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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2001** 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

(State or other jurisdiction of incorporation or organization)

95-4502084

(IRS Employer Identification Number)

**135 North Los Robles Avenue, Suite 250
Pasadena, California 91101**

(Address of principal executive offices including zip code)

(626) 578-0777

(Registrant's telephone number, including area code)

N/A

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

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

As of August 10, 2001, 16,256,274 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, 2001	December 31, 2000
	-----	-----
Assets		
Rental properties, net	\$718,981	\$679,653
Property under development	57,133	26,092
Cash and cash equivalents	3,666	2,776
Tenant security deposits and other restricted cash	20,992	6,995
Secured note receivable	6,000	6,000
Tenant receivables	3,001	2,835
Deferred rent	17,845	14,945
Other assets	51,943	41,688
	-----	-----
Total assets	\$879,561	\$780,984
	=====	=====
Liabilities and stockholders' equity		
Secured notes payable	\$227,312	\$200,256
Unsecured line of credit	274,000	231,000
Accounts payable, accrued expenses and tenant security deposits	34,144	23,123
Dividends payable	8,243	7,453
	-----	-----
Total liabilities	543,699	461,832
Stockholders' equity:		
Series A preferred stock	38,588	38,588
Common stock	162	155
Additional paid-in capital	299,860	278,868
Deferred compensation	(2,369)	(296)
Retained earnings	-	-
Accumulated other comprehensive income	(379)	1,837
	-----	-----
Total stockholders' equity	335,862	319,152
	-----	-----
Total liabilities and stockholders' equity	\$879,561	\$780,984
	=====	=====

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,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Rental	\$23,589	\$19,657	\$47,161	\$38,312
Tenant recoveries	5,872	4,700	12,207	9,458
Interest and other income	938	553	2,026	1,102
	-----	-----	-----	-----
	30,399	24,910	61,394	48,872
Expenses:				
Rental operations	5,910	4,827	12,630	9,801
General and administrative	2,819	2,104	5,693	4,197
Interest	6,883	5,968	14,244	11,519
Depreciation and amortization	7,463	5,670	14,197	11,277
	-----	-----	-----	-----
	23,075	18,569	46,764	36,794
	-----	-----	-----	-----
Net income	7,324	6,341	14,630	12,078
Dividends on preferred stock	916	916	1,832	1,832

Net income available to common stockholders	\$6,408	\$5,425	\$12,798	\$10,246
Net income per common share:				
-Basic	\$0.40	\$0.38	\$0.81	\$0.73
-Diluted	\$0.39	\$0.38	\$0.80	\$0.72
Weighted average shares of common stock outstanding:				
-Basic	16,011,654	14,272,509	15,742,870	14,026,392
-Diluted	16,253,036	14,450,365	15,970,586	14,180,064

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,	
	2001	2000
Operating Activities		
Net income	\$14,630	\$12,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,197	11,277
Amortization of loan fees and costs	613	512
Amortization of premiums on secured notes	(167)	(163)
Stock compensation expense	1,261	854
Changes in operating assets and liabilities:		
Tenant security deposits and other restricted cash	(13,997)	(1,155)
Tenant receivables	(166)	909
Deferred rent	(2,900)	(2,719)
Other assets	318	(5,531)
Accounts payable, accrued expenses and tenant security deposits	5,527	(1,878)
Net cash provided by operating activities	\$19,316	\$14,185
Investing Activities		
Purchase of rental properties	(28,160)	(22,538)
Additions to rental properties	(23,551)	(11,205)
Additions to property under development	(31,088)	(20,907)
Additions to investments, net	(9,675)	(7,708)
Net cash used in investing activities	(92,474)	(62,358)
Financing Activities		
Proceeds from secured notes payable	29,145	14,941
Net proceeds from issuance of common stock	16,751	14,170
Proceeds from exercise of stock options	3,032	3,666
Net borrowings on unsecured line of credit	43,000	28,000
Principal reductions of secured notes payable	(1,922)	(1,632)
Dividends paid on common stock	(14,126)	(11,853)
Dividends paid on preferred stock	(1,832)	(1,832)
Net cash provided by financing activities	74,048	45,460
Net increase (decrease) in cash and cash equivalents	890	(2,713)

Cash and cash equivalents at beginning of period	2,776	3,446
	-----	-----
Cash and cash equivalents at end of period	\$3,666	\$733
	=====	=====

See accompanying notes.

Alexandria Real Estate Equities, Inc. and Subsidiaries

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, conversion, retrofitting, 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 services entities, not-for-profit research institutions, universities, related government agencies and technology enterprises. As of June 30, 2001, our portfolio consisted of 78 properties in nine states with approximately 5.1 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, 2001. 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, 2000.

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 period presentation.

Accumulated Other Comprehensive Income

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

	June 30, 2001	December 31 2000
	-----	-----
Unrealized gain on marketable securities	\$5,115	\$1,837
Unrealized loss on interest rate swap agreements	(5,494)	-
	-----	-----
	(\$379)	\$1,837
	=====	=====

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

	Six Months Ended June 30,

	2001
	2000

Net income	\$14,630	\$12,078
Unrealized gain on marketable securities	3,277	-
Unrealized loss on interest rate swap agreements	(2,033)	-
Comprehensive income	\$15,874	\$12,078

Investments

We hold equity investments in certain publicly traded companies and privately held entities. 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 included in accumulated other comprehensive income, 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.

Investment income of \$480,000 for the quarter ended June 30, 2001 consisted of gross realized gains of \$632,000 and gross realized losses of \$152,000. The fair value of available-for-sale securities as of June 30, 2001 was \$7,862,000, with related gross unrealized gains of \$5,315,000 and gross unrealized losses of \$200,000, respectively. At June 30, 2001, the cost of available-for-sale securities totaled \$2,747,000.

Investments in non-publicly held entities as of June 30, 2001, totaled \$20,738,000. 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, 2001	December 31, 2000
Land	\$108,255	\$99,373
Buildings and improvements	609,080	575,212
Tenant and other improvements	71,630	62,622
	788,965	737,207
Less accumulated depreciation	(69,984)	(57,554)
	\$718,981	\$679,653

During the three months ended June 30, 2001, we acquired a property containing approximately 96,000 rentable square feet from an unrelated third party for an aggregate purchase price (including closing and transaction costs) of approximately \$11.9 million.

3. Unsecured Line of Credit

We have an unsecured line of credit that provides for borrowings of up to \$325 million. Borrowings under the 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 to fix the rate for a period of one, two, three or six months. As of June 30, 2001, borrowings outstanding on the line of credit carried a weighted average interest rate of 5.87%.

The 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.

The line of credit expires February 2003 and provides 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.

4. Interest Rate Swap Agreements

We utilize interest rate swap agreements to hedge our exposure to variable interest rates associated with our unsecured line of credit. 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 following table summarizes our interest rate swap agreements as of June 30, 2001 (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	\$ (1,959)
July 2000	May 31, 2001	\$ 50,000	7.070%	May 31, 2003	\$ (2,294)
January 2001	January 31, 2001	\$ 50,000	6.350%	December 31, 2002	\$ (1,479)
Total					\$ (5,732)

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133, as amended, establishes accounting and reporting standards for derivative financial instruments such as our interest rate swap agreements. Specifically, SFAS 133 requires us to reflect our interest rate swap agreements on the balance sheet at their estimated fair value. We use a variety of methods and assumptions based on market conditions and risks existing at each balance sheet date to determine the fair values of our interest rate swap agreements. These methods of assessing fair value result in a general approximation of value, and such value may never be realized. As of January 1, 2001, the adoption of SFAS 133, as amended, resulted in qualifying interest rate swap agreements reported on the balance sheet as a liability of approximately \$3.5 million, with a corresponding reduction to accumulated other comprehensive income, a separate component of stockholders' equity.

All of our interest rate swap agreements meet the criteria to be deemed "effective" under SFAS 133 in reducing our exposure to variable interest rates. Accordingly, we have categorized these instruments as cash flow hedges.

As of June 30, 2001, our interest rate swap agreements have been reported in the accompanying balance sheet at their fair value as other liabilities of approximately \$5.7 million. Unrealized losses on our interest rate swap agreements are initially reflected in accumulated other comprehensive income. Balances in accumulated other comprehensive income are recognized in earnings as swap payments are made.

5. Stockholders' Equity

In April 2001, we completed the placement of 500,000 shares of common stock to institutional investors. The shares were issued at a price of \$36.444 per share, resulting in aggregate proceeds of approximately \$16.8 million, net of offering costs.

On June 14, 2001, we declared a cash dividend on our common stock aggregating \$7,478,000 (\$ 0.46 per share) for the calendar quarter ended June 30, 2001. We paid the dividend on July 16, 2001. On June 14, 2001, we also declared a cash dividend on our Series A preferred stock aggregating \$916,000 (\$ 0.59375 per share) for the calendar quarter ended June 30, 2001. We paid the dividend on July 16, 2001.

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,	
	2001	2000	2001	2000
Net income available to common stockholders	\$6,408	\$5,425	\$12,798	\$10,246
Weighted average shares of common stock outstanding - basic	16,011,654	14,272,509	15,742,870	14,026,392
Add: dilutive effect of stock options and stock grants	241,382	177,856	227,716	153,672
Weighted average shares of common stock outstanding - diluted	16,253,036	14,450,365	15,970,586	14,180,064
Net income per common share:				
- Basic	\$0.40	\$0.38	\$0.81	\$0.73
- Diluted	\$0.39	\$0.38	\$0.80	\$0.72
Common dividends declared per share	\$0.46	\$0.43	\$0.92	\$0.86

7. Subsequent Event

On August 3, 2001, we acquired an office/laboratory property in San Diego, California for \$20.4 million. We financed \$12.0 million of the purchase price with a 20-year, 7.5% loan secured by the property and paid the remainder in cash. The loan is payable in monthly installments and is due in August 2010.

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, 2000. 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, conversion, retrofitting, expansion and selective development and redevelopment of strategically located Life Science Facilities in our target markets.

As of June 30, 2001, our portfolio consisted of 78 properties containing approximately 5.1 million rentable square feet of office/laboratory space. As of that date, our properties were approximately 99% leased, excluding those properties in our development 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 acquisition and development activities.

Results of Operations

Comparison of Three Months Ended June 30, 2001 ("Second Quarter 2001") to Three Months Ended June 30, 2000 ("Second Quarter 2000")

Rental revenue increased by \$3.9 million, or 20%, to \$23.6 million for Second Quarter 2001 compared to \$19.7 million for Second Quarter 2000. The increase resulted primarily from rental revenue from properties acquired or placed in service after April 1, 2000. Rental revenue from the properties operating before April 1, 2000 (the "Second Quarter Same Properties") increased by \$966,000, or 5.7%, due to increases in rental rates and occupancy.

Tenant recoveries increased by \$1.2 million, or 25%, to \$5.9 million for Second Quarter 2001 compared to \$4.7 million for Second Quarter 2000. The increase resulted partially from tenant recoveries from the properties acquired or placed in service after April 1, 2000. Tenant recoveries for the Second Quarter Same Properties increased by \$444,000, or 10.5%, primarily due to increases in certain recoverable operating expenses.

Interest and other income increased by \$385,000, or 70%, to \$938,000 for Second Quarter 2001 compared to \$553,000 for Second Quarter 2000, resulting primarily from \$480,000 of investment income.

Rental operating expenses increased by \$1.1 million, or 22%, to \$5.9 million for Second Quarter 2001 compared to \$4.8 million for Second Quarter 2000. The increase resulted partially from rental operating expenses from the properties acquired or placed in service after April 1, 2000. Operating expenses for the Second Quarter Same Properties increased by \$599,000, or 13.7%, primarily due to increases in utilities and tenant related 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 Second Quarter Same Properties (dollars in thousands):

	For the Three Months Ended June 30,		
	2001	2000	Change
GAAP BASIS:			
Revenue	\$22,943	\$21,620	6.1%
Rental operating expenses	4,959	4,360	13.7%
Net operating income	\$17,984	\$17,260	4.2%
CASH BASIS (1):			
Revenue	\$22,593	\$20,797	8.6%
Rental operating expenses	4,959	4,360	13.7%
Net operating income	\$17,634	\$16,437	7.3%

(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 \$715,000, or 34%, to \$2.8 million for Second Quarter 2001 compared to \$2.1 million for Second Quarter 2000. The increase was primarily due to general and administrative expenses associated with the continued expansion of our portfolio of Life Science Facilities and related scope of operations.

Interest expense increased by \$915,000, or 15%, to \$6.9 million for Second Quarter 2001 compared to \$6.0 million for Second Quarter 2000. The increase resulted from (a) indebtedness incurred to purchase the properties acquired after April 1, 2000 and (b) indebtedness incurred to finance the development of properties, for which development has now been completed.

Depreciation and amortization increased by \$1.8 million, or 32%, to \$7.5 million for Second Quarter 2001 compared to \$5.7 million for Second Quarter 2000. The increase resulted primarily from depreciation associated with the properties acquired or placed in service after April 1, 2000.

As a result of the foregoing, net income was \$7.3 million for Second Quarter 2001 compared to \$6.3 million for Second Quarter 2000.

Comparison of Six Months Ended June 30, 2001 ("Six Months 2001") to Six Months Ended June 30, 2000 ("Six Months 2000")

Rental revenue increased by approximately \$8.9 million, or 23%, to \$47.2 million for Six Months 2001 compared to \$38.3 million for Six Months 2000. The increase resulted primarily from rental revenue from properties acquired or placed in service after January 1, 2000. Rental revenue from the Properties acquired or placed in service before January 1, 2000 (the "Six Months Same Properties") increased by \$2.1 million, or 7.5%, primarily due to increases in rental rates.

Tenant recoveries increased by approximately \$2.7 million, or 29%, to \$12.2 million for Six Months 2001 compared to \$9.5 million for Six Months 2000. The increase resulted primarily from tenant recoveries from properties acquired or placed in service after January 1, 2000. Tenant recoveries from the Six Months Same Properties increased by \$1.1 million, or 15.4%, primarily due to increases in certain recoverable operating expenses.

Interest and other income increased by \$924,000, or 84%, to \$2.0 million for Six Months 2001 compared to \$1.1 million for Six Months 2000, resulting from \$1.1 million of investment income.

Rental operating expenses increased by approximately \$2.8 million, or 29%, to \$12.6 million for Six Months 2001 compared to \$9.8 million for Six Months 2000. The increase resulted primarily from properties acquired or placed in service after January 1, 2000. Operating expenses for the Six Months Same Properties increased by \$1.5 million, or 20.4%, primarily due to increases in utilities and tenant related expenses (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,		
	2001	2000	Change

GAAP BASIS:			
Revenue	\$38,557	\$35,413	8.9%
Rental operating expenses	8,799	7,309	20.4%
	-----	-----	-----
Net operating income	\$29,758	\$28,104	5.9%
	=====	=====	=====
CASH BASIS (1):			
Revenue	\$37,984	\$34,542	10.0%
Rental operating expenses	8,799	7,309	20.4%
	-----	-----	-----
Net operating income	\$29,185	\$27,233	7.2%
	=====	=====	=====

(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 approximately \$1.5 million, or 36%, to \$5.7 million for Six Months 2001 compared to \$4.2 million for Six Months 2000. The increase was primarily due to the continued increase in the scope of our operations.

Interest expense increased by approximately \$2.7 million, or 24%, to \$14.2 million for Six Months 2001 compared to \$11.5 million for Six Months 2000. The increase resulted from (a) indebtedness incurred to purchase the properties acquired after January 1, 2000 and (b) indebtedness incurred to finance the development of properties, for which development has now been completed.

Depreciation and amortization increased by approximately \$2.9 million, or 26%, to \$14.2 million for Six Months 2001 compared to \$11.3 million for Six Months 2000. The increase resulted primarily from depreciation associated with properties acquired or placed in service after January 1, 2000.

As a result of the foregoing, net income was \$14.6 million for Six Months 2001 compared to \$12.1 million for Six Months 2000.

Liquidity and Capital Resources

Cash Flows

Net cash provided by operating activities for Six Months 2001 increased by \$5.1 million, to \$19.3 million compared to \$14.2 million for Six Months 2000. The increase resulted primarily from increases in operating cash flows from properties acquired or placed in service after January 1, 2000 and increases in trade accounts payable due to the timing of disbursements. These increases were offset by the increase in restricted cash held in escrow to complete the development of an office/laboratory facility.

Net cash used in investing activities increased by \$30.1 million, to \$92.5 million for Six Months 2001 compared to \$62.4 million for Six Months 2000 primarily due to a higher level of acquisition and redevelopment activity during Six Months 2001 compared to Six Months 2000.

Net cash provided by financing activities increased by \$28.5 million, to \$74.0 million for Six Months 2001 compared to \$45.5 million for Six Months 2000. Cash provided by financing activities for Six Months 2001 and Six Months 2000 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, 2001, we were committed under the terms of certain leases to complete the construction of buildings and related improvements at a remaining aggregate cost of \$18.5 million.

As of June 30, 2001, we were also committed to fund approximately \$52.8 million for the construction of generic building infrastructure improvements for tenants under the terms of various leases and for certain investments.

Restricted Cash

Restricted cash as of June 30, 2001 consists of the following (in thousands):

	Amount

Funds held in trust as additional security required under the terms of certain secured notes payable	\$5,871
Security deposit funds based on the terms of certain lease agreements	1,882
Funds held in escrow to complete the development of an office/laboratory facility	13,239

	\$20,992

Secured Debt

Secured debt as of June 30, 2001 consists of the following (dollars in thousands):

Location of Collateral	Balance at June 30, 2001	Stated Interest Rate	Maturity Date
Worcester, MA (1)	\$11,042	8.75%	January 2006
Durham, NC (two properties)	12,249	8.68%	December 2006
Gaithersburg, MD (three properties)	9,952	8.25%	August 2007
Cambridge, MA (2)	19,339	9.125%	October 2007
Chantilly, VA and Seattle, WA	35,455	7.22%	May 2008
Worcester, MA and San Diego, CA	18,736	8.71%	January 2010
Gaithersburg, MD (two properties)	24,585	8.33%	November 2010
San Diego, CA (six properties)	24,100	7.75%	July 2011
Alameda, CA	5,425	7.165%	January 2014
San Diego, CA (two properties)	16,197	9.00%	December 2014
Seattle, WA	19,188	7.75%	June 2016
Gaithersburg, MD (3)	18,981	LIBOR + 1.75%	January 2002
San Francisco, CA (development project) (4)	12,063	LIBOR + 1.70%	June 2003
	----- \$227,312 ----- =====		

- (1) The balance shown includes an unamortized premium of \$553,000. The effective rate of the loan is 7.25%.
- (2) The balance shown includes an unamortized premium of \$1,736,000. The effective rate of the loan is 7.25%.
- (3) The balance shown represents the amount drawn on a construction loan that provides for borrowings of up to \$19,000,000.
- (4) The balance shown represents the amount drawn on a construction loan that provides for borrowings of up to \$25,175,000.

The following is a summary of the scheduled principal payments for our secured debt as of June 30, 2001 (in thousands):

Year	Amount
2001	\$2,034
2002	23,373
2003	16,814
2004	4,416
2005	4,093
Thereafter	174,293
Subtotal	225,023
Unamortized Premium	2,289
	----- \$227,312 ----- =====

Unsecured line of credit

We have an unsecured line of credit that provides for borrowings of up to \$325 million. Borrowings under the 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 to fix the rate for a period of one, two, three or six months. As of June 30, 2001, borrowings outstanding on the line of credit carried a weighted average interest rate of 5.87%.

The 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.

The line of credit expires February 2003 and provides for an extension (provided there is no default) of an additional one-year period, upon notice by us and consent of the participating banks.

We utilize interest rate swap agreements to hedge our exposure to variable interest rates associated with our unsecured line of credit. 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	\$ (1,959)
July 2000	May 31, 2001	\$ 50,000	7.070%	May 31, 2003	\$ (2,294)
January 2001	January 31, 2001	\$ 50,000	6.350%	December 31, 2002	\$ (1,479)
Total					\$ (5,732)

With respect to our swap agreements, we are exposed to losses in the event the financial institution is unable to perform under the agreements, or in the event one-month LIBOR is less than the agreed-upon fixed interest rates.

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, for purposes such as property acquisitions, property development and redevelopment activities, scheduled debt maturities, generic building infrastructure improvements funded for tenants and non-recurring capital improvements, through long-term secured and unsecured indebtedness, including borrowings under our line of credit, and the issuance of additional debt and/or equity securities.

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 91% 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 our variable rate borrowing cost, including borrowings under our unsecured line of credit.

Funds from Operations

We believe that funds from operations ("FFO") is helpful to investors as a 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, 2001 and 2000 (in thousands):

For the Three Months End June 30,	
2001	2000

Net income	\$7,324	\$6,341
Add:		
Depreciation and amortization	7,463	5,670
Subtract:		
Dividends on preferred stock	(916)	(916)
	-----	-----
FFO	\$13,871	\$11,095
	=====	=====

For the Six Months Ended
June 30,

	2001	2000
	-----	-----
Net income	\$14,630	\$12,078
Add:		
Depreciation and amortization	14,197	11,277
Subtract:		
Dividends on preferred stock	(1,832)	(1,832)
	-----	-----
FFO	\$26,995	\$21,523
	=====	=====

Property and Lease Information

The following table is a summary of our property portfolio as of June 31, 2001 (dollars in thousands):

	Number of Properties	Rentable Square Feet	Annualized Base Rent	Occupancy Percentage
	-----	-----	-----	-----
Market:				
Suburban Washington D.C.	19	1,613,529	\$25,362	98.2% (1)
California - San Diego	20	877,818	23,395	99.8%
California - San Francisco Bay	5	304,212	7,831	100.0%
Southeast	3	183,473	3,252	96.4% (1)
New Jersey/Suburban Philadelphia	5	268,418	4,345	100.0%
Eastern Massachusetts	6	384,974	10,699	100.0%
Washington - Seattle	2	118,393	3,934	100.0%
	-----	-----	-----	-----
Total (2)	60	3,750,817	\$78,818	99.0%
	=====	=====	=====	=====

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

(2) Excludes properties under redevelopment.

The following table provides information with respect to the lease expirations at our properties as of June 30, 2001:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Aggregate Portfolio Lease Square Footage	Annualized Base Rent of Expiring Leases (per square foot)
-----	-----	-----	-----	-----
2001 (1)	29	268,475	6.2%	\$20.87
2002	33	549,590	12.6%	\$20.44
2003	26	487,911	11.2%	\$20.11
2004	22	385,950	8.9%	\$20.49
2005	15	318,642	7.3%	\$25.81
Thereafter	55	2,340,556	53.8%	\$22.38

(1) Represents leases expiring between July 1, 2001 and December 31, 2001.

The following table is a summary of our lease activity for the three months ended June 30, 2001 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 Rent	28	439,221	\$18.02	--	--	--	--
GAAP Rent	28	439,221	\$17.68	--	--	--	--
Renewed / Released Space							
Cash Rent	14	208,298	\$22.32	\$27.65	23.9%	\$1.63	3.8 years
GAAP Rent	14	208,298	\$21.81	\$28.87	32.4%	\$1.63	3.8 years
Month-to-Month Leases							

Cash Rent	9	50,533	\$10.95	\$11.41	4.2%	--	--
GAAP Rent	9	50,533	\$10.58	\$11.41	7.8%	--	--
Total Leasing							
Cash Rent	23	258,831	\$20.10	\$24.48	21.8%	--	--
GAAP Rent	23	258,831	\$19.62	\$25.46	29.8%	--	--
Vacant Space Leased							
Cash Rent	11	126,075	--	\$34.01	--	\$27.90	6.7 Years
GAAP Rent	11	126,075	--	\$39.04	--	\$27.90	6.7 Years
All Lease Activity							
Cash Rent	34	384,906	--	\$27.60	--	--	--
GAAP Rent	34	384,906	--	\$29.91	--	--	--

The following table is a summary of our lease activity for the six months ended June 30, 2001 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 Rent	39	660,331	\$17.54	--	--	--	--
GAAP Rent	39	660,331	\$17.19	--	--	--	--
Renewed / Released Space							
Cash Rent	21	396,872	\$20.32	\$23.29	14.6%	\$1.48	4.1 Years
GAAP Rent	21	396,872	\$19.87	\$24.33	22.4%	\$1.48	4.1 Years
Month-to-Month Leases							
Cash Rent	9	50,533	\$10.95	\$11.41	4.2%	--	--
GAAP Rent	9	50,533	\$10.58	\$11.41	7.8%	--	--
Total Leasing							
Cash Rent	30	447,405	\$19.26	\$21.95	14.0%	--	--
GAAP Rent	30	447,405	\$18.82	\$22.87	21.5%	--	--
Vacant Space Leased							
Cash Rent	17	231,873	--	\$30.35	--	\$23.04	6.8 Years
GAAP Rent	17	231,873	--	\$34.52	--	\$23.04	6.8 Years
All Lease Activity							
Cash Rent	47	679,278	--	\$24.82	--	--	--
GAAP Rent	47	679,278	--	\$26.84	--	--	--

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, 2001, we estimate that a 1% increase in interest rates on our line of credit would decrease annual future earnings and cash flows, after considering the effect of our interest rate swap agreements, by approximately \$1.2 million. We further estimate that a 1% decrease in interest rates on our line of credit would increase annual future earnings and cash flows, after considering the effect of our interest rate swap agreements, by approximately \$1.2 million. A 1% increase in interest rates on our secured debt and interest rate swap agreements would decrease their aggregate fair value by approximately \$11.3 million. A 1% decrease in interest rates on our secured debt and interest rate swap agreements would increase their aggregate fair value by approximately \$12.6 million. A 1% increase or decrease in interest rates on our secured note receivable would not have a material impact on its fair value.

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, 2001. 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.

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 27, 2001, 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 pursuant to the votes indicated:

Director	"For"	"Withheld"
Jerry M. Sudarsky	13,120,799	734,511
Joel S. Marcus	11,877,291	1,978,019
James H. Richardson	11,877,291	1,978,019
Richard B. Jennings	13,206,019	649,691
David M. Petrone	13,206,019	649,691
Anthony M. Solomon	13,205,619	649,291
Alan G. Walton	13,206,019	649,291

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, 2001. A total of 13,812,065 shares voted "for" the ratification, 28,709 voted "against" and 14,536 shares abstained.

The stockholders also voted to amend our 1997 Stock Award and Incentive Plan by approving certain modifications to the business criteria on which value and payment of Other Stock-Based Awards and Other Cash-Based Awards are based. A total of 13,536,949 shares voted "for" the amendment, 303,015 voted "against" and 15,345 abstained.

Item 5. OTHER INFORMATION

None.

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

(b) Reports on Form 8-K.

On April 6, 2001, we filed a Current Report on Form 8-K, dated April 3, 2001, to report the sale of 500,000 shares of our common stock to institutional investors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 14, 2001.

ALEXANDRIA REAL ESTATE EQUITIES, INC.
(Registrant)

By: /s/ Joel S. Marcus

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

By: /s/ Peter J. Nelson

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

ALEXANDRIA REAL ESTATE EQUITIES, INC.

**COMPUTATION OF CONSOLIDATED RATIO OF EARNINGS TO COMBINED FIXED
CHARGES AND PREFERRED STOCK DIVIDENDS
(in thousands, except ratios)**

	For the Six Months Ended June 30, 2001					
	2000	1999	1998	1997	1996	
Earnings (Loss):	\$14,630	\$26,009	\$22,053	\$19,403	(\$2,797)	\$2,175
Add Back:						
Interest Expense.....	14,244	25,791	19,697	14,033	7,043	6,327
Write-off of Unamortized Loan Costs....	--	--	--	--	2,295	--
Acquisition LLC Financing Costs.....	--	--	--	--	6,973	--
Earnings Available for Fixed Charges.	\$28,874	\$51,800	\$41,750	\$33,436	\$13,514	\$8,502
Combined Fixed Charges:						
Interest Incurred.....	\$19,517	\$33,832	\$23,792	\$16,264	\$7,139	\$6,327
Write-off of Unamortized Loan Costs(a).	--	--	--	--	2,295	--
Acquisition LLC Financing Costs(b).....	--	--	--	--	6,973	--
Preferred Dividends.....	1,832	3,666	2,036	--	3,038	1,590
Fixed Charges.....	\$21,349	\$37,498	\$25,828	\$16,264	\$19,445	\$7,917
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends(c).....	1.35	1.38	1.62	2.06	0.69	1.07
Excess of Fixed Charges Over Earnings....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

-
- a. This amount represents unamortized loan costs associated with debt retired in connection with the IPO.
 - b. This amount represents the portion of the purchase price of the membership interests in ARE Acquisitions, LLC (the "Acquisition LLC") paid by the Company in excess of the cost incurred by the Acquisition LLC to acquire the three Life Science Facilities owned by it.
 - c. For purposes of calculating the consolidated ratio of earnings to combined fixed charges and preferred stock dividends, earnings consist of earnings before income taxes and fixed charges. Fixed charges consist of interest incurred (including amortization of deferred financing costs and capitalized interest), write-off of unamortized loan costs, Acquisition LLC Financing Costs (see Note (b)), and preferred stock dividends.
-