002. The increase resulted primarily from increases in cash flows from our portfolio of operating properties and increases in cash flows from favorable changes in other assets and accounts payable, accrued expenses and tenant security deposits.

Net cash used in investing activities decreased by $60.1 million to $78.1 million for Nine Months 2003 compared to $138.2 million for Nine Months 2002, primarily due to the proceeds from the sale of two properties and substantially lower acquisitions of rental properties, partially offset by substantially higher additions to properties under development for the Nine Months 2003.

Net cash provided by financing activities decreased by $78.7 million to $22.1 million for Nine Months 2003 compared to $100.8 million for Nine Months 2002, primarily due to the issuance of common and preferred stock in Nine Months 2002 (none was issued in Nine Months 2003) offset partially by higher proceeds from secured indebtedness and a lower reduction in borrowings under our line of credit for Nine Months 2003.

Contractual obligations and commitments

Contractual obligations as of September 30, 2003, consists of the following (dollars in thousands):

		Payments by Period			
	Total	2003	2004-2005	2006-2007	Thereafter
Contractual Obligations					
Secured notes payable (1)	$ 321,033	$ 1,278	$ 37,785	$ 40,694	$ 241,276
Ground lease obligations	31,289	215	1,721	1,721	27,632
Other obligations	858	121	737	-	-
Total	$ 353,180	$ 1,614	$ 40,243	$ 42,415	$ 268,908

(1) Excludes unamortized premium of a secured note payable.

Secured notes payable as of September 30, 2003 include 16 notes secured by 39 properties.

Ground lease obligations as of September 30, 2003 include leases at five of our properties and one land development parcel. These lease obligations have remaining lease terms of 29 to 53 years, exclusive of extension options.

In addition to the above, as of September 30, 2003, we were committed under the terms of construction contracts to complete the development of buildings and related improvements at a remaining aggregate cost of $18.2 million.

As of September 30, 2003, we were also committed to fund approximately $25.8 million for the construction of building infrastructure improvements and for certain investments.

Tenant security deposits and restricted cash

Tenant security deposits and restricted cash as of September 30, 2003 consist of the following (in thousands):

	Amount
Funds held in trust under the terms of certain secured notes payable	$ 6,993
Security deposit funds based on the terms of certain lease agreements	1,891
Funds held in escrow to complete the development of an office/laboratory facility	362
	$ 9,246

Secured debt

Secured debt as of September 30, 2003 consists of the following (dollars in thousands):

Location of Collateral	Balance at September 30, 2003	Stated Interest Rates	Maturity Dates
Lexington, MA	$ 3,353	8.45%	August 2004
San Francisco, CA (two properties)	22,520	LIBOR + 1.70%	January 2005 (1)
Worcester, MA (2)	9,876	8.75%	January 2006
Durham, NC (two properties)	11,921	8.68%	December 2006
Gaithersburg, MA (three properties)	9,728	8.25%	August 2007
Chantilly, VA and Seattle, WA	34,526	7.22%	May 2008
San Diego, CA (four properties)	40,490	6.95%	July 2009
Worcester, MA and San Diego, CA	18,435	8.71%	January 2010
Gaithersburg, MD (two properties)	24,177	8.33%	November 2010
San Diego, CA (six properties)	23,687	7.75%	July 2011
Gaithersburg, MD (three properties)	27,845	7.40%	January 2012
Alameda, CA (three properties) and San Diego, CA	33,711	6.21%	March 2013
Rockville, MD (two properties) and Beltsville, MD	29,972	6.36%	September 2013
Alameda, CA	2,138	7.165%	January 2014
Seattle, WA (two properties)	17,521	7.75%	June 2016
San Diego, CA	11,416	7.50%	August 2021
	$ 321,316		

(1) The loan may be extended, at our option, for an additional year.

(2) The balance shown includes an unamortized premium of $283,000. The effective rate of the loan is 7.25%.

The following is a summary of the scheduled principal payments for our secured debt as of September 30, 2003 (in thousands):

Year	Amount
2003	$ 1,278
2004	9,415
2005	28,370
2006	25,571
2007	15,123
Thereafter	241,276
Subtotal	321,033
Unamortized Premium	283
Total	$ 321,316

Unsecured line of credit

We have an unsecured line of credit under which we may borrow up to $440 million. As of September 30, 2003, the line of credit had a maturity date of July 2005, which could be extended at our sole option for an additional one-year period. Borrowings under our unsecured line of credit 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 a LIBOR period of one, two, three or six months.

Our line of credit contains 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 restrict, among other things, certain investments, indebtedness, distributions and mergers. As of September 30, 2003, borrowings outstanding on the line of credit carried a weighted average interest rate of 2.75%.

The line of credit contains provisions which limit aggregate borrowings under the line. This limit is calculated based on the net operating income derived from a pool of unencumbered assets not to exceed the full amount available under the line of credit of $440 million. As of September 30, 2003, the maximum permitted borrowings under the line of credit were limited to $419 million.

We utilize interest rate swap agreements to hedge certain of 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.

In November 2003, we amended our line of credit to extend its maturity date to November 2006 and we also obtained a five year unsecured term loan for $150 million. See footnote 8 to our financial statements, Subsequent Events.

The following table summarizes our interest rate swap agreements as of September 30, 2003 (dollars in thousands):

Transaction Dates	Effective Dates	Notional Amounts	Interest Pay Rates	Termination Dates	Fair Values
March 2002	December 31, 2002	50,000	5.36%	December 31, 2004	$ (2,582)
July 2002	January 1, 2003	25,000	3.86%	June 30, 2005	(1,016)
July 2002	January 1, 2003	25,000	3.87%	June 30, 2005	(1,021)
December 2002	January 2, 2003	25,000	3.29%	June 30, 2006	(791)
December 2002	January 2, 2003	25,000	3.29%	June 30, 2006	(791)
November 2002	June 1, 2003	25,000	3.12%	December 31, 2005	(719)
November 2002	June 1, 2003	25,000	3.16%	December 31, 2005	(742)
					$ (7,662)

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.

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 net cash provided by operating activities will continue to be sufficient to make the distributions necessary to enable us to continue qualifying as a real estate investment trust. We also believe that net cash provided by operating activities will be sufficient to fund recurring capital expenditures and leasing commissions.

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

Capital and Leasing Costs

The following provides additional information with respect to capital and leasing costs incurred during the nine months ended September 30, 2003 (dollars in thousands):

Property-related capital expenditures (1)	$ 1,201
Leasing costs (2)	$ 539
Property-related redevelopment costs (3)	$ 29,321
Property-related development costs	$ 31,902
Purchase of property under development	$ 36,332
Purchase of rental property (4)	$ 7,089

---

(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 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 88% 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.

(3) Includes certain capital expenditures recoverable from tenants.

(4) Purchase amount includes the assumption of a secured note payable of approximately $3,384,000.

Inflation

Approximately 87% of our leases (on a square footage basis) are triple net leases that require tenants to pay substantially all real estate taxes and insurance and common area and other operating expenses, including increases therein. In addition, approximately 7% of our leases (on a square footage basis) require the tenants to pay a majority of operating expenses. Approximately 92% 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 the consumer price index or similar index. Accordingly, we do not believe that our earnings or cash flow are subject to significant risk from inflation. An increase in inflation, however, could result in an increase in the cost of our variable interest rate borrowings, including borrowings under our unsecured line of credit and unsecured term loan.

Funds from Operations

GAAP basis accounting for real estate assets utilizes historical cost accounting and assumes real estate values diminish over time. In an effort to overcome the mis-correlation between real estate values and historical cost accounting for real estate assets, the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") established the measurement tool of funds from operations ("FFO"). Since its introduction, FFO has become a widely used non-GAAP financial measure by REITs. We believe that FFO is helpful to investors as an additional measure of the performance of an equity REIT. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its April 2002 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. The White Paper defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. While FFO is a relevant and widely used measure of operating performance of REITs, it 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. We believe that net income is the most directly comparable GAAP financial measure to FFO.

The following table presents our FFO for the three and nine months ended September 30, 2003 (in thousands):

	For the Three Months Ended September 30, 2003	For the Nine Months Ended September 30, 2003
Net income	$ 21,594	$ 46,292
Add		
Depreciation and amortization (1)	9,813	29,034
Subtract		
Dividends on preferred stock	(2,225)	(6,674)
Gain/loss on sales of property (2)	(8,777)	(8,322)
Funds from operations (FFO)	$ 20,405	$ 60,330

(1) Includes depreciation and amortization on assets held for sale reflected as discontinued operations (for the periods prior to when such assets were designated as held for sale).

(2) Gain/loss on sales of property relates to the disposition of a property in the Eastern Massachusetts market during the quarter ended September 30, 2003 and the disposition of a property in the San Francisco Bay market during the first quarter ended March 31, 2003. Gain/loss on sales of property is included on the income statement in income from discontinued operations.

Property and Lease Information

The following table is a summary of our property portfolio as of September 30, 2003 (dollars in thousands):

	Number of Properties	Rentable Square Feet	Annualized Base Rent	Occupancy Percentage (2)	
Markets					
California - Pasadena	1	31,343	307	31.9%	(1)
California - San Diego	22	970,848	26,889	93.7%	
California - San Francisco Bay	8	483,452	14,921	100.0%	
Eastern Massachusetts	9	598,894	20,314	89.9%	
New Jersey/Suburban Philadelphia	6	346,919	6,251	100.0%	
Southeast	5	259,414	3,718	73.8%	(1)
Suburban Washington D.C.	21	1,722,633	28,438	96.2%	
Washington - Seattle	5	439,964	16,159	99.2%	
Total	77	4,853,467	$ 116,997	94.2%	

---

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

(2) Excludes 10 properties under full or partial redevelopment. Including properties under full or partial redevelopment, occupancy as of September 30, 2003 was 88.1%.

The following table provides information with respect to the lease expirations at our properties as of September 30, 2003:

Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Aggregate Portfolio Leased Square Footage	Annualized Base Rent of Expiring Leases (per square foot)
2003 (1)	30	254,297	5.1%	$19.97
2004	49	574,175	11.6%	$21.61
2005	22	302,043	6.1%	$28.41
2006	32	792,369	16.0%	$24.33
2007	14	330,562	6.7%	$24.33
Thereafter	54	2,698,807	54.5%	$27.09

(1) Includes 17 month-to-month leases for approximately 62,000 square feet and leases expiring between October 1, 2003 and December 31, 2003.

The following table is a summary of our lease activity for the three months ended September 30, 2003 computed on a GAAP Basis and on a Cash Basis:

	Number of Leases	Square Footage	Expiring Rates	New Rates	Rental Rate Changes	TI's/Lease Commissions Per Foot	Average Lease Terms
Leasing Activity							
Lease Expirations							
Cash Basis	37	326,054	$19.11	--	--	--	--
GAAP Basis	37	326,054	$18.50	--	--	--	--
Renewed / Releasable Space Leased							
Cash Basis	12	147,002	$18.90	$20.99	11.1%	$0.18	2.2 Years
GAAP Basis	12	147,002	$17.63	$21.22	20.4%	$0.18	2.2 Years
Month-to-Month Leases In Effect							
Cash Basis	14	62,006	$20.25	$20.35	0.5%	--	--
GAAP Basis	14	62,006	$20.25	$20.35	0.5%	--	--
Redeveloped/Developed/ Vacant Space Leased							
Cash Basis	8	65,197	--	$24.12	--	$6.55	4.2 Years
GAAP Basis	8	65,197	--	$24.20	--	$6.55	4.2 Years
Leasing Activity Summary							
Excluding Month-to-Month Leases							
Cash Basis	20	212,199	--	$21.95	--	--	--
GAAP Basis	20	212,199	--	$22.14	--	--	--
Including Month-to-Month Leases							
Cash Basis	34	274,205	--	$21.59	--	--	--
GAAP Basis	34	274,205	--	$21.73	--	--	--

The following table is a summary of our lease activity for the nine months ended September 30, 2003 computed on a GAAP Basis and on a Cash Basis:

	Number of Leases	Square Footage	Expiring Rates	New Rates	Rental Rate Changes	TI's/Lease Commissions Per Foot	Average Lease Terms
Leasing Activity							
Lease Expirations							
Cash Basis	56	586,455	$21.87	--	--	--	--
GAAP Basis	56	586,455	$21.50	--	--	--	--
Renewed / Releasable Space Leased							
Cash Basis	23	282,600	$22.49	$21.82	-3.0% (1)	$0.62	2.3 Years
GAAP Basis	23	282,600	$21.90	$22.78	4.0% (1)	$0.62	2.3 Years
Month-to-Month Leases In Effect							
Cash Basis	14	62,006	$20.53	$20.35	-0.9%	--	--
GAAP Basis	14	62,006	$20.37	$20.35	-0.1%	--	--
Redeveloped/Developed/ Vacant Space Leased							
Cash Basis	26	161,568	--	$26.00	--	$4.11	4.1 Years
GAAP Basis	26	161,568	--	$26.22	--	$4.11	4.1 Years
Leasing Activity Summary							
Excluding Month-to-Month Leases							
Cash Basis	49	444,168	--	$23.34	--	--	--
GAAP Basis	49	444,168	--	$24.03	--	--	--
Including Month-to-Month Leases							
Cash Basis	63	506,174	--	$22.98	--	--	--
GAAP Basis	63	506,174	--	$23.58	--	--	--

(1) Excluding a lease for 21,316 square feet in the San Francisco Bay market, rental rates for renewed or released space were on average 6.9% higher than expiring rates on a Cash Basis and 12.1% 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 may result from 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 rate characteristics of our outstanding debt and to limit the effects of interest rate risks 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 the legal enforceability of hedging contracts.

Our future earnings, cash flows and fair values relating to financial instruments are primarily dependent upon prevalent 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, September 30, 2003, we estimate that a 1% increase in interest rates on our line of credit, after considering the effect of our interest rate swap agreements, would decrease annual future earnings and cash flows by approximately $1.3 million. We further estimate that a 1% decrease in interest rates on our line of credit, after considering the effect of our interest rate swap agreements in effect on September 30, 2003, would increase annual future earnings and cash flows by approximately $1.3 million. A 1% increase in interest rates on our secured debt and interest rate swap agreements would decrease their aggregate fair value by approximately $15.3 million. A 1% decrease in interest rates on our secured debt and interest rate swap agreements would increase their aggregate fair value by approximately $16.4 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 September 30, 2003. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, 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.

We have exposure to equity price market risk because of our equity investments in certain publicly traded companies and privately held entities. We classify investments in publicly traded companies as available-for-sale and, consequently, record them on our balance sheet at fair value with unrealized gains or losses reported as a component of comprehensive income or loss. Investments in privately held entities are generally accounted for under the cost method, as we do not influence any of the investees' operating or financial policies. For all investments, we recognize other than temporary declines in value against earnings in the same period the decline in value was deemed to have occurred. There is no assurance that future declines in values will not have a material adverse impact on our future results of operations. By way of example, a 10% decrease in the fair value of our equity investments below book value would decrease their value by approximately $4.5 million.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2003, we performed an evaluation, under the supervision of our chief executive officer ("CEO") and chief financial officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2003. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to September 30, 2003.

PART II – OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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

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

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

We filed a Current Report on Form 8-K, dated August 8, 2003, pursuant to which we furnished to the Securities and Exchange Commission our earnings release dated August 8, 2003, regarding our second quarter 2003 financial results.

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 November 14, 2003.

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)