

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Alexandria Real Estate Equities, Inc. and Subsidiaries

The terms “Company”, “we”, “our” and “us” as used in this report refer to Alexandria Real Estate Equities, Inc. and its subsidiaries. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

OVERVIEW

The following factors, among others, could cause actual results and future events to differ from those set forth or contemplated in the forward-looking statements:

- Changes in general economic conditions or in the real estate and life science industries;
- Risks and uncertainties related to how successful our tenants are in discovering, developing, making or selling their products and technologies;
- Potential liability for damages resulting from our tenant's use of hazardous materials;
- Adverse changes in the annual appropriations received by our government tenants;
- Economic conditions in our markets could adversely affect our business;
- Loss of a tenant could have a negative impact on our business;
- We may have difficulty managing our growth;
- Our debt service obligations may have adverse consequences on our business operations;
- Our unsecured line of credit and unsecured term loan restrict our ability to engage in some business activities;
- Ability to obtain additional capital to further our business objectives;
- Difficulties in identifying properties for acquisition or operating them successfully;
- Risks associated with completing developments and redevelopments;
- Our failure to qualify and maintain our status as a real estate investment trust under the Internal Revenue Code of 1986;
- Losses in excess of our insurance coverage;
- Environmental uncertainties;
- Failure to comply with laws, including the Americans with Disabilities Act and similar laws; and
- Ability to retain our senior executives.

Our success also depends upon economic trends and various market conditions. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak as of the date of this report or, if different, as of the dates indicated in the statements. We assume no obligation to update or supplement forward-looking statements.

We are a publicly-traded real estate investment trust focused primarily on the ownership, operation, management, acquisition, expansion and selective redevelopment and development of high quality, strategically located properties containing office/laboratory space leased principally to tenants in the life science industry. We refer to these properties as “life science properties”.

In 2004, we:

- Acquired 23 properties with an aggregate of approximately 1,630,000 rentable square feet. In addition, we completed the development of a property with an aggregate of approximately 104,000 rentable square feet.
- Expanded our unsecured line of credit from \$440 million to \$500 million and extended its term to December 2007, which may be further extended at our sole option for an additional one-year period.
- Expanded our unsecured term loan from \$150 million to \$250 million and extended its term to December 2009.