

science industry is increasingly becoming a significant component and beneficiary of our country's critical bioterrorism research and development programs.

Among a wide variety of life science funding sources, it is estimated that pharmaceutical research and development expenditures have exceeded \$38 billion in 2004, a 12% increase over the previous year. Biotechnology related research spending exceeded \$20 billion in 2002. The budget for the National Institutes of Health more than doubled between 1998-2004, and is expected to approximate \$29 billion in 2005. Separate life science related governmental expenditures, including the National Science Foundation, approximate \$6 billion in fiscal year 2005. In addition, Project Bioshield, new legislation which Congress passed last year, provides \$5.6 billion over ten years for research and procurement of defensive agents to chemical, biological and radiological weapons.



JERRY M. SUDARSKY
CHAIRMAN OF THE BOARD

OPERATIONAL REVIEW AND FINANCIAL HIGHLIGHTS Once again, and for every quarter as a publicly-traded company, our full-year growth in GAAP net operating income for our static pool of “same properties” was positive, (approximately 2.2% for the year ended December 31, 2004) which is impressive considering most other REITs have struggled in recent years to achieve positive same property results. These internal growth metrics represent broad-based solid performance in our markets. Contributing to this growth is the fact that approximately 89% of our leases have annual rental rate increases, generally ranging from 3% to 3.5%. Rental rate increases on the rollover of leases in our portfolio approximated 9%, on a GAAP basis, driving our internal core growth. Alexandria had a very strong year, signing a total of 78 leases for approximately 1,146,000 square feet of space, with solid average rental rate increases. As of December 31, 2004, we also reported total occupancy of approximately 95.2% for our operating portfolio.

At year-end, we had 17 properties in our value creation redevelopment pipeline, comprising a total of approximately 669,000 square feet which we are redeveloping,