

**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 **March 31, 2024**

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)

26 North Euclid Avenue, Pasadena, California 91101

(Address of principal executive offices) (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)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ARE	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Smaller reporting
company

☐

Accelerated filer ☐

Emerging growth
company

☐

Non-accelerated filer ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 15, 2024, 174,883,138 shares of common stock, par value \$0.01 per share, were outstanding.

TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	
Item 1. FINANCIAL STATEMENTS (UNAUDITED)	
Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023	1
Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023:	
Consolidated Statements of Operations	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Stockholders' Equity and Noncontrolling Interests	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	40
Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	106
Item 4. CONTROLS AND PROCEDURES	107
PART II – OTHER INFORMATION	
Item 1A. RISK FACTORS	108
Item 5. OTHER INFORMATION	109
Item 6. EXHIBITS	110
SIGNATURES	111

GLOSSARY

The following abbreviations or acronyms that may be used in this document shall have the adjacent meanings set forth below:

ASU	Accounting Standards Update
ATM	At the Market
CIP	Construction in Progress
EPS	Earnings per Share
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFO	Funds From Operations
GAAP	U.S. Generally Accepted Accounting Principles
IRS	Internal Revenue Service
JV	Joint Venture
Nareit	National Association of Real Estate Investment Trusts
NAV	Net Asset Value
NYSE	New York Stock Exchange
REIT	Real Estate Investment Trust
RSF	Rentable Square Feet/Foot
SEC	Securities and Exchange Commission
SF	Square Feet/Foot
SoDo	South of Downtown submarket of Seattle
SOFR	Secured Overnight Financing Rate
SoMa	South of Market submarket of the San Francisco Bay Area
U.S.	United States
VIE	Variable Interest Entity

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc.

Consolidated Balance Sheets

(In thousands)

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Investments in real estate	\$ 32,323,138	\$ 31,633,511
Investments in unconsolidated real estate joint ventures	40,636	37,780
Cash and cash equivalents	722,176	618,190
Restricted cash	9,519	42,581
Tenant receivables	7,469	8,211
Deferred rent	1,138,936	1,050,319
Deferred leasing costs	520,616	509,398
Investments	1,511,588	1,449,518
Other assets	1,424,968	1,421,894
Total assets	\$ 37,699,046	\$ 36,771,402
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	\$ 130,050	\$ 119,662
Unsecured senior notes payable	12,087,113	11,096,028
Unsecured senior line of credit and commercial paper	—	99,952
Accounts payable, accrued expenses, and other liabilities	2,503,831	2,610,943
Dividends payable	222,134	221,824
Total liabilities	14,943,128	14,148,409
Commitments and contingencies		
Redeemable noncontrolling interests	16,620	16,480
Alexandria Real Estate Equities, Inc.'s stockholders' equity:		
Common stock	1,720	1,719
Additional paid-in capital	18,434,690	18,485,352
Accumulated other comprehensive loss	(23,815)	(15,896)
Alexandria Real Estate Equities, Inc.'s stockholders' equity	18,412,595	18,471,175
Noncontrolling interests	4,326,703	4,135,338
Total equity	22,739,298	22,606,513
Total liabilities, noncontrolling interests, and equity	\$ 37,699,046	\$ 36,771,402

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenues:		
Income from rentals	\$ 755,551	\$ 687,949
Other income	13,557	12,846
Total revenues	769,108	700,795
Expenses:		
Rental operations	218,314	206,933
General and administrative	47,055	48,196
Interest	40,840	13,754
Depreciation and amortization	287,554	265,302
Total expenses	593,763	534,185
Equity in earnings of unconsolidated real estate joint ventures	155	194
Investment income (loss)	43,284	(45,111)
Gain on sales of real estate	392	—
Net income	219,176	121,693
Net income attributable to noncontrolling interests	(48,631)	(43,831)
Net income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	170,545	77,862
Net income attributable to unvested restricted stock awards	(3,659)	(2,606)
Net income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	<u>\$ 166,886</u>	<u>\$ 75,256</u>
Net income per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders:		
Basic	\$ 0.97	\$ 0.44
Diluted	\$ 0.97	\$ 0.44

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 219,176	\$ 121,693
Other comprehensive (loss) income		
Unrealized (losses) gains on foreign currency translation:		
Unrealized foreign currency translation (losses) gains arising during the period	(7,919)	276
Unrealized (losses) gains on foreign currency translation, net	(7,919)	276
Total other comprehensive (loss) income	(7,919)	276
Comprehensive income	211,257	121,969
Less: comprehensive income attributable to noncontrolling interests	(48,631)	(43,831)
Comprehensive income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	\$ 162,626	\$ 78,138

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statement of Changes in Stockholders' Equity and Noncontrolling
Interests
(Dollars in thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc.'s Stockholders' Equity								
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity	Redeem Noncontr Interests	
Balance as of December 31, 2023	171,910,599	\$ 1,719	\$18,485,352	\$ —	\$ (15,896)	\$ 4,135,338	\$22,606,513	\$ 16	
Net income	—	—	—	170,545	—	48,359	218,904		
Total other comprehensive loss	—	—	—	—	(7,919)	—	(7,919)		
Contributions from and sales of noncontrolling interests	—	—	7,201	—	—	180,978	188,179		
Distributions to and redemption of noncontrolling interests	—	—	(8,070)	—	—	(67,907)	(75,977)		
Transfer of noncontrolling interests	—	—	—	—	—	(250)	(250)		
Reallocation of capital to joint venture partner	—	—	(30,185)	—	—	30,185	—		
Issuance pursuant to stock plan	164,784	2	39,376	—	—	—	39,378		
Taxes related to net settlement of equity awards	(67,416)	(1)	(7,395)	—	—	—	(7,396)		
Dividends declared on common stock (\$1.27 per share)	—	—	—	(222,134)	—	—	(222,134)		
Reclassification of distributions in excess of earnings	—	—	(51,589)	51,589	—	—	—		
Balance as of March 31, 2024	172,007,967	\$ 1,720	\$18,434,690	\$ —	\$ (23,815)	\$ 4,326,703	\$22,739,298	\$ 16	

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statement of Changes in Stockholders' Equity and Noncontrolling
Interests
(Dollars in thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc.'s Stockholders' Equity								
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity		Redeem Noncontr Intere
Balance as of December 31, 2022	170,748,395	\$ 1,707	\$18,991,492	\$ —	\$ (20,812)	\$ 3,701,248	\$22,673,635	\$	9
Net income	—	—	—	77,862	—	43,630	121,492		
Total other comprehensive income	—	—	—	—	276	—	276		
Contributions from and sales of noncontrolling interests	—	—	18,999	—	—	76,018	95,017		35
Distributions to and redemption of noncontrolling interests	—	—	—	—	—	(62,985)	(62,985)		
Issuance pursuant to stock plan	194,586	2	35,782	—	—	—	35,784		
Taxes related to net settlement of equity awards	(83,277)	—	(11,968)	—	—	—	(11,968)		
Dividends declared on common stock (\$1.21 per share)	—	—	—	(209,346)	—	—	(209,346)		
Reclassification of distributions in excess of earnings	—	—	(131,484)	131,484	—	—	—		
Balance as of March 31, 2023	170,859,704	\$ 1,709	\$18,902,821	\$ —	\$ (20,536)	\$ 3,757,911	\$22,641,905	\$	44

The accompanying notes are an integral part of these consolidated financial statements.



Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Operating Activities:		
Net income	\$ 219,176	\$ 121,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	287,554	265,302
Gain on sales of real estate	(392)	—
Equity in earnings of unconsolidated real estate joint ventures	(155)	(194)
Distributions of earnings from unconsolidated real estate joint ventures	884	285
Amortization of loan fees	4,142	3,639
Amortization of debt discounts	318	288
Amortization of acquired above- and below-market leases	(30,340)	(21,636)
Deferred rent	(48,251)	(33,191)
Stock compensation expense	17,125	16,486
Investment (income) loss	(43,284)	45,111
Changes in operating assets and liabilities:		
Tenant receivables	731	(582)
Deferred leasing costs	(23,970)	(33,469)
Other assets	(40,728)	(25,422)
Accounts payable, accrued expenses, and other liabilities	(1,653)	(32,740)
Net cash provided by operating activities	341,157	305,570
Investing Activities:		
Proceeds from sales of real estate	16,670	—
Additions to real estate	(693,268)	(873,366)
Purchases of real estate	(194,002)	(177,543)
Change in escrow deposits	(1,008)	9,366
Investments in unconsolidated real estate joint ventures	(3,224)	(106)
Additions to non-real estate investments	(60,572)	(47,401)
Sales of and distributions from non-real estate investments	40,550	49,385
Net cash used in investing activities	\$ (894,854)	\$(1,039,665)

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Financing Activities:		
Borrowings under secured notes payable	\$ 10,216	\$ 14,428
Proceeds from issuance of unsecured senior notes payable	998,806	996,205
Borrowings under unsecured senior line of credit	—	375,000
Repayments of borrowings under unsecured senior line of credit	—	(375,000)
Proceeds from issuances under commercial paper program	3,170,000	775,000
Repayments of borrowings under commercial paper program	(3,270,000)	(400,000)
Payments of loan fees	(10,118)	(9,989)
Taxes paid related to net settlement of equity awards	(23,964)	(7,854)
Dividends on common stock	(221,824)	(209,131)
Contributions from and sales of noncontrolling interests	82,853	79,337
Distributions to and purchases of noncontrolling interests	(111,540)	(63,186)
Net cash provided by financing activities	624,429	1,174,810
Effect of foreign exchange rate changes on cash and cash equivalents	192	(306)
Net increase in cash, cash equivalents, and restricted cash	70,924	440,409
Cash, cash equivalents, and restricted cash as of the beginning of period	660,771	857,975
Cash, cash equivalents, and restricted cash as of the end of period	\$ 731,695	\$ 1,298,384

Supplemental Disclosure and Non-Cash Investing and Financing Activities:

Cash paid during the period for interest, net of interest capitalized	\$ 34,901	\$ 21,519
Accrued construction for current-period additions to real estate	\$ 318,041	\$ 419,029
Contribution of assets from and issuance of noncontrolling interest to real estate joint venture partner	\$ 103,547	\$ 33,250
Reallocation of additional paid-in-capital to consolidated joint venture partner's non-controlling interest	\$ 30,185	\$ —
Transfer of equipment and/or real estate assets from tenants	\$ 11,965	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Alexandria Real Estate Equities, Inc. (NYSE: ARE), an S&P 500® life science REIT, is the pioneer of the life science real estate niche since its founding in 1994. Alexandria is the preeminent and longest-tenured owner, operator, and developer of collaborative life science mega campuses in AAA innovation cluster locations, including Greater Boston, the San Francisco Bay Area, San Diego, Seattle, Maryland, Research Triangle, and New York City. Alexandria has a total market capitalization of \$34.4 billion and an asset base in North America of 74.1 million SF as of March 31, 2024. As used in this quarterly report on Form 10-Q, references to the “Company,” “Alexandria,” “ARE,” “we,” “us,” and “our” refer to Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. The accompanying unaudited consolidated financial statements include the accounts of Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated.

We have prepared the accompanying interim consolidated financial statements in accordance with GAAP and in conformity with the rules and regulations of the SEC. In our opinion, these interim consolidated financial statements presented herein reflect all adjustments, of a normal recurring nature, that are necessary to fairly present the interim consolidated 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, 2024. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023. Any references to our total market capitalization, number or quality of buildings or tenants, quality of location, square footage, number of leases, or occupancy percentage, and any amounts derived from these values in these notes to consolidated financial statements are outside the scope of our independent registered public accounting firm’s procedures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

On an ongoing basis, as circumstances indicate the need for reconsideration, we evaluate each legal entity that is not wholly owned by us in accordance with the consolidation accounting guidance. Our evaluation considers all of our variable interests, including equity ownership, as well as fees paid to us for our involvement in the management of each partially owned entity. To fall within the scope of the consolidation guidance, an entity must meet both of the following criteria:

- The entity has a legal structure that has been established to conduct business activities and to hold assets; such entity can be in the form of a partnership, limited liability company, or corporation, among others; and
- We have a variable interest in the legal entity — i.e., variable interests that are contractual, such as equity ownership, or other financial interests that change with changes in the fair value of the entity's net assets.

If an entity does not meet both criteria above, we apply other accounting literature, such as the equity method of accounting. If an entity does meet both criteria above, we evaluate such entity for consolidation under either the variable interest model if the legal entity meets any of the characteristics below to qualify as a VIE, or under the voting model for all other legal entities that are not VIEs.

A legal entity is determined to be a VIE if it has any of the following three characteristics:

- 1) The entity does not have sufficient equity to finance its activities without additional subordinated financial support;
- 2) The entity is established with non-substantive voting rights (i.e., the entity deprives the majority economic interest holder(s) of voting rights); or
- 3) The equity holders, as a group, lack the characteristics of a controlling financial interest. Equity holders meet this criterion if they lack any of the following:
 - The power, through voting rights or similar rights, to direct the activities of the entity that most significantly influence the entity's economic performance, as evidenced by:
 - Substantive participating rights in day-to-day management of the entity's activities; or
 - Substantive kick-out rights over the party responsible for significant decisions;
 - The obligation to absorb the entity's expected losses; or
 - The right to receive the entity's expected residual returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For an entity, including our real estate joint ventures, structured as a limited partnership or a limited liability company, our evaluation of whether the equity holders (equity partners other than the general partner or the managing member of a joint venture) lack the characteristics of a controlling financial interest includes the evaluation of whether the limited partners or non-managing members (the noncontrolling equity holders) lack both substantive participating rights and substantive kick-out rights, defined as follows:

- Participating rights provide the noncontrolling equity holders the ability to direct significant financial and operating decisions made in the ordinary course of business that most significantly influence the entity's economic performance.
- Kick-out rights allow the noncontrolling equity holders to remove the general partner or managing member without cause.

If we conclude that any of the three characteristics of a VIE are met, including that the equity holders lack the characteristics of a controlling financial interest because they lack both substantive participating rights and substantive kick-out rights, we conclude that the entity is a VIE and evaluate it for consolidation under the variable interest model.

Variable interest model

If an entity is determined to be a VIE, we evaluate whether we are the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and benefits. We consolidate a VIE if we have both power and benefits — that is, (i) we have the power to direct the activities of a VIE that most significantly influence the VIE's economic performance (power) and (ii) we have the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE (benefits). We consolidate VIEs whenever we determine that we are the primary beneficiary. Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” and Note 7 – “Investments” to our unaudited consolidated financial statements for information on specific entities that qualify as VIEs. If we have a variable interest in a VIE but are not the primary beneficiary, we account for our investment using the equity method.

Voting model

If a legal entity fails to meet any of the three characteristics of a VIE (i.e., insufficiency of equity, existence of non-substantive voting rights, or lack of a controlling financial interest), we then evaluate such entity under the voting model. Under the voting model, we consolidate the entity if we determine that we, directly or indirectly, have greater than 50% of the voting shares and that other equity holders do not have substantive participating rights. Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements for information on specific joint ventures that qualify for evaluation under the voting model.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and equity; the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements; and the amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Investments in real estate

Evaluation of business combination or asset acquisition

We evaluate each acquisition of real estate or in-substance real estate (including equity interests in entities that predominantly hold real estate assets) to determine whether the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. An acquisition of an integrated set of assets and activities that does not meet the definition of a business is accounted for as an asset acquisition. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or
- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction).

An acquired process is considered substantive if:

- The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable, and experienced in performing the process;
- The process cannot be replaced without significant cost, effort, or delay; or
- The process is considered unique or scarce.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, our acquisitions of real estate or in-substance real estate do not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort, or delay. When evaluating acquired service or management contracts, we consider the nature of the services performed, the terms of the contract relative to similar arm's-length contracts, and the availability of comparable vendors in evaluating whether the acquired contract constitutes a substantive process.

Recognition of real estate acquired

We evaluate each acquisition of real estate or in-substance real estate (including equity interests in entities that predominantly hold real estate assets) to determine whether the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. An acquisition of an integrated set of assets and activities that does not meet the definition of a business is accounted for as an asset acquisition.

For acquisitions of real estate or in-substance real estate that are accounted for as business combinations, we allocate the acquisition consideration (excluding acquisition costs) to the assets acquired, liabilities assumed, noncontrolling interests, and previously existing ownership interests at fair value as of the acquisition date. Assets include intangible assets such as tenant relationships, acquired in-place leases, and favorable intangibles associated with in-place leases in which we are the lessor. Liabilities include unfavorable intangibles associated with in-place leases in which we are the lessor. In addition, for acquired in-place finance or operating leases in which we are the lessee, acquisition consideration is allocated to lease liabilities and related right-of-use assets, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms. Any excess (deficit) of the consideration transferred relative to the fair value of the net assets acquired is accounted for as goodwill (bargain purchase gain). Acquisition costs related to business combinations are expensed as incurred.

Generally, we expect that acquisitions of real estate or in-substance real estate will not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings, and related intangible assets). The accounting model for asset acquisitions is similar to the accounting model for business combinations, except that the acquisition consideration (including acquisition costs) is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. Any excess (deficit) of the consideration transferred relative to the sum of the fair value of the assets acquired and liabilities assumed is allocated to the individual assets and liabilities based on their relative fair values. As a result, asset acquisitions do not result in the recognition of goodwill or a bargain purchase gain. Incremental and external direct acquisition costs related to acquisitions of real estate or in-substance real estate (such as legal and other third-party services) are capitalized.

We exercise judgment to determine the key assumptions used to allocate the purchase price of real estate acquired among its components. The allocation of the consideration to the

various components of properties acquired during the year can have an effect on our net income due to the useful depreciable and amortizable lives applicable to each component and the recognition of the related depreciation and amortization expense in our consolidated statements of operations. We apply judgment in utilizing available comparable market information to assess relative fair value. We assess the relative fair values of tangible and intangible assets and liabilities based on available comparable market information, including estimated replacement costs, rental rates, and recent market transactions. In addition, we may use estimated cash flow projections that utilize appropriate discount and capitalization rates. Estimates of future cash flows are based on a number of factors, including the historical operating results, known and anticipated trends, and market/economic conditions that may affect the property.

The value of tangible assets acquired is based upon our estimation of fair value on an “as if vacant” basis. The value of acquired in-place leases includes the estimated costs during the hypothetical lease-up period and other costs that would have been incurred in the execution of similar leases under the market conditions at the acquisition date of the acquired in-place lease. If there is a bargain fixed-rate renewal option for the period beyond the noncancelable lease term of an in-place lease, we evaluate intangible factors, such as the business conditions in the industry in which the lessee operates, the economic conditions in the area in which the property is located, and the ability of the lessee to sublease the property during the renewal term, in order to determine the likelihood that the lessee will renew. When we determine that there is reasonable assurance that such bargain purchase option will be exercised, we consider the option in determining the intangible value of such lease and its related amortization period. We also recognize the relative fair values of assets acquired, the liabilities assumed, and any noncontrolling interest in acquisitions of less than a 100% interest when the acquisition constitutes a change in control of the acquired entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization

The values allocated to buildings and building improvements, land improvements, tenant improvements, and equipment are depreciated on a straight-line basis. For buildings and building improvements, we depreciate using the shorter of the respective ground lease terms or their estimated useful lives, not to exceed 40 years. Land improvements are depreciated over their estimated useful lives, not to exceed 20 years. Tenant improvements are depreciated over their respective lease terms or estimated useful lives, and equipment is depreciated over the shorter of the lease term or its estimated useful life. The values of the right-of-use assets are amortized on a straight-line basis over the remaining terms of each related lease. The values of acquired in-place leases and associated favorable intangibles (i.e., acquired above-market leases) are classified in other assets in our consolidated balance sheets and are amortized over the remaining terms of the related leases as a reduction of income from rentals in our consolidated statements of operations. The values of unfavorable intangibles (i.e., acquired below-market leases) associated with acquired in-place leases are classified in accounts payable, accrued expenses, and other liabilities in our consolidated balance sheets and are amortized over the remaining terms of the related leases as an increase in income from rentals in our consolidated statements of operations.

Capitalized project costs

We capitalize project costs, including pre-construction costs, interest, property taxes, insurance, and other costs directly related and essential to the development, redevelopment, pre-construction, or construction of a project. Capitalization of development, redevelopment, pre-construction, and construction costs is required while activities are ongoing to prepare an asset for its intended use. Fluctuations in our development, redevelopment, pre-construction, and construction activities could result in significant changes to total expenses and net income. Costs incurred after a project is substantially complete and ready for its intended use are expensed as incurred. Should development, redevelopment, pre-construction, or construction activity cease, interest, property taxes, insurance, and certain other costs would no longer be eligible for capitalization and would be expensed as incurred. Expenditures for repairs and maintenance are expensed as incurred.

Real estate sales

A property is classified as held for sale when all of the following criteria for a plan of sale have been met: (i) management, having the authority to approve the action, commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of the property is probable and is expected to be completed within one year; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation of assets ceases upon designation of a property as held for sale. Refer to Note 15 – “Assets classified as held for sale” to our unaudited consolidated financial statements for additional details.

If the disposal of a property represents a strategic shift that has (or will have) a major effect on our operations or financial results, such as (i) a major line of business, (ii) a major geographic area, (iii) a major equity method investment, or (iv) other major parts of an entity, then the operations of the property, including any interest expense directly attributable to it, are classified as discontinued operations in our consolidated statements of operations, and amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. The disposal of an individual property generally will not represent a strategic shift and therefore will typically not meet the criteria for classification as a discontinued operation.

We recognize gains or losses on real estate sales in accordance with the accounting standard on the derecognition of nonfinancial assets arising from contracts with noncustomers. Our ordinary output activities consist of the leasing of space to our tenants in our operating properties, not the sales of real estate. Therefore, sales of real estate (in which we are the seller) qualify as contracts with noncustomers. In our transactions with noncustomers, we apply certain recognition and measurement principles consistent with our method of recognizing revenue arising from contracts with customers. Derecognition of the asset is based on the transfer of control. If a real estate sales contract includes our ongoing involvement with the property, then we evaluate each promised good or service under the contract to determine whether it represents a separate performance obligation, constitutes a guarantee, or prevents the transfer of control. If a good or service is considered a separate performance obligation, an allocated portion of the transaction price is recognized as revenue as we transfer the related good or service to the buyer.

The recognition of gain or loss on the sale of a partial interest also depends on whether we retain a controlling or noncontrolling interest in the property. If we retain a controlling interest in the property upon completion of the sale, we continue to reflect the asset at its book value, record a noncontrolling interest for the book value of the partial interest sold, and recognize additional paid-in capital for the difference between the consideration received and the partial interest at book value. Conversely, if we retain a noncontrolling interest upon completion of the sale of a partial interest of real estate, we recognize a gain or loss as if 100% of the asset were sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Prior to and subsequent to the end of each quarter, we review current activities and changes in the business conditions of all of our long-lived assets to determine the existence of any triggering events or impairment indicators requiring an impairment analysis. If triggering events or impairment indicators are identified, we review an estimate of the future undiscounted cash flows, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration.

Long-lived assets to be held and used, including our rental properties, CIP, land held for development, right-of-use assets related to operating leases in which we are the lessee, and intangibles, are individually evaluated for impairment when conditions exist that may indicate that the carrying amount of a long-lived asset may not be recoverable. The carrying amount of a long-lived asset to be held and used is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Triggering events or impairment indicators for long-lived assets to be held and used are assessed by project and include significant fluctuations in estimated net operating income, occupancy changes, significant near-term lease expirations, current and historical operating and/or cash flow losses, construction costs, estimated completion dates, rental rates, and other market factors. We assess the expected undiscounted cash flows based upon numerous factors, including, but not limited to, construction costs, available market information, current and historical operating results, known trends, current market/economic conditions that may affect the asset, and our assumptions about the use of the asset, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration.

Upon determination that an impairment has occurred, a write-down is recognized to reduce the carrying amount of the asset to its estimated fair value. If an impairment charge is not required to be recognized, the recognition of depreciation or amortization is adjusted prospectively, as necessary, to reduce the carrying amount of the asset to its estimated disposition value over the remaining period that the asset is expected to be held and used. We may adjust depreciation of properties that are expected to be disposed of or redeveloped prior to the end of their useful lives.

We use the held for sale impairment model for our properties classified as held for sale, which is different from the held and used impairment model. Under the held for sale impairment model, an impairment charge is recognized if the carrying amount of the long-lived asset classified as held for sale exceeds its fair value less cost to sell. Because of these two different models, it is possible for a long-lived asset previously classified as held and used to require the recognition of an impairment charge upon classification as held for sale.

International operations

In addition to operating properties in the U.S., we have 12 properties in Canada. The functional currency for our subsidiaries operating in the U.S. is the U.S. dollar. The local currency of a foreign subsidiary serves as its functional currency. The assets and liabilities of our foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect as of the financial

statement date. Revenue and expense accounts of our foreign subsidiaries are translated using the weighted-average exchange rate for the periods presented. Gains or losses resulting from the translation are classified in accumulated other comprehensive income (loss) as a separate component of total equity and are excluded from net income (loss).

Whenever a foreign investment meets the criteria for classification as held for sale, we evaluate the recoverability of the investment under the held for sale impairment model. We may recognize an impairment charge if the carrying amount of the investment exceeds its fair value less cost to sell. In determining an investment's carrying amount, we consider its net book value and any cumulative unrealized foreign currency translation adjustment related to the investment.

The appropriate amounts of foreign exchange rate gains or losses classified in accumulated other comprehensive income (loss) are reclassified to net income (loss) when realized upon the sale of our investment or upon the complete or substantially complete liquidation of our investment.

Investments

We hold investments in publicly traded companies and privately held entities primarily involved in the life science industry. As a REIT, we generally limit our ownership of each individual entity's voting stock to less than 10%. We evaluate each investment to determine whether we have the ability to exercise significant influence, but not control, over an investee. We evaluate investments in which our ownership is equal to or greater than 20%, but less than or equal to 50%, of an investee's voting stock with a presumption that we have this ability. For our investments in limited partnerships that maintain specific ownership accounts, we presume that such ability exists when our ownership interest exceeds 3% to 5%. In addition to our ownership interest, we consider whether we have a board seat or whether we participate in the investee's policy-making process, among other criteria, to determine if we have the ability to exert significant influence, but not control, over an investee. If we determine that we have such ability, we account for the investment under the equity method, as described below.

From time to time we may hold equity investments that are subject to contractual sale restrictions. We do not recognize a discount related to a contractual sale restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments accounted for under the equity method

Under the equity method of accounting, we initially recognize our investment at cost and subsequently adjust the carrying amount of the investment for our share of earnings or losses reported by the investee, distributions received, and other-than-temporary impairments. For more information about our investments accounted for under the equity method, refer to Note 7 – “Investments” to our unaudited consolidated financial statements.

Investments that do not qualify for the equity method of accounting

For investees over which we determine that we do not have the ability to exercise significant influence or control, we account for each investment depending on whether it is an investment in a (i) publicly traded company, (ii) privately held entity that reports NAV per share, or (iii) privately held entity that does not report NAV per share, as described below.

Investments in publicly traded companies

Our investments in publicly traded companies are classified as investments with readily determinable fair values and are presented at fair value in our consolidated balance sheets, with changes in fair value classified in investment income (loss) in our consolidated statements of operations. The fair values for our investments in publicly traded companies are determined based on sales prices or quotes available on securities exchanges.

Investments in privately held companies

Our investments in privately held entities without readily determinable fair values consist of (i) investments in privately held entities that report NAV per share and (ii) investments in privately held entities that do not report NAV per share. These investments are accounted for as follows:

Investments in privately held entities that report NAV per share

Investments in privately held entities that report NAV per share, such as our privately held investments in limited partnerships, are presented at fair value using NAV as a practical expedient, with changes in fair value classified in investment income (loss) in our consolidated statements of operations. We use NAV per share reported by limited partnerships generally without adjustment, unless we are aware of information indicating that the NAV reported by a limited partnership does not accurately reflect the fair value of the investment at our reporting date.

Investments in privately held entities that do not report NAV per share

Investments in privately held entities that do not report NAV per share are accounted for using a measurement alternative, under which these investments are measured at cost, adjusted for observable price changes and impairments, with changes classified in investment income (loss) in our consolidated statements of operations.

An observable price arises from an orderly transaction for an identical or similar investment of the same issuer, which is observed by an investor without expending undue cost and effort. Observable price changes result from, among other things, equity transactions of the same issuer executed during the reporting period, including subsequent equity offerings or other reported equity transactions related to the same issuer. To determine whether these transactions are indicative of an observable price change, we evaluate, among other factors, whether these transactions have similar rights and obligations, including voting rights, distribution preferences, and conversion rights to the investments we hold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment evaluation of equity method investments and investments in privately held entities that do not report NAV per share

We monitor equity method investments and investments in privately held entities that do not report NAV per share for new developments, including operating results, prospects and results of clinical trials, new product initiatives, new collaborative agreements, capital-raising events, and merger and acquisition activities. These investments are evaluated on the basis of a qualitative assessment for indicators of impairment by monitoring the presence of the following triggering events or impairment indicators:

- (i) a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee;
- (ii) a significant adverse change in the regulatory, economic, or technological environment of the investee;
- (iii) a significant adverse change in the general market condition, including the research and development of technology and products that the investee is bringing or attempting to bring to the market;
- (iv) significant concerns about the investee's ability to continue as a going concern; and/or
- (v) a decision by investors to cease providing support or reduce their financial commitment to the investee.

If such indicators are present, we are required to estimate the investment's fair value and immediately recognize an impairment charge in an amount equal to the investment's carrying value in excess of its estimated fair value.

Investment income/loss recognition and classification

We recognize both realized and unrealized gains and losses in our consolidated statements of operations, classified in investment income (loss) in our consolidated statements of operations. Unrealized gains and losses represent:

- (i) changes in fair value for investments in publicly traded companies;
- (ii) changes in NAV for investments in privately held entities that report NAV per share;
- (iii) observable price changes for investments in privately held entities that do not report NAV per share; and
- (iv) our share of unrealized gains or losses reported by our equity method investees.

Realized gains and losses on our investments represent the difference between proceeds received upon disposition of investments and their historical or adjusted cost basis. For our equity method investments, realized gains and losses represent our share of realized gains or losses reported by the investee. Impairments are realized losses, which result in an adjusted cost basis, and represent charges to reduce the carrying values of investments in privately held entities that do not report NAV per share and equity method investments, if impairments are deemed other than temporary, to their estimated fair value.

Revenues

The table below provides details of our consolidated total revenues for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Income from rentals:		
Revenues subject to the lease accounting standard:		
Operating leases	\$ 746,061	\$ 677,422
Direct financing leases	659	648
Revenues subject to the lease accounting standard	746,720	678,070
Revenues subject to the revenue recognition accounting standard	8,831	9,879
Income from rentals	755,551	687,949
Other income	13,557	12,846
Total revenues	\$ 769,108	\$ 700,795

During the three months ended March 31, 2024 and 2023, revenues that were subject to the lease accounting standard aggregated \$746.7 million or 97.1% and \$678.1 million or 96.8% of our total revenues, respectively. Our other income consisted primarily of management fees and interest income earned during each period presented. For a detailed discussion related to our revenue streams, refer to "Lease accounting" and "Recognition of revenue arising from contracts with customers" in Note 2 to our unaudited consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease accounting

Definition and classification of a lease

When we enter into a contract or amend an existing contract, we evaluate whether the contract meets the definition of a lease. To meet the definition of a lease, the contract must meet all three criteria:

- (i) One party (lessor) must hold an identified asset;
- (ii) The counterparty (lessee) must have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the contract; and
- (iii) The counterparty (lessee) must have the right to direct the use of the identified asset throughout the period of the contract.

We classify our leases as either finance leases or operating leases if we are the lessee, or sales-type, direct financing, or operating leases if we are the lessor. We use the following criteria to determine if a lease is a finance lease (as a lessee) or sales-type or direct financing lease (as a lessor):

- (i) Ownership is transferred from lessor to lessee by the end of the lease term;
- (ii) An option to purchase is reasonably certain to be exercised;
- (iii) The lease term is for the major part of the underlying asset's remaining economic life;
- (iv) The present value of lease payments equals or exceeds substantially all of the fair value of the underlying asset; or
- (v) The underlying asset is specialized and is expected to have no alternative use at the end of the lease term.

If we meet any of the above criteria, we account for the lease as a finance, a sales-type, or a direct financing lease. If we do not meet any of the criteria, we account for the lease as an operating lease.

A lease is accounted for as a sales-type lease if it is considered to transfer control of the underlying asset to the lessee. A lease is accounted for as a direct financing lease if risks and rewards are conveyed without the transfer of control, which is normally indicated by the existence of a residual value guarantee from an unrelated third party other than the lessee.

This classification will determine the method of recognition of the lease:

- For an operating lease, we recognize income from rentals if we are the lessor, or rental operations expense if we are the lessee, over the term of the lease on a straight-line basis.
- For a sales-type lease or a direct financing lease, we recognize the income from rentals, or for a finance lease, we recognize rental operations expense, over the term of the lease using the effective interest method.

- At inception of a sales-type lease or a direct financing lease, if we determine the fair value of the leased property is lower than its carrying amount, we recognize a selling loss immediately at lease commencement. If fair value exceeds the carrying amount of a lease, a gain is recognized at lease commencement on a sales-type lease. For a direct financing lease, a gain is deferred at lease commencement and amortized over the lease term.

Lessor accounting

Costs to execute leases

We capitalize initial direct costs, which represent only incremental costs to execute a lease that would not have been incurred if the lease had not been obtained. Costs that we incur to negotiate or arrange a lease, regardless of its outcome, such as for fixed employee compensation, tax or legal advice to negotiate lease terms, and other costs, are expensed as incurred.

Operating leases

We account for the revenue from our lease contracts by utilizing the single component accounting policy. This policy requires us to account for, by class of underlying asset, the lease component and nonlease component(s) associated with each lease as a single component if two criteria are met:

- (i) The timing and pattern of transfer of the lease component and the nonlease component(s) are the same; and
- (ii) The lease component would be classified as an operating lease if it were accounted for separately.

Lease components consist primarily of fixed rental payments, which represent scheduled rental amounts due under our leases, and contingent rental payments. Nonlease components consist primarily of tenant recoveries representing reimbursements of rental operating expenses under our triple net lease structure, including recoveries for property taxes, insurance, utilities, repairs and maintenance, and common area expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the lease component is the predominant component, we account for all revenues under such lease as a single component in accordance with the lease accounting standard. Conversely, if the nonlease component is the predominant component, all revenues under such lease are accounted for in accordance with the revenue recognition accounting standard. Our operating leases qualify for the single component accounting, and the lease component in each of our leases is predominant. Therefore, we account for all revenues from our operating leases under the lease accounting standard and classify these revenues as income from rentals in our consolidated statements of operations.

We commence recognition of income from rentals related to the operating leases at the date the property is ready for its intended use by the tenant and the tenant takes possession or controls the physical use of the leased asset. Income from rentals related to fixed rental payments under operating leases is recognized on a straight-line basis over the respective operating lease terms. We classify amounts expected to be received in later periods as deferred rent in our consolidated balance sheets. Amounts received currently but recognized as revenue in future periods are classified in accounts payable, accrued expenses, and other liabilities in our consolidated balance sheets.

Income from rentals related to variable payments includes tenant recoveries and contingent rental payments. Tenant recoveries, including reimbursements of utilities, repairs and maintenance, common area expenses, real estate taxes and insurance, and other operating expenses, are recognized as revenue in the period during which the applicable expenses are incurred and the tenant's obligation to reimburse us arises. Income from rentals related to other variable payments is recognized when associated contingencies are removed.

We assess collectibility from our tenants of future lease payments for each of our operating leases. If we determine that collectibility is probable, we recognize income from rentals based on the methodology described above. If we determine that collectibility is not probable, we recognize an adjustment to lower our income from rentals. Furthermore, we may recognize a general allowance at a portfolio level (not the individual level) if we do not expect to collect future lease payments in full.

For each lease for which we determine that collectibility of future lease payments is not probable, we cease the recognition of income from rentals on a straight-line basis and limit the recognition of income to the lesser of payments collected from the lessee or lease income that would have been recognized on a straight-line basis. We do not resume straight-line recognition of income from rentals for these leases until we determine that the collectibility of future payments related to these leases is probable. We also record a general allowance related to the deferred rent balances that at the portfolio level (not the individual level) are not expected to be collected in full through the lease term. As of March 31, 2024 and December 31, 2023, our general allowance balance aggregated \$21.4 million.

Direct financing and sales-type leases

Income from rentals related to direct financing and sales-type leases is recognized over the lease term using the effective interest rate method. At lease commencement, we record an

asset within other assets in our consolidated balance sheets, which represents our net investment in the lease. This initial net investment is determined by aggregating the present values of the total future lease payments attributable to the lease and the estimated residual value of the property, less any unearned income related to our direct financing lease. Over the lease term, the investment in the lease accretes in value, producing a constant periodic rate of return on the net investment in the lease. Income from these leases is classified in income from rentals in our consolidated statements of operations. Our net investment is reduced over time as lease payments are received.

We evaluate our net investment in direct financing and sales-type leases for impairment under the current expected credit loss accounting standard. For more information, refer to “Allowance for credit losses” in Note 2 to our unaudited consolidated financial statements.

As a lessor, we classify a lease with variable lease payments that do not depend on an index or a rate as an operating lease on the commencement date of the lease if both of the following criteria are met:

- (i) The lease would have been classified as a sales-type lease or direct financing lease under the current lease accounting standard; and
- (ii) The sales-type lease or direct financing lease classification would have resulted in a selling loss at lease commencement.

We do not derecognize the underlying asset and do not recognize a loss upon lease commencement but continue to depreciate the underlying asset over its useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lessee accounting

We have operating lease agreements in which we are the lessee consisting of ground and office leases. At the lease commencement date (or at the acquisition date if the lease is acquired as part of a real estate acquisition), we are required to recognize a liability to account for our future obligations under these operating leases, and a corresponding right-of-use asset.

The lease liability is measured based on the present value of the future lease payments, including payments during the term under our extension options that we are reasonably certain to exercise. The present value of the future lease payments is calculated for each operating lease using each respective remaining lease term and a corresponding estimated incremental borrowing rate, which is the interest rate that we estimate we would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments. Subsequently, the lease liability is accreted by applying a discount rate established at the lease commencement date to the lease liability balance as of the beginning of the period and is reduced by the payments made during the period. We classify the operating lease liability in accounts payable, accrued expenses, and other liabilities in our consolidated balance sheets.

The right-of-use asset is measured based on the corresponding lease liability, adjusted for initial direct leasing costs and any other consideration exchanged with the landlord prior to the commencement of the lease, as well as adjustments to reflect favorable or unfavorable terms of an acquired lease when compared with market terms at the time of acquisition. Subsequently, the right-of-use asset is amortized on a straight-line basis during the lease term. We classify the right-of-use asset in other assets in our consolidated balance sheets.

Recognition of revenue arising from contracts with customers

We recognize revenues associated with transactions arising from contracts with customers, excluding revenues subject to the lease accounting standard discussed in “Lease accounting” above, in accordance with the revenue recognition accounting standard. A customer is distinguished from a noncustomer by the nature of the goods or services that are transferred. Customers are provided with goods or services that are generated by a company’s ordinary output activities, whereas noncustomers are provided with nonfinancial assets that are outside of a company’s ordinary output activities.

We generally recognize revenue representing the transfer of goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in the exchange. In order to determine the recognition of revenue from customer contracts, we use a five-step model to (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation.

We identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services

transfers to a customer. We consider whether we control the goods or services prior to the transfer to the customer in order to determine whether we should account for the arrangement as a principal or agent. If we determine that we control the goods or services provided to the customer, then we are the principal to the transaction, and we recognize the gross amount of consideration expected in the exchange. If we simply arrange but do not control the goods or services being transferred to the customer, then we are considered to be an agent to the transaction, and we recognize the net amount of consideration we are entitled to retain in the exchange.

Total revenues subject to the revenue recognition accounting standard and classified within income from rentals in our consolidated statements of operations for the three months ended March 31, 2024 included \$8.8 million primarily related to short-term parking revenues associated with long-term lease agreements. Short-term parking revenues do not qualify for the single component accounting policy, as discussed in “Lessor accounting” in Note 2, due to the difference in the timing and pattern of transfer of our parking service obligations and associated lease components within the same lease agreement. We recognize short-term parking revenues in accordance with the revenue recognition accounting standard when the service is provided and the performance obligation is satisfied, which normally occurs at a point in time.

Monitoring of tenant credit quality

During the term of each lease, we monitor the credit quality and any related material changes of our tenants by (i) monitoring the credit rating of tenants that are rated by a nationally recognized credit rating agency, (ii) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to us pursuant to the applicable lease, (iii) monitoring news reports regarding our tenants and their respective businesses, and (iv) monitoring the timeliness of lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for credit losses

We are required to estimate and recognize lifetime expected losses, rather than incurred losses, for most of our financial assets measured at amortized cost and certain other instruments, including trade and other receivables (excluding receivables arising from operating leases), loans, held-to-maturity debt securities, net investments in leases arising from sales-type and direct financing leases, and off-balance-sheet credit exposures (e.g., loan commitments). The recognition of such expected losses, even if the expected risk of credit loss is remote, typically results in earlier recognition of credit losses. An assessment of the collectibility of operating lease payments and the recognition of an adjustment to lease income based on this assessment is governed by the lease accounting standard discussed in “Lease accounting” earlier in Note 2 to our unaudited consolidated financial statements.

At each reporting date, we reassess our credit loss allowances on the aggregate net investment of direct financing and sales-type leases and our trade receivables. If necessary, we recognize a credit loss adjustment for our current estimate of expected credit losses, which is classified within rental operations in our consolidated statements of operations. Refer to Note 5 – “Leases” to our unaudited consolidated financial statements for additional details.

Income taxes

We are organized and operate as a REIT pursuant to the Internal Revenue Code (the “Code”). Under the Code, a REIT that distributes at least 90% of its REIT taxable income to its stockholders annually (excluding net capital gains) and meets certain other conditions is not subject to federal income tax on its distributed taxable income, but could be subject to certain federal, foreign, state, and local taxes. We distribute 100% of our taxable income annually; therefore, a provision for federal income taxes is not required. In addition to our REIT returns, we file federal, foreign, state, and local tax returns for our subsidiaries. We file with jurisdictions located in the U.S., Canada, China, and other international locations. Our tax returns are subject to routine examination in various jurisdictions for the 2018 through 2023 calendar years.

Employee and non-employee share-based payments

We have implemented an entity-wide accounting policy to account for forfeitures of share-based awards granted to employees and non-employees when they occur. As a result of this policy, we recognize expense on share-based awards with time-based vesting conditions without reductions for an estimate of forfeitures. This accounting policy only applies to service condition awards. For performance condition awards, we continue to assess the probability that such conditions will be achieved. Expenses related to forfeited awards are reversed as forfeitures occur. All nonforfeitable dividends paid on share-based payment awards are initially classified in retained earnings and reclassified to compensation cost only if forfeitures of the underlying awards occur. Our employee and non-employee share-based awards are measured at fair value on the grant date and recognized over the recipient’s required service period.

Issuer and guarantor subsidiaries of guaranteed securities

Generally, a parent entity of an issuer that holds guaranteed securities must provide separate subsidiary issuer or guarantor financial statements, unless it qualifies for disclosure exceptions. A parent entity may be eligible for disclosure exceptions if it meets the following criteria:

- (i) The subsidiary issuer or guarantor is a consolidated subsidiary of the parent company, and
- (ii) The subsidiary issues a registered security that is issued jointly and severally with the parent company, or is fully and unconditionally guaranteed by the parent company.

A parent entity that meets the above criteria may instead present summarized financial information (“alternative disclosures”) either within the consolidated financial statements or within “Management’s discussion and analysis of financial condition and results of operations” in Item 2. We evaluated the criteria and determined that we are eligible for the disclosure exceptions, which allow us to provide alternative disclosures; as such, we present alternative disclosures in “Management’s discussion and analysis of financial condition and results of operations” in Item 2.

Loan fees

Fees incurred in obtaining long-term financing are capitalized and classified with the corresponding debt instrument appearing on our consolidated balance sheets. Loan fees related to our unsecured senior line of credit are capitalized and classified within other assets. Capitalized amounts are amortized over the term of the related loan, and the amortization is classified in interest expense in our consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distributions from equity method investments

We use the “nature of the distribution” approach to determine the classification within our consolidated statements of cash flows of cash distributions received from equity method investments, including our unconsolidated real estate joint ventures and equity method non-real estate investments. Under this approach, distributions are classified based on the nature of the underlying activity that generated the cash distributions. If we lack the information necessary to apply this approach in the future, we will be required to apply the “cumulative earnings” approach as an accounting change on a retrospective basis. Under the cumulative earnings approach, distributions up to the amount of cumulative equity in earnings recognized are classified as cash inflows from operating activities, and those in excess of that amount are classified as cash inflows from investing activities.

Restricted cash

We present cash and cash equivalents separately from restricted cash within our consolidated balance sheets. However, we include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the consolidated statements of cash flows. We provide a reconciliation between the consolidated balance sheets and the consolidated statements of cash flows, as required, when the balance includes more than one line item for cash, cash equivalents, and restricted cash. We also provide a disclosure of the nature of the restrictions related to material restricted cash balances.

Recent accounting pronouncements

On August 23, 2023, the FASB issued an ASU that will require a joint venture, upon formation, to measure its assets and liabilities at fair value in its standalone financial statements. A joint venture will recognize the difference between the fair value of its equity and the fair value of its identifiable assets and liabilities as goodwill (or an equity adjustment, if negative) using the business combination accounting guidance regardless of whether the net assets meet the definition of a business. The new accounting standard is intended to reduce diversity in practice. This ASU will apply to joint ventures that meet the definition of a corporate joint venture under GAAP, thus limiting its scope to joint ventures not controlled and therefore not consolidated by any joint venture investor. We generally seek to maintain control of our real estate joint ventures and therefore expect this ASU to apply to a limited number, if any, of our unconsolidated real estate joint ventures formed after the adoption of this accounting standard. This standard does not change the accounting of investments by the investors in a joint venture in their individual financial statements, and therefore, its adoption will have no impact on our consolidated financial statements. This accounting standard will become effective for joint ventures with a formation date on or after January 1, 2025, with early adoption permitted. We expect to adopt this ASU on January 1, 2025.

On November 27, 2023, the FASB issued an ASU to require quarterly disclosure of segment expenses if they are (i) significant to the segment, (ii) regularly provided to the chief operating decision maker (“CODM”), and (iii) included in each reported measure of a segment’s

profit or loss. In addition, this ASU requires an annual disclosure of the CODM's title and a description of how the CODM uses the segment's profit/loss measure to assess segment performance and to allocate resources. Pursuant to this ASU, the footnotes to our consolidated financial statements may include incremental disclosures related to our single reportable segment. The compliance with this ASU will be required beginning with our annual report on Form 10-K for the year ending December 31, 2024, followed by interim disclosures in our quarterly reports on Form 10-Q thereafter, with early adoption permitted. We expect to adopt this ASU for our annual report on Form 10-K for the year ending December 31, 2024.

3. INVESTMENTS IN REAL ESTATE

Our consolidated investments in real estate, including real estate assets classified as held for sale as described in Note 15 – “Assets classified as held for sale” to our unaudited consolidated financial statements, consisted of the following as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Rental properties:		
Land (related to rental properties)	\$ 4,440,428	\$ 4,385,515
Buildings and building improvements	20,532,577	20,320,866
Other improvements	3,898,310	3,681,628
Rental properties	28,871,315	28,388,009
Development and redevelopment projects	8,668,680	8,226,309
Gross investments in real estate	37,539,995	36,614,318
Less: accumulated depreciation	(5,216,857)	(4,980,807)
Investments in real estate	\$ 32,323,138	\$ 31,633,511

Acquisitions

During the three months ended March 31, 2024, we made acquisitions with purchase prices aggregating \$194.8 million, primarily associated with the newly formed joint venture at 285, 299, 307, and 345 Dorchester Avenue in our Seaport Innovation District submarket. Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements for additional details.

Based upon our evaluation of each acquisition, we determined that substantially all of the fair value related to each acquisition was concentrated in a single identifiable asset or a group of similar identifiable assets or was associated with a land parcel with no operations. Accordingly, each transaction did not meet the definition of a business and therefore was accounted for as an asset acquisition. In each of these transactions, we allocated the total consideration for each acquisition to the individual assets and liabilities acquired on a relative fair value basis.

Sales of real estate assets

Our completed dispositions of and sales of partial interests in real estate assets during the three months ended March 31, 2024 consisted of the following (dollars in thousands):

Property	Submarket/Market	Date of Sale	Interest Sold	RSF	Sales Price	Gain on Sales of Real Estate
Dispositions of real estate:						
99 A Street ⁽¹⁾	Seaport Innovation District/Greater Boston	3/8/24	100 %	235,000	\$ 13,350	\$ —
Other					3,863	392
					<u>\$ 17,213</u>	<u>\$ 392</u>

- (1) During the three months ended December 31, 2023, we recognized a real estate impairment charge of \$36.1 million to reduce our investment to its current fair value less costs to sell. We completed the sale during the three months ended March 31, 2024.

4. CONSOLIDATED AND UNCONSOLIDATED REAL ESTATE JOINT VENTURES

From time to time, we enter into joint venture agreements through which we own a partial interest in real estate entities that own, develop, and operate real estate properties. As of March 31, 2024, our real estate joint ventures held the following properties:

Property	Market	Submarket	Our Ownership Interest ⁽¹⁾
Consolidated real estate joint ventures ⁽²⁾ :			
50 and 60 Binney Street	Greater Boston	Cambridge/Inner Suburbs	34.0 %
75/125 Binney Street	Greater Boston	Cambridge/Inner Suburbs	40.0 %
100 and 225 Binney Street and 300 Third Street	Greater Boston	Cambridge/Inner Suburbs	30.0 %
99 Coolidge Avenue	Greater Boston	Cambridge/Inner Suburbs	75.0 %
15 Necco Street	Greater Boston	Seaport Innovation District	56.7 %
285, 299, 307, and 345 Dorchester Avenue	Greater Boston	Seaport Innovation District	60.0 %
Alexandria Center® for Science and Technology – Mission Bay ⁽³⁾	San Francisco Bay Area	Mission Bay	25.0 %
1450 Owens Street	San Francisco Bay Area	Mission Bay	27.2 % ⁽⁴⁾
601, 611, 651, 681, 685, and 701 Gateway Boulevard	San Francisco Bay Area	South San Francisco	50.0 %
751 Gateway Boulevard	San Francisco Bay Area	South San Francisco	51.0 %
211 and 213 East Grand Avenue	San Francisco Bay Area	South San Francisco	30.0 %
500 Forbes Boulevard	San Francisco Bay Area	South San Francisco	10.0 %
Alexandria Center® for Life Science – Millbrae	San Francisco Bay Area	South San Francisco	47.4 %
3215 Merryfield Row	San Diego	Torrey Pines	30.0 %
Campus Point by Alexandria ⁽⁵⁾	San Diego	University Town Center	55.0 %
5200 Illumina Way	San Diego	University Town Center	51.0 %
9625 Towne Centre Drive	San Diego	University Town Center	30.0 %
SD Tech by Alexandria ⁽⁶⁾	San Diego	Sorrento Mesa	50.0 %
Pacific Technology Park	San Diego	Sorrento Mesa	50.0 %
Summers Ridge Science Park ⁽⁷⁾	San Diego	Sorrento Mesa	30.0 %
1201 and 1208 Eastlake Avenue East and 199 East Blaine Street	Seattle	Lake Union	30.0 %
400 Dexter Avenue North	Seattle	Lake Union	30.0 %
800 Mercer Street	Seattle	Lake Union	60.0 %
Unconsolidated real estate joint ventures ⁽²⁾ :			
1655 and 1725 Third Street	San Francisco Bay Area	Mission Bay	10.0 %
1401/1413 Research Boulevard	Maryland	Rockville	65.0 % ⁽⁸⁾

- (1) Refer to the table on the next page that shows the categorization of our joint ventures under the consolidation framework.
- (2) In addition to the real estate joint ventures listed, various partners hold insignificant noncontrolling interests in four other consolidated real estate joint ventures in North America and we hold an interest in one other insignificant unconsolidated real estate joint venture in North America.
- (3) Includes 409 and 499 Illinois Street, 1500 and 1700 Owens Street, and 455 Mission Bay Boulevard South.
- (4) During the three months ended March 31, 2024, our equity ownership decreased from 40.6% to 27.2% based on continued funding of construction costs by our joint venture partner and a reallocation of equity to our joint venture partner of \$30.2 million from us. The noncontrolling interest share of our joint venture partner is anticipated to increase to 75% and ours to decrease to 25% as our partner contributes additional equity to fund the construction of the project.
- (5) Includes 10210, 10260, 10290, and 10300 Campus Point Drive and 4110, 4135, 4155, 4161, 4165, 4224, and 4242 Campus Point Court.
- (6) Includes 9605, 9645, 9675, 9685, 9725, 9735, 9805, 9808, 9855, and 9868 Scranton Road and 10055, 10065, and 10075 Barnes Canyon Road.
- (7) Includes 9965, 9975, 9985, and 9995 Summers Ridge Road.
- (8) Represents a joint venture with a local real estate operator in which our joint venture partner manages the day-to-day activities that significantly affect the economic performance of the joint venture.

Our consolidation policy is described under “Consolidation” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements. Consolidation accounting is highly technical, but its framework is primarily based on the controlling financial interests and benefits of the joint ventures. We generally consolidate a joint venture that is a legal entity that we control (i.e., we have the power to direct the activities of the joint venture that most significantly affect its economic performance) through contractual rights, regardless of our ownership interest, and where we determine that we have benefits through the allocation of earnings or losses and fees paid to us that could be significant to the joint venture (the “VIE model”).

4. CONSOLIDATED AND UNCONSOLIDATED REAL ESTATE JOINT VENTURES (continued)

We also generally consolidate joint ventures when we have a controlling financial interest through voting rights and where our voting interest is greater than 50% (the “voting model”). Voting interest differs from ownership interest for some joint ventures. We account for joint ventures that do not meet the consolidation criteria under the equity method of accounting by recognizing our share of income and losses.

The table below shows the categorization of our real estate joint ventures under the consolidation framework:

Property ⁽¹⁾	Consolidation Model	Voting Interest	Consolidation Analysis	Conclusion
50 and 60 Binney Street 75/125 Binney Street 100 and 225 Binney Street and 300 Third Street 99 Coolidge Avenue 15 Necco Street 285, 299, 307, and 345 Dorchester Avenue Alexandria Center® for Science and Technology – Mission Bay 1450 Owens Street	VIE model	Not applicable under VIE model	We have: (i) The power to direct the activities of the joint venture that most significantly affect its economic performance; and	Consolidated
601, 611, 651, 681, 685, and 701 Gateway Boulevard 751 Gateway Boulevard 211 and 213 East Grand Avenue 500 Forbes Boulevard Alexandria Center® for Life Science – Millbrae 3215 Merryfield Row			(ii) Benefits that can be significant to the joint venture.	
Campus Point by Alexandria 5200 Illumina Way 9625 Towne Centre Drive SD Tech by Alexandria Pacific Technology Park Summers Ridge Science Park 1201 and 1208 Eastlake Avenue East and 199 East Blaine Street 400 Dexter Avenue North			Therefore, we are the primary beneficiary of each VIE	
800 Mercer Street 1401/1413 Research Boulevard 1450 Research Boulevard			We do not control the joint venture and are	

- (1) In addition to the real estate joint ventures listed, various partners hold insignificant noncontrolling interests in four other consolidated real estate joint ventures in North America and we hold an interest in one other insignificant unconsolidated real estate joint venture in North America.

Formation of consolidated real estate joint ventures

We evaluated each of our real estate joint ventures described below under the consolidation framework outlined above and further detailed in “Consolidation” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements.

Refer to “Consolidation” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements for additional information. For a summary of our completed dispositions of and sales of partial interests in real estate assets during the three months ended March 31, 2024, refer to “Sales of real estate assets” in Note 3 – “Investments in real estate” to our unaudited consolidated financial statements.

4. CONSOLIDATED AND UNCONSOLIDATED REAL ESTATE JOINT VENTURES (continued)

285, 299, 307, and 345 Dorchester Avenue

During the three months ended March 31, 2024, we formed real estate joint ventures to develop a life science mega campus.

We contributed \$155.3 million to these real estate joint ventures, and our partner's share of contributed real estate assets aggregated \$103.5 million. As of March 31, 2024, these joint ventures own four land parcels at 285, 299, 307, and 345 Dorchester Avenue in our Seaport Innovation District submarket, with future development opportunities aggregating 1.0 million SF.

As of March 31, 2024, we have a 60% ownership interest in the joint ventures. We determined that we had control over these real estate joint ventures, and we therefore consolidate the associated real estate assets.

Consolidated VIEs' balance sheet information

We, together with joint venture partners, hold interests in real estate joint ventures that we consolidate in our financial statements. These existing joint ventures provide significant equity capital to fund a portion of our future construction spend, and our joint venture partners may also contribute equity into these entities for financing-related activities.

The table below aggregates the balance sheet information of our consolidated VIEs as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Investments in real estate	\$ 8,487,213	\$ 8,032,315
Cash and cash equivalents	228,462	306,475
Other assets	777,416	728,390
Total assets	\$ 9,493,091	\$ 9,067,180
Secured notes payable	\$ 129,431	\$ 119,042
Other liabilities	593,166	608,665
Mandatorily redeemable noncontrolling interest	—	35,250
Total liabilities	722,597	762,957
Redeemable noncontrolling interests	7,008	6,868
Alexandria Real Estate Equities, Inc.'s share of equity	4,436,783	4,162,017
Noncontrolling interests' share of equity	4,326,703	4,135,338
Total liabilities and equity	\$ 9,493,091	\$ 9,067,180

In determining whether to aggregate the balance sheet information of consolidated VIEs, we considered the similarity of each VIE, including the primary purpose of these entities to own, manage, operate, and lease real estate properties owned by the VIEs, and the similar nature of

our involvement in each VIE as a managing member. Due to the similarity of the characteristics, we present the balance sheet information of these entities on an aggregated basis. None of our consolidated VIEs' assets have restrictions that limit their use to settle specific obligations of the VIE. There are no creditors or other partners of our consolidated VIEs that have recourse to our general credit, and our maximum exposure to our consolidated VIEs is limited to our variable interests in each VIE, except for our 99 Coolidge Avenue real estate joint venture in which the VIE's secured construction loan is guaranteed by us. Refer to Note 10 – "Secured and unsecured senior debt" to our unaudited consolidated financial statements for additional information.

4. CONSOLIDATED AND UNCONSOLIDATED REAL ESTATE JOINT VENTURES (continued)

Unconsolidated real estate joint ventures

Our maximum exposure to our unconsolidated VIEs is limited to our investment in each VIE, except for our 1450 Research Boulevard and 101 West Dickman Street unconsolidated real estate joint ventures in which we guarantee up to \$6.7 million of the outstanding balance related to each VIE's secured loan. Our investments in unconsolidated real estate joint ventures, accounted for under the equity method and presented in our consolidated balance sheets consisted of the following as of March 31, 2024 and December 31, 2023 (in thousands):

Property	March 31, 2024	December 31, 2023
1655 and 1725 Third Street	\$ 11,471	\$ 11,718
1450 Research Boulevard	9,055	6,041
101 West Dickman Street	9,473	9,290
Other	10,637	10,731
	<u>\$ 40,636</u>	<u>\$ 37,780</u>

The following table presents key terms related to our unconsolidated real estate joint ventures' secured loans as of March 31, 2024 (dollars in thousands):

Unconsolidated Joint Venture	Maturity Date	Stated Rate	Interest Rate ⁽¹⁾	At 100%		Our Share
				Aggregate Commitment	Debt Balance ⁽²⁾	
1401/1413 Research Boulevard	12/23/24	2.70%	3.31%	\$ 28,500	\$ 28,374	65.0%
1655 and 1725 Third Street	3/10/25	4.50%	4.57%	600,000	599,612	10.0%
101 West Dickman Street	11/10/26	SOFR+1.95% ⁽³⁾	7.37%	26,750	17,749	57.9%
1450 Research Boulevard	12/10/26	SOFR+1.95% ⁽³⁾	7.43%	13,000	8,509	73.2%
				<u>\$ 668,250</u>	<u>\$ 654,244</u>	

(1) Includes interest expense and amortization of loan fees.

(2) Represents outstanding principal, net of unamortized deferred financing costs, as of March 31, 2024.

(3) This loan is subject to a fixed SOFR floor of 0.75%.

5. LEASES

Refer to “Lease accounting” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements for information about lease accounting standards that set principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors).

Leases in which we are the lessor

As of March 31, 2024, we had 410 properties aggregating 42.2 million operating RSF located in key clusters, including Greater Boston, the San Francisco Bay Area, San Diego, Seattle, Maryland, Research Triangle, and New York City. We focus on developing Class A/A+ properties in AAA innovation cluster locations, which we consider to be highly desirable for tenancy by life science entities. Such locations are generally characterized by high barriers to entry for new landlords, high barriers to exit for tenants, and a limited supply of available space. As of March 31, 2024, all leases in which we are the lessor were classified as operating leases, with the exception of one direct financing lease. Our leases are described below.

Operating leases

As of March 31, 2024, our 410 properties were subject to operating lease agreements. Two of these properties, representing two land parcels, are subject to lease agreements that each contain an option for the lessee to purchase the underlying asset from us at fair market value during each of the 30-day periods commencing on the dates that are 15 years, 30 years, and 74.5 years after the rent commencement date of October 1, 2017. The remaining lease term related to each of the two land parcels is 68.7 years. Our leases generally contain options to extend lease terms at prevailing market rates at the time of expiration. Certain operating leases contain early termination options that require advance notification and payment of a penalty, which in most cases is substantial enough to be deemed economically disadvantageous by a tenant to exercise. Future lease payments to be received under the terms of our operating lease agreements, excluding expense reimbursements, in effect as of March 31, 2024 are outlined in the table below (in thousands):

Year	Amount
2024	\$ 1,447,841
2025	1,871,023
2026	1,803,392
2027	1,740,053
2028	1,606,401
Thereafter	10,681,698
Total	<u>\$ 19,150,408</u>

Refer to Note 3 – “Investments in real estate” to our unaudited consolidated financial statements for additional information about our owned real estate assets, which are the underlying assets under our operating leases.

Direct financing lease

As of March 31, 2024, we had one direct financing lease agreement, with a net investment balance of \$40.3 million, for a parking structure with a remaining lease term of 68.7 years. The lessee has an option to purchase the underlying asset at fair market value during each of the 30-day periods commencing on the dates that are 15 years, 30 years, and 74.5 years after the rent commencement date of October 1, 2017.

The components of our aggregate net investment in our direct financing lease as of March 31, 2024 and December 31, 2023 are summarized in the table below (in thousands):

	March 31, 2024	December 31, 2023
Gross investment in direct financing lease	\$ 252,850	\$ 253,324
Less: unearned income on direct financing lease	(209,729)	(210,388)
Less: allowance for credit losses	(2,839)	(2,839)
Net investment in direct financing lease	<u>\$ 40,282</u>	<u>\$ 40,097</u>

As of March 31, 2024, our estimated credit loss related to our direct financing lease was \$2.8 million. No adjustment to the estimated credit loss balance was required during the three months ended March 31, 2024. For further details, refer to "Allowance for credit losses" in Note 2 – "Summary of significant accounting policies" to our unaudited consolidated financial statements.

5. LEASES (continued)

Future lease payments to be received under the terms of our direct financing lease as of March 31, 2024 are outlined in the table below (in thousands):

Year	Total
2024	\$ 1,445
2025	1,976
2026	2,036
2027	2,097
2028	2,160
Thereafter	243,136
Total	<u>\$ 252,850</u>

Income from rentals

Our income from rentals includes revenue related to agreements for the rental of our real estate, which primarily includes revenues subject to the lease accounting standard and the revenue recognition accounting standard as shown below (in thousands):

	Three Months Ended March 31,	
	2024	2023
Income from rentals:		
Revenues subject to the lease accounting standard:		
Operating leases	\$ 746,061	\$ 677,422
Direct financing leases	659	648
Revenues subject to the lease accounting standard	<u>746,720</u>	<u>678,070</u>
Revenues subject to the revenue recognition accounting standard	8,831	9,879
Income from rentals	<u>\$ 755,551</u>	<u>\$ 687,949</u>

Our revenues that are subject to the revenue recognition accounting standard and are classified in income from rentals consist primarily of short-term parking revenues that are not considered lease revenues under the lease accounting standard. Refer to "Revenues" and "Recognition of revenue arising from contracts with customers" in Note 2 - "Summary of significant accounting policies" to our unaudited consolidated financial statements for additional information.

Residual value risk management strategy

Our leases do not have guarantees of residual value on the underlying assets. We manage risk associated with the residual value of our leased assets by (i) evaluating each

potential acquisition of real estate to determine whether it meets our business objective to invest primarily in high-demand markets with limited supply of available space, (ii) directly managing our leased properties, conducting frequent property inspections, proactively addressing potential maintenance issues before they arise, and timely resolving any occurring issues, and (iii) carefully selecting our tenants and monitoring their credit quality throughout their respective lease terms.

Leases in which we are the lessee

Operating lease agreements

We have operating lease agreements in which we are the lessee consisting of ground and office leases. Certain of these leases have options to extend or terminate the contract terms upon meeting certain criteria. There are no notable restrictions or covenants imposed by the leases, nor guarantees of residual value.

We recognize a right-of-use asset, which is classified within other assets in our consolidated balance sheets, and a related liability, which is classified within accounts payable, accrued expenses, and other liabilities in our consolidated balance sheets, to account for our future obligations under ground and office lease arrangements in which we are the lessee. Refer to “Lessee accounting” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements.

5. LEASES (continued)

As of March 31, 2024, the present value of the remaining contractual payments aggregating \$843.5 million under our operating lease agreements, including our extension options that we are reasonably certain to exercise, was \$381.6 million. Our corresponding operating lease right-of-use assets, adjusted for initial direct leasing costs and other consideration exchanged with the landlord prior to the commencement of the lease, aggregated \$513.3 million. As of March 31, 2024, the weighted-average remaining lease term of operating leases in which we are the lessee was approximately 41 years, and the weighted-average discount rate was 4.6%. The weighted-average discount rate is based on the incremental borrowing rate estimated for each lease, which is the interest rate that we estimate we would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments.

Ground lease obligations as of March 31, 2024, included leases for 36 of our properties, which accounted for approximately 9% of our total number of properties. Excluding one ground lease that expires in 2036 related to one operating property with a net book value of \$5.8 million as of March 31, 2024, our ground lease obligations have remaining lease terms ranging from approximately 30 to 98 years, including extension options that we are reasonably certain to exercise.

The reconciliation of future lease payments under noncancelable operating leases in which we are the lessee to the operating lease liability reflected in our unaudited consolidated balance sheet as of March 31, 2024 is presented in the table below (in thousands):

Year	Total
2024	\$ 17,232
2025	22,671
2026	22,865
2027	21,946
2028	21,614
Thereafter	737,191
Total future payments under our operating leases in which we are the lessee	843,519
Effect of discounting	(461,941)
Operating lease liability	<u>\$ 381,578</u>

Lessee operating costs

Operating lease costs relate to our ground and office leases in which we are the lessee. Ground leases generally require fixed annual rent payments and may also include escalation clauses and renewal options. Our operating lease obligations related to our office leases have remaining terms of up to 12 years, exclusive of extension options. For the three months ended March 31, 2024 and 2023, our costs for operating leases in which we are the lessee were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Gross operating lease costs	\$ 9,211	\$ 9,457
Capitalized lease costs	(528)	(921)
Expenses for operating leases in which we are the lessee	<u>\$ 8,683</u>	<u>\$ 8,536</u>

For the three months ended March 31, 2024 and 2023, amounts paid and classified as operating activities in our unaudited consolidated statements of cash flows for leases in which we are the lessee aggregated \$7.3 million and \$7.3 million, respectively.

6. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash, cash equivalents, and restricted cash consisted of the following as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 722,176	\$ 618,190
Restricted cash:		
Funds held in escrow for real estate acquisitions	4,425	37,434
Other	5,094	5,147
	9,519	42,581
Total	\$ 731,695	\$ 660,771

7. INVESTMENTS

We hold investments in publicly traded companies and privately held entities primarily involved in the life science industry. As a REIT, we generally limit our ownership of each individual entity's voting stock to less than 10%. We evaluate each investment to determine whether we have the ability to exercise significant influence, but not control, over an investee. We evaluate investments in which our ownership is equal to or greater than 20%, but less than or equal to 50%, of an investee's voting stock with a presumption that we have this ability. For our investments in limited partnerships that maintain specific ownership accounts, we presume that such ability exists when our ownership interest exceeds 3% to 5%. In addition to our ownership interest, we consider whether we have a board seat or whether we participate in the investee's policy-making process, among other criteria, to determine if we have the ability to exert significant influence, but not control, over an investee. If we determine that we have such ability, we account for the investment under the equity method, as described below.

Investments accounted for under the equity method

Under the equity method of accounting, we initially recognize our investment at cost and subsequently adjust the carrying amount of the investment for our share of earnings or losses reported by the investee, distributions received, and other-than-temporary impairments.

As of March 31, 2024, we had 10 investments in limited partnerships maintaining specific ownership accounts for each investor, which were accounted for under the equity method. These investments aggregated \$115.8 million. Our ownership interest in each of these 10 investments was greater than 5%.

Investments that do not qualify for the equity method of accounting

For investees over which we determine that we do not have the ability to exercise significant influence or control, we account for each investment depending on whether it is an investment in a (i) publicly traded company, (ii) privately held entity that reports NAV per share, or (iii) privately held entity that does not report NAV per share, as described below.

Investments in publicly traded companies

Our investments in publicly traded companies are classified as investments with readily determinable fair values and are presented at fair value in our consolidated balance sheets, with changes in fair value classified in investment income (loss) in our consolidated statements of operations. The fair values for our investments in publicly traded companies are determined based on sales prices or quotes available on securities exchanges.

Investments in privately held companies

Our investments in privately held entities without readily determinable fair values consist of (i) investments in privately held entities that report NAV per share and (ii) investments in privately held entities that do not report NAV per share. These investments are accounted for as follows:

Investments in privately held entities that report NAV per share

Investments in privately held entities that report NAV per share, such as our privately held investments in limited partnerships, are presented at fair value using NAV as a practical expedient, with changes in fair value classified in investment income (loss) in our consolidated statements of operations. We use NAV per share reported by limited partnerships generally without adjustment, unless we are aware of information indicating that the NAV reported by a limited partnership does not accurately reflect the fair value of the investment at our reporting date.

7. INVESTMENTS (continued)

Investments in privately held entities that do not report NAV per share

Investments in privately held entities that do not report NAV per share are accounted for using a measurement alternative, under which these investments are measured at cost, adjusted for observable price changes and impairments, with changes classified in investment income (loss) in our consolidated statements of operations.

An observable price arises from an orderly transaction for an identical or similar investment of the same issuer, which is observed by an investor without expending undue cost and effort. Observable price changes result from, among other things, equity transactions of the same issuer executed during the reporting period, including subsequent equity offerings or other reported equity transactions related to the same issuer. To determine whether these transactions are indicative of an observable price change, we evaluate, among other factors, whether these transactions have similar rights and obligations, including voting rights, distribution preferences, and conversion rights to the investments we hold.

Impairment evaluation of equity method investments and investments in privately held entities that do not report NAV per share

We monitor equity method investments and investments in privately held entities that do not report NAV per share for new developments, including operating results, prospects and results of clinical trials, new product initiatives, new collaborative agreements, capital-raising events, and merger and acquisition activities. These investments are evaluated on the basis of a qualitative assessment for indicators of impairment by monitoring the presence of the following triggering events or impairment indicators:

- (i) a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee;
- (ii) a significant adverse change in the regulatory, economic, or technological environment of the investee;
- (iii) a significant adverse change in the general market condition, including the research and development of technology and products that the investee is bringing or attempting to bring to the market;
- (iv) significant concerns about the investee's ability to continue as a going concern; and/or
- (v) a decision by investors to cease providing support or reduce their financial commitment to the investee.

If such indicators are present, we are required to estimate the investment's fair value and immediately recognize an impairment charge in an amount equal to the investment's carrying value in excess of its estimated fair value.

Investment income/loss recognition and classification

We recognize both realized and unrealized gains and losses in our consolidated statements of operations, classified in investment income (loss) in our consolidated statements of operations. Unrealized gains and losses represent:

- (i) changes in fair value for investments in publicly traded companies;
- (ii) changes in NAV for investments in privately held entities that report NAV per share;
- (iii) observable price changes for investments in privately held entities that do not report NAV per share; and
- (iv) our share of unrealized gains or losses reported by our equity method investees.

Realized gains and losses on our investments represent the difference between proceeds received upon disposition of investments and their historical or adjusted cost basis. For our equity method investments, realized gains and losses represent our share of realized gains or losses reported by the investee. Impairments are realized losses, which result in an adjusted cost basis, and represent charges to reduce the carrying values of investments in privately held entities that do not report NAV per share and equity method investments, if impairments are deemed other than temporary, to their estimated fair value.

Funding commitments to investments in privately held entities that report NAV

We are committed to funding approximately \$377.2 million for our investments in privately held entities that report NAV. Our funding commitments expire at various dates over the next 12 years with a weighted-average expiration of 8.3 years as of March 31, 2024. These investments are not redeemable by us, but we may receive distributions from these investments throughout their terms. Our investments in privately held entities that report NAV generally have expected initial terms in excess of 10 years. The weighted-average remaining term during which these investments are expected to be liquidated was 5.3 years as of March 31, 2024.

7. INVESTMENTS (continued)

The following tables summarize our investments as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024			
	Cost	Unrealized Gains	Unrealized Losses	Carrying Amount
Publicly traded companies	\$ 187,775	\$ 57,761	\$ (71,015)	\$ 174,521
Entities that report NAV	511,039	189,044	(27,954)	672,129
Entities that do not report NAV:				
Entities with observable price changes	94,283	73,629	(1,224)	166,688
Entities without observable price changes	382,408	—	—	382,408
Investments accounted for under the equity method	N/A	N/A	N/A	115,842
Total investments	\$ 1,175,505	\$ 320,434	\$ (100,193)	\$ 1,511,588

	December 31, 2023			
	Cost	Unrealized Gains	Unrealized Losses	Carrying Amount
Publicly traded companies	\$ 203,467	\$ 50,377	\$ (94,278)	\$ 159,566
Entities that report NAV	507,059	192,468	(27,995)	671,532
Entities that do not report NAV:				
Entities with observable price changes	97,892	77,600	(1,224)	174,268
Entities without observable price changes	368,654	—	—	368,654
Investments accounted for under the equity method	N/A	N/A	N/A	75,498
Total investments	\$ 1,177,072	\$ 320,445	\$ (123,497)	\$ 1,449,518

Cumulative gains and losses (realized and unrealized) on investments in privately held entities that do not report NAV still held as of March 31, 2024 aggregated to a loss of \$64.6 million, which consisted of upward adjustments aggregating \$73.6 million, downward adjustments aggregating \$1.2 million, and impairments aggregating \$137.0 million.

Our investment income (loss) for the three months ended March 31, 2024 and 2023 consisted of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Realized gains	\$ 14,126 ⁽¹⁾	\$ 20,744
Unrealized gains (losses)	29,158	(65,855)
Investment income (loss)	<u>\$ 43,284</u>	<u>\$ (45,111)</u>

(1) Consists of realized gains of \$28.8 million, offset by impairment charges of \$14.7 million during the three months ended March 31, 2024.

During the three months ended March 31, 2024, gains and losses on investments in privately held entities that do not report NAV still held as of March 31, 2024 aggregated to a loss of \$10.5 million, which consisted of upward adjustments aggregating \$8.6 million and downward adjustments and impairments aggregating \$19.1 million.

During the three months ended March 31, 2023, gains and losses on investments in privately held entities that do not report NAV still held as of March 31, 2023 aggregated to a loss of \$510 thousand, which consisted of upward adjustments aggregating \$1.8 million and downward adjustments and impairments aggregating \$2.3 million.

Unrealized gains or losses related to investments still held (excluding investments accounted for under the equity method) as of March 31, 2024 and 2023 aggregated to gains of \$47.8 million and losses of \$38.3 million during the three months ended March 31, 2024 and 2023, respectively.

Our investment income of \$43.3 million for the three months ended March 31, 2024 also included \$5.0 million of equity in earnings of our equity method investments.

Refer to “Investments” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements for additional information.

8. OTHER ASSETS

The following table summarizes the components of other assets as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Acquired in-place leases	\$ 426,670	\$ 461,613
Deferred compensation plan	42,528	40,365
Deferred financing costs - unsecured senior line of credit	29,005	30,897
Deposits	26,803	25,863
Furniture, fixtures, and equipment	28,380	26,560
Net investment in direct financing lease	40,282	40,097
Notes receivable	16,487	15,841
Operating lease right-of-use assets	513,271	516,452
Other assets	103,007	88,453
Prepaid expenses	54,574	30,969
Property, plant, and equipment	143,961	144,784
Total	<u>\$ 1,424,968</u>	<u>\$ 1,421,894</u>

9. FAIR VALUE MEASUREMENTS

We provide fair value information about all financial instruments for which it is practicable to estimate fair value. We measure and disclose the estimated fair value of financial assets and liabilities by utilizing a fair value hierarchy that distinguishes between data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels, as follows: (i) quoted prices in active markets for identical assets or liabilities (Level 1), (ii) significant other observable inputs (Level 2), and (iii) significant unobservable inputs (Level 3). Significant other observable inputs can include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, foreign exchange rates, and yield curves. Significant unobservable inputs are typically based on an entity's own assumptions, since there is little, if any, related market activity. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Assets and liabilities measured at fair value on a recurring basis

The following table sets forth the assets that we measure at fair value on a recurring basis by level in the fair value hierarchy (in thousands). There were no liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023. There were no transfers of assets measured at fair value on a recurring basis to or from Level 3 in the fair value hierarchy during the three months ended March 31, 2024.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Total			
Investments in publicly traded companies:				
As of March 31, 2024	\$ 174,521	\$ 174,521	\$ —	\$ —
As of December 31, 2023	\$ 159,566	\$ 159,566	\$ —	\$ —

Our investments in publicly traded companies represent investments with readily determinable fair values, and are carried at fair value, with changes in fair value classified in investment income in our consolidated financial statements. We also hold investments in privately held entities, which consist of (i) investments that report NAV and (ii) investments that do not report NAV, as further described below.

9. FAIR VALUE MEASUREMENTS (continued)

Our investments in privately held entities that report NAV, such as our privately held investments in limited partnerships, are carried at fair value using NAV as a practical expedient, with changes in fair value classified in net income. As of March 31, 2024 and December 31, 2023, the carrying values of investments in privately held entities that report NAV aggregated \$672.1 million and \$671.5 million, respectively. These investments are excluded from the fair value hierarchy above as required by the fair value accounting standards. We estimate the fair value of each of our investments in limited partnerships based on the most recent NAV reported by each limited partnership. As a result, the determination of fair values of our investments in privately held entities that report NAV generally does not involve significant estimates, assumptions, or judgments.

Assets and liabilities measured at fair value on a nonrecurring basis

The following table sets forth the assets measured at fair value on a nonrecurring basis by level within the fair value hierarchy as of March 31, 2024 and December 31, 2023 (in thousands).

Description	Carrying Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Real estate assets held for sale with carrying values adjusted to fair value less costs to sell				
As of March 31, 2024	\$ 118,530 ⁽¹⁾	\$ —	\$ —	\$ 118,530 ⁽²⁾
As of December 31, 2023	\$ 133,885 ⁽¹⁾	\$ —	\$ —	\$ 133,885 ⁽²⁾
Investments in privately held entities that do not report NAV				
As of March 31, 2024	\$ 182,596	\$ —	\$ 166,688 ⁽³⁾	\$ 15,908 ⁽⁴⁾
As of December 31, 2023	\$ 188,689	\$ —	\$ 174,268 ⁽³⁾	\$ 14,421 ⁽⁴⁾

(1) These amounts are included in the total balances of our net assets classified as held for sale aggregating \$179.3 million and \$191.4 million as of March 31, 2024 and December 31, 2023, respectively, disclosed in Note 15 – “Assets classified as held for sale,” and represent assets held for sale as of March 31, 2024 and December 31, 2023, respectively, for which impairments were recognized. Refer to Note 3 – “Investments in real estate” and Note 15 – “Assets classified as held for sale” to our consolidated financial statements for additional information.

(2) Represent aggregate carrying amounts of assets held for sale after adjustments to their respective fair values less costs to sell based on executed purchase and sale agreements, letters of intent, or valuations provided by third-party real estate brokers.

- (3) These amounts represent the total carrying amounts of our equity investments in privately held entities with observable price changes, which are included in the investments balances of \$1.5 billion and \$1.4 billion, respectively, in our unaudited consolidated balance sheets as of March 31, 2024 and December 31, 2023, respectively, disclosed in Note 7 – “Investments” to our unaudited consolidated financial statements.
- (4) These amounts are included in the investments in privately held entities without observable price changes balances aggregating \$382.4 million and \$368.7 million as of March 31, 2024 and December 31, 2023, respectively, disclosed in Note 7 – “Investments” to our unaudited consolidated financial statements. The aforementioned balances represent the carrying amounts of investments in privately held entities that do not report NAV for which impairments have been recognized in accordance with the measurement alternative guidance described in “Investments” in Note 2 – “Summary of significant accounting policies” to our unaudited consolidated financial statements.

Real estate assets classified as held for sale measured at fair value less costs to sell

Our real estate assets classified as held for sale and measured at fair value less costs to sell are presented in the table above. These properties are subsets of our total real estate assets classified as held for sale as of March 31, 2024 and December 31, 2023, respectively. The fair values for these real estate assets were estimated based on negotiated sales prices or valuations provided by third-party real estate brokers. Refer to “Investments in real estate” in Note 2 – “Summary of significant accounting policies” and Note 15 – “Assets classified as held for sale” to our consolidated financial statements for additional information.

Investments in privately held entities that do not report NAV

Our investments in privately held entities that do not report NAV are measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income. These investments are adjusted based on the observable price changes in orderly transactions for the identical or similar investment of the same issuer. Further adjustments are not made until another observable transaction occurs. Therefore, the determination of fair values of our investments in privately held entities that do not report NAV does not involve significant estimates and assumptions or subjective and complex judgments.

We also subject our investments in privately held entities that do not report NAV to a qualitative assessment for indicators of impairment. If indicators of impairment are present, we are required to estimate the investment’s fair value and immediately recognize an impairment charge in an amount equal to the investment’s carrying value in excess of its estimated fair value.

9. FAIR VALUE MEASUREMENTS (continued)

The estimates of fair value typically incorporate valuation techniques that include an income approach reflecting a discounted cash flow analysis, and a market approach that includes a comparative analysis of acquisition multiples and pricing multiples generated by market participants. In certain instances, we may use multiple valuation techniques for a particular investment and estimate its fair value based on an average of multiple valuation results.

Refer to Note 7 – “Investments” to our unaudited consolidated financial statements for additional information.

Assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed

The fair values of our secured notes payable and unsecured senior notes payable, and the amounts outstanding on our unsecured senior line of credit and commercial paper program, were estimated using widely accepted valuation techniques, including discounted cash flow analyses using significant other observable inputs such as available market information on discount and borrowing rates with similar terms, maturities, and credit ratings. Because the valuations of our financial instruments are based on these types of estimates, the actual fair value of our financial instruments may differ materially if our estimates do not prove to be accurate. Additionally, the use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

As of March 31, 2024 and December 31, 2023, the book and estimated fair values of our secured notes payable and unsecured senior notes payable and the amounts outstanding under our unsecured senior line of credit and commercial paper program, including the level within the fair value hierarchy for which the estimates were derived, were as follows (in thousands):

	March 31, 2024					
		Fair Value Hierarchy				
	Book Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Fair Value	
Liabilities:						
Secured notes payable	\$ 130,050	\$ —	\$ 129,619	\$ —	\$ 129,619	
Unsecured senior notes payable	\$12,087,113	\$ —	\$ 10,509,910	\$ —	\$10,509,910	
Unsecured senior line of credit	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial paper program	\$ —	\$ —	\$ —	\$ —	\$ —	

	December 31, 2023					
	Fair Value Hierarchy					
	Book Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Fair Value	
Liabilities:						
Secured notes payable	\$ 119,662	\$ —	\$ 118,660	\$ —	\$ 118,660	
Unsecured senior notes payable	\$11,096,028	\$ —	\$ 9,708,930	\$ —	\$ 9,708,930	
Unsecured senior line of credit	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial paper program	\$ 99,952	\$ —	\$ 99,915	\$ —	\$ 99,915	

The carrying values of cash and cash equivalents, restricted cash, tenant receivables, deposits, notes receivable, accounts payable, accrued expenses, and other short-term liabilities approximate their fair value.

10. SECURED AND UNSECURED SENIOR DEBT

The following table summarizes our outstanding indebtedness and respective principal payments remaining as of March 31, 2024 (dollars in thousands):

Principal Payments Remaining for the Periods Ending December 31,										
Debt	Stated Rate	Interest Rate ⁽¹⁾	Maturity Date ⁽²⁾	2024	2025	2026	2027	2028	Thereafter	Principal
Secured notes payable										
Greater Boston ⁽³⁾	SOFR+2.70 %	8.37 %	11/19/26	\$ —	\$ —	\$129,890	\$ —	\$ —	\$ —	\$ 129,890
San Francisco Bay Area	6.50 %	6.50	7/1/36	32	34	36	38	41	438	1,000
Secured debt weighted- average interest rate/ subtotal		8.36		32	34	129,926	38	41	438	130,000
Unsecured senior line of credit and commercial paper program ⁽⁴⁾	⁽⁴⁾	— ⁽⁴⁾	1/22/28 ⁽⁴⁾	—	—	—	—	—	—	—
Unsecured senior notes payable	3.45 %	3.62	4/30/25	—	600,000	—	—	—	—	600,000
Unsecured senior notes payable	4.30 %	4.50	1/15/26	—	—	300,000	—	—	—	300,000
Unsecured senior notes payable	3.80 %	3.96	4/15/26	—	—	350,000	—	—	—	350,000
Unsecured senior notes payable	3.95 %	4.13	1/15/27	—	—	—	350,000	—	—	350,000
Unsecured senior notes payable	3.95 %	4.07	1/15/28	—	—	—	—	425,000	—	425,000
Unsecured senior notes payable	4.50 %	4.60	7/30/29	—	—	—	—	—	300,000	300,000

- (1) Represents the weighted-average interest rate as of the end of the applicable period, including amortization of loan fees, amortization of debt premiums (discounts), and other bank fees.
- (2) Reflects any extension options that we control.
- (3) Represents a secured construction loan held by our consolidated real estate joint venture for 99 Coolidge Avenue, of which we own a 75.0% interest. As of March 31, 2024, this joint venture has \$65.4 million available under existing lender commitments. The interest rate shall be reduced from SOFR+2.70% to SOFR+2.10% over time upon the completion of certain leasing, construction, and financial covenant milestones.
- (4) Refer to “\$5.0 billion unsecured senior line of credit” and “\$2.5 billion commercial paper program” on the following page.

10. SECURED AND UNSECURED SENIOR DEBT (continued)

The following table summarizes our secured and unsecured senior debt and amounts outstanding under our unsecured senior line of credit and commercial paper program as of March 31, 2024 (dollars in thousands):

					Weighted-Average Interest Rate ⁽¹⁾	Remaining Term (in years)
	Fixed-Rate Debt	Variable- Rate Debt	Total	Percentage		
Secured notes payable	\$ 619	\$129,431	\$ 130,050	1.1 %	8.36 %	2.7
Unsecured senior notes payable	12,087,113	—	12,087,113	98.9	3.81	13.5
Unsecured senior line of credit and commercial paper program	—	—	—	(2)	(2)	(3)
	—	—	—	—	—	3.8
Total/ weighted average	\$12,087,732	\$129,431	\$12,217,163	100.0 %	3.86 %	13.4
Percentage of total debt	98.9 %	1.1 %	100 %			

(1) Represents the weighted-average interest rate as of the end of the applicable period, including expense/income related to the amortization of loan fees, amortization of debt premiums (discounts), and other bank fees.

(2) As of March 31, 2024, we had no outstanding balance on our unsecured senior line of credit and no commercial paper notes outstanding.

(3) We calculate the weighted-average remaining term of our commercial paper notes by using the maturity date of our unsecured senior line of credit. Using the maturity date of our outstanding commercial paper notes, the consolidated weighted-average maturity of our debt is 13.4 years. The commercial paper notes sold during the three months ended March 31, 2024 were issued at a weighted-average yield to maturity of 5.60% and had a weighted-average maturity term of 15 days.

Unsecured senior notes payable

In February 2024, we issued \$1.0 billion of unsecured senior notes payable with a weighted-average interest rate of 5.48% and a weighted-average maturity of 23.1 years. The

unsecured senior notes consisted of \$400.0 million of 5.25% unsecured senior notes due 2036 and \$600.0 million of 5.625% unsecured senior notes due 2054.

\$5.0 billion unsecured senior line of credit

As of March 31, 2024, our unsecured senior line of credit had aggregate commitments of \$5.0 billion and bore an interest rate of SOFR plus 0.855%. In addition to the cost of borrowing, the unsecured senior line of credit is subject to an annual facility fee of 0.145% based on the aggregate commitments outstanding. Based upon our ability to achieve certain annual sustainability metrics, the interest rate and facility fee rate are also subject to upward or downward adjustments of up to four basis points with respect to the interest rate and up to one basis point with respect to the facility fee rate.

Based on certain sustainability metrics achieved in accordance with the terms of our unsecured senior line of credit agreement, the borrowing rate was reduced for a one-year period by two basis points to SOFR plus 0.855%, from SOFR plus 0.875%, and the facility fee was reduced by 0.5 basis point to 0.145% from 0.15%. As of March 31, 2024, we had no outstanding balance on our unsecured line of credit.

\$2.5 billion commercial paper program

Our commercial paper program provides us with the ability to issue up to \$2.5 billion of commercial paper notes that bear interest at short-term fixed rates with a maturity of generally 30 days or less and a maximum maturity of 397 days from the date of issuance. Our commercial paper program is backed by our unsecured senior line of credit, and at all times we expect to retain a minimum undrawn amount of borrowing capacity under our unsecured senior line of credit equal to any outstanding notes issued under our commercial paper program. We use the net proceeds from the issuances of the notes for general working capital and other general corporate purposes. General corporate purposes may include, but are not limited to, the repayment of other debt and selective development, redevelopment, or acquisition of properties. The commercial paper notes sold during the three months ended March 31, 2024 were issued at a weighted-average yield to maturity of 5.60% and had a weighted-average maturity term of 15 days. As of March 31, 2024, we had no commercial paper notes outstanding.

Interest expense

The following table summarizes interest expense for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Interest incurred	\$ 122,680	\$ 100,824
Capitalized interest	(81,840)	(87,070)
Interest expense	<u>\$ 40,840</u>	<u>\$ 13,754</u>

11. ACCOUNTS PAYABLE, ACCRUED EXPENSES, AND OTHER LIABILITIES

The following table summarizes the components of accounts payable, accrued expenses, and other liabilities as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Accounts payable and accrued expenses	\$ 432,296	\$ 524,439
Accrued construction	643,456	606,333
Acquired below-market leases	290,614	322,040
Conditional asset retirement obligations	55,958	53,083
Deferred rent liabilities	13,365	15,183
Operating lease liability	381,578	382,883
Unearned rent and tenant security deposits	561,795	548,529
Other liabilities	124,769	158,453
Total	<u>\$ 2,503,831</u>	<u>\$ 2,610,943</u>

As of March 31, 2024 and December 31, 2023, our conditional asset retirement obligations liability primarily consisted of the soil and groundwater remediation liabilities associated with certain of our properties. Some of our properties may contain asbestos or may be subjected to other hazardous or toxic substances, which, under certain conditions, requires remediation. We engage independent environmental consultants to conduct Phase I or similar environmental assessments at our properties. This type of assessment generally includes a site inspection, interviews, and a public records review; asbestos, lead-based paint, and mold surveys; subsurface sampling; and other testing. We recognize a liability for the fair value of a conditional asset retirement obligation (including asbestos) when the fair value of the liability can be reasonably estimated. In addition, environmental laws and regulations subject our tenants, and potentially us, to liability that may result from our tenants' routine handling of hazardous substances and wastes as part of their operations at our properties. These assessments and investigations of our properties have not to date revealed any additional environmental liability we believe would have a material adverse effect on our business and financial statements or that would require additional disclosures or recognition in our consolidated financial statements.

12. EARNINGS PER SHARE

From time to time, we enter into forward equity sales agreements, which are discussed in Note 13 – “Stockholders’ equity” to our unaudited consolidated financial statements. We consider the potential dilution resulting from the forward equity sales agreements on the EPS calculations. At inception, the agreements do not have an effect on the computation of basic EPS as no shares are delivered until settlement. The common shares issued upon the settlement of the forward equity sales agreements, weighted for the period these common shares were outstanding, are included in the denominator of basic EPS. To determine the dilution resulting from the forward equity sales agreements during the period of time prior to settlement, we calculate the number of weighted-average shares outstanding – diluted using the treasury stock method.

We account for unvested restricted stock awards that contain nonforfeitable rights to dividends as participating securities and include these securities in the computation of EPS using the two-class method. Our forward equity sales agreements are not participating securities and are therefore not included in the computation of EPS using the two-class method. Under the two-class method, we allocate net income (after amounts attributable to noncontrolling interests) to common stockholders and unvested restricted stock awards by using the weighted-average shares of each class outstanding for quarter-to-date and year-to-date periods independently, based on their respective participation rights to dividends declared (or accumulated) and undistributed earnings.

The table below reconciles the numerators and denominators of the basic and diluted EPS computations for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 219,176	\$ 121,693
Net income attributable to noncontrolling interests	(48,631)	(43,831)
Net income attributable to unvested restricted stock awards	(3,659)	(2,606)
Numerator for basic and diluted EPS – net income attributable to Alexandria Real Estate Equities, Inc.’s common stockholders	<u>\$ 166,886</u>	<u>\$ 75,256</u>
Denominator for basic EPS – weighted-average shares of common stock outstanding	171,949	170,784
Dilutive effect of forward equity sales agreements	—	—
Denominator for diluted EPS – weighted-average shares of common stock outstanding	<u>171,949</u>	<u>170,784</u>
Net income per share attributable to Alexandria Real Estate Equities, Inc.’s common stockholders:		
Basic	\$ 0.97	\$ 0.44
Diluted	\$ 0.97	\$ 0.44



13. STOCKHOLDERS' EQUITY

Common equity transactions

In February 2024, we entered into a new ATM common stock offering program, which allows us to sell up to an aggregate of \$1.5 billion of our common stock. As of March 31, 2024, the full amount remained available for future sales of our common stock.

Dividends

During the three months ended March 31, 2024, we declared cash dividends on our common stock aggregating \$222.1 million, or \$1.27 per share. In April 2024, we paid the cash dividends on our common stock declared for the three months ended March 31, 2024.

Accumulated other comprehensive loss

The change in accumulated other comprehensive loss attributable to Alexandria Real Estate Equities, Inc.'s stockholders during the three months ended March 31, 2024 was entirely due to net unrealized losses of \$7.9 million on foreign currency translation related to our operations primarily in Canada.

Common stock, preferred stock, and excess stock authorizations

Our charter authorizes the issuance of 400.0 million shares of common stock, of which 172.0 million shares were issued and outstanding as of March 31, 2024. Our charter also authorizes the issuance of up to 100.0 million shares of preferred stock, none of which were issued and outstanding as of March 31, 2024. In addition, 200.0 million shares of "excess stock" (as defined in our charter) are authorized, none of which were issued and outstanding as of March 31, 2024.

14. NONCONTROLLING INTERESTS

Noncontrolling interests represent the third-party interests in certain entities in which we have a controlling interest. As of March 31, 2024, these entities owned 68 properties, which are included in our consolidated financial statements. Noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. Distributions, profits, and losses related to these entities are allocated in accordance with the respective operating agreements. During the three months ended March 31, 2024 and 2023, we distributed \$59.8 million and \$63.2 million, respectively, to our consolidated real estate joint venture partners.

Certain of our noncontrolling interests have the right to require us to redeem their ownership interests in the respective entities. We classify these ownership interests in the entities as redeemable noncontrolling interests outside of total equity in our consolidated balance sheets. Redeemable noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. If the amount of a redeemable noncontrolling interest is less than the maximum

redemption value at the balance sheet date, such amount is adjusted to the maximum redemption value. Subsequent declines in the redemption value are recognized only to the extent that previous increases have been recognized.

Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements for additional information.

15. ASSETS CLASSIFIED AS HELD FOR SALE

As of March 31, 2024, we had seven properties aggregating 1.0 million RSF that were classified as held for sale in our consolidated financial statements. For additional information on the sales of real estate assets that were previously classified as held for sale, refer to “Sales of real estate assets” in Note 3 – “Investments in real estate” to our unaudited consolidated financial statements.

The disposal of properties classified as held for sale does not represent a strategic shift that has (or will have) a major effect on our operations or financial results and therefore does not meet the criteria for classification as a discontinued operation. We cease depreciation of our properties upon their classification as held for sale. Refer to “Real estate sales” in Note 2 – “Summary of significant accounting policies” for additional information.

The following is a summary of net assets as of March 31, 2024 and December 31, 2023 for our real estate investments that were classified as held for sale as of each respective date (in thousands):

	March 31, 2024	December 31, 2023
Total assets	\$ 200,291	\$ 194,223
Total liabilities	(23,207)	(4,750)
Total accumulated other comprehensive income	2,222	1,960
Net assets classified as held for sale	<u>\$ 179,306</u>	<u>\$ 191,433</u>

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements

Certain information and statements included in this quarterly report on Form 10-Q, including, without limitation, statements containing the words “forecast,” “guidance,” “goals,” “projects,” “estimates,” “anticipates,” “believes,” “expects,” “intends,” “may,” “plans,” “seeks,” “should,” “targets,” or “will,” or the negative of those 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 operations, 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, the following:

- Operating factors, such as a failure to operate our business successfully in comparison to market expectations or in comparison to our competitors, our inability to obtain capital when desired or refinance debt maturities when desired, and/or a failure to maintain our status as a REIT for federal tax purposes;
- Market and industry factors, such as adverse developments concerning the life science industry and/or our tenants;
- Government factors, such as any unfavorable effects resulting from federal, state, local, and/or foreign government policies, laws, and/or funding levels;
- Global factors, such as negative economic, social, political, financial, credit market, banking conditions, and/or regional armed hostilities; and
- Other factors, such as climate change, cyber intrusions, and/or changes in laws, regulations, and financial accounting standards.

This list of risks and uncertainties is not exhaustive. Additional information regarding risk factors that may affect us is included under Part I; “Item 1A. Risk factors”; and “Item 7. 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, 2023 and under respective sections in this quarterly report on Form 10-Q. Readers of this quarterly report on Form 10-Q should also read our other documents filed publicly with the SEC for further discussion regarding such factors.

Overview

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for federal income tax purposes. Alexandria Real Estate Equities, Inc. (NYSE: ARE), an S&P 500[®] company, is a best-in-class, mission-driven life science REIT making a positive and lasting impact on the world. As the pioneer of the life science real estate niche since our founding in 1994, Alexandria is the preeminent and longest-tenured owner, operator, and developer of collaborative life science mega campuses in AAA innovation cluster locations, including Greater Boston, the San Francisco Bay Area, San Diego, Seattle, Maryland, Research Triangle, and New York City. Alexandria has a total market capitalization of \$34.4 billion and an asset base in North America of 74.1 million SF as of March 31, 2024, which includes 42.2 million RSF of operating properties, 5.3 million RSF of Class A/A+ properties undergoing construction and one committed near-term project expected to commence construction in the next two years, 2.5 million RSF of priority anticipated development and redevelopment projects, and 24.1 million SF of future development projects. Alexandria has a longstanding and proven track record of developing Class A/A+ properties clustered in life science mega campuses that provide our innovative tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. Alexandria also provides strategic capital to transformative life science companies through our venture capital platform. We believe our unique business model and diligent underwriting ensure a high-quality and diverse tenant base that results in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value.

As of March 31, 2024:

- Investment-grade or publicly traded large cap tenants represented 52% of our total annual rental revenue;
- Approximately 96% of our leases (on an annual rental revenue basis) contained effective annual rent escalations approximating 3.0% that were either fixed or indexed based on a consumer price index or other index;
- Approximately 94% of our leases (on an annual rental revenue basis) were triple net leases, which require tenants to pay substantially all real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses (including increases thereto) in addition to base rent; and
- Approximately 93% of our leases (on an annual rental revenue basis) provided for the recapture of capital expenditures (such as HVAC maintenance and/or replacement, roof replacement, and parking lot resurfacing) that we believe would typically be borne by the landlord in traditional office leases.

Our primary business objective is to maximize long-term asset value and stockholder returns based on a multifaceted platform of internal and external growth. A key element of our strategy is our unique focus on Class A/A+ properties located in collaborative life science mega campuses in AAA innovation clusters. These key campus locations are generally characterized by high barriers to entry for new landlords, high barriers to exit for tenants, and a limited supply of available space. They generally represent highly desirable locations for tenancy by life science entities because of their close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Our strategy also includes drawing upon our deep and broad real estate and life science relationships in

order to identify and attract new and leading tenants and to source additional value-creation real estate.

Executive summary

Operating results

	Three Months Ended March 31,	
	2024	2023
Net income attributable to Alexandria's common stockholders – diluted:		
In millions	\$ 166.9	\$ 75.3
Per share	\$ 0.97	\$ 0.44
Funds from operations attributable to Alexandria's common stockholders – diluted, as adjusted:		
In millions	\$ 403.9	\$ 373.7
Per share	\$ 2.35	\$ 2.19

For additional information, refer to “Funds from operations and funds from operations, as adjusted, attributable to Alexandria Real Estate Equities, Inc.’s common stockholders” under “Definitions and reconciliations” and to the tabular presentation of these items in “Results of operations” in Item 2.

An operationally excellent, industry-leading REIT with a high-quality, diverse client base to support growing revenues, stable cash flows, and strong margins

Percentage of annual rental revenue in effect from mega campuses as of March 31, 2024	74 %
Percentage of annual rental revenue in effect from investment-grade or publicly traded large cap tenants as of March 31, 2024	52 %
Sustained strength in tenant collections:	
Tenant receivables as of March 31, 2024 represent 1.0% of rental revenues	\$ 7.5 million
April 2024 tenant rents and receivables collected as of the date of this report	99.7 %
Tenant rents and receivables for the three months ended March 31, 2024 collected as of the date of this report	99.9 %
Occupancy of operating properties in North America as of March 31, 2024	94.6 %
Adjusted EBITDA margin for the three months ended March 31, 2024	72 %
Weighted-average remaining lease term as of March 31, 2024:	
Top 20 tenants	9.7 years
All tenants	7.5 years

Strong leasing volume and rental rate increases

- Strong rental rate increases of 33.0% and 19.0% (cash basis).
- Strong leasing volume aggregating 1.1 million RSF for the three months ended March 31, 2024.
- 77% of our leasing activity during the last twelve months was generated from our existing tenant base.

	Three Months Ended March 31, 2024
Total leasing activity – RSF	1,142,857
Leasing of development and redevelopment space – RSF	100,232
Lease renewals and re-leasing of space:	
RSF (included in total leasing activity above)	994,770
Rental rate increase	33.0%
Rental rate increase (cash basis)	19.0%

Continued solid net operating income and internal growth

- Total revenues of \$769.1 million, up 9.7%, for the three months ended March 31, 2024, compared to \$700.8 million for the three months ended March 31, 2023.
- Net operating income (cash basis) of \$1.9 billion for the three months ended March 31, 2024 annualized, increased by \$132.7 million, or 7.6%, compared to the three months ended March 31, 2023 annualized. Refer to “Net operating income, net operating income (cash basis), and operating margin” under “Definitions and reconciliations” in Item 2 for a reconciliation of our net income to net operating income (cash basis).
- Same property net operating income growth 1.0% and 4.2% (cash basis) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023.
- 96% of our leases contain contractual annual rent escalations approximating 3%.

Strong and flexible balance sheet with significant liquidity; top 10% credit rating ranking among all publicly traded U.S. REITs

- As of March 31, 2024, our credit ratings from S&P Global Ratings and Moody’s Investors Service were BBB+ and Baa1, respectively, which rank in the top 10% among all publicly traded U.S. REITs.
- Net debt and preferred stock to Adjusted EBITDA of 5.2x and fixed-charge coverage ratio of 4.7x for the three months ended March 31, 2024 annualized.
- Significant liquidity of \$6.0 billion.
- 32% of our total debt matures in 2049 and beyond.
- 13.4 years weighted-average remaining term of debt.
- 98.9% of our debt has a fixed rate.
- Total debt and preferred stock to gross assets of 28%.
- \$1.3 billion of expected capital contribution commitments from existing consolidated real estate joint venture partners to fund construction from April 1, 2024 through 2027.

Consistent dividend strategy with a focus on retaining significant net cash flows from operating activities after dividends for reinvestment

- Common stock dividend declared for the three months ended March 31, 2024 of \$1.27 per common share, aggregating \$5.02 per common share for the twelve months ended March 31, 2024, up 24 cents, or 5%, over the twelve months ended March 31, 2023.
- Dividend yield of 3.9% as of March 31, 2024.
- Dividend payout ratio of 54% for the three months ended March 31, 2024.
- Average annual dividend per-share growth of 5% from 2020 through the three months ended March 31, 2024 annualized.
- Significant net cash flows from operating activities after dividends retained for reinvestment aggregating \$2.1 billion for the years ended December 31, 2020 through 2023 and for the midpoint of our 2024 guidance range for net cash provided by operating activities after dividends.

Strong balance sheet management

Key capital metrics as of or for the three months ended March 31, 2024

	March 31, 2024		Target for Fourth Quarter of 2024 Annualized
	Quarter Annualized	Trailing 12 Months	
Net debt and preferred stock to Adjusted EBITDA	5.2x	5.6x	Less than or equal to 5.1x
Fixed-charge coverage ratio	4.7x	4.7x	Greater than or equal to 4.5x

- \$34.4 billion in total market capitalization.
- \$22.2 billion in total equity capitalization, which ranks in the top 10% among all publicly traded U.S. REITs.
- As of March 31, 2024, our non-real estate investments aggregated \$1.5 billion:
 - Unrealized gains presented in our consolidated balance sheet were \$220.2 million, comprising gross unrealized gains and losses aggregating \$320.4 million and \$100.2 million, respectively.
- Investment income of \$43.3 million for the three months ended March 31, 2024 presented in our consolidated statement of operations consisted of \$28.8 million of realized gains, partially offset by impairment charges of \$14.7 million, and \$29.2 million of unrealized gains.

Key capital events

- In February 2024, we issued \$1.0 billion of unsecured senior notes payable with a weighted-average interest rate of 5.48% and a weighted-average maturity of 23.1 years. The unsecured senior notes include:
 - \$400.0 million of 5.25% unsecured senior notes due 2036; and
 - \$600.0 million of 5.625% unsecured senior notes due 2054.
- In January 2024, our ATM program became inactive upon expiration of the associated shelf registration. In February 2024, we entered into a new ATM common stock offering program, which allows us to sell up to an aggregate of \$1.5 billion of our common stock. As of the date of this report, the full amount remained available for future sales of our common stock.

External growth and investments in real estate

Alexandria's highly leased value-creation pipeline delivered incremental annual net operating income of \$26 million, commencing during the three months ended March 31, 2024, and will drive future incremental annual net operating income aggregating \$480 million

- During the three months ended March 31, 2024, we placed into service development and redevelopment projects aggregating 343,445 RSF that are 100% leased across multiple submarkets and delivered incremental annual net operating income of \$26 million. Deliveries during the three months ended March 31, 2024 include:

- 100,624 RSF at 500 North Beacon Street located on The Arsenal on the Charles mega campus in our Cambridge/Inner Suburbs submarket;
- 115,598 RSF at the Alexandria Center® for Advanced Technologies – Monte Villa Parkway in our Bothell submarket; and
- 72,846 RSF at 99 Coolidge Avenue in our Cambridge/Inner Suburbs submarket.
- Annual net operating income (cash basis) is expected to increase by \$101 million upon the burn-off of initial free rent from recently delivered projects. Initial free rent has a weighted-average burn-off period of approximately seven months.
- 69% of the RSF in our total value-creation pipeline is within our mega campuses.

Development and Redevelopment Projects	Incremental Annual Net Operating Income	RSF	Leased/ Negotiating Percentage
(dollars in millions)			
Placed into service during three months ended March 31, 2024	\$ 26	343,445	100 %
Expected to be placed into service ⁽¹⁾ :			
Second quarter of 2024 through fourth quarter of 2024	\$ 120 ⁽²⁾	5,541,380	63 % ⁽⁴⁾
Fiscal year 2025	109 ⁽³⁾		
First quarter of 2026 through fourth quarter of 2027	251		
	<u>\$ 480</u>		

- (1) Represents expected incremental annual net operating income to be placed into service from deliveries of projects undergoing construction and one committed near-term project expected to commence construction in the next two years, including partial deliveries of projects that stabilize in future years.
- (2) Includes 1.2 million RSF that is expected to stabilize in 2024 and is 98% leased/negotiating. Refer to the initial and stabilized occupancy years under “New Class A/A+ development and redevelopment properties: current projects” in Item 2 for additional details.
- (3) In addition to the projects represented, we are evaluating one priority anticipated development project that could commence active construction in 2024 and may have initial delivery in 2025.
- (4) 72% of the leased RSF of our value-creation projects was generated from our existing tenant base.

Industry and corporate responsibility leadership: catalyzing and leading the way for positive change to benefit human health and society

- In March 2024, Alexandria was named one of Newsweek's Most Trustworthy Companies in America for the second consecutive year based on three touchpoints of trust: customer trust, investor trust, and employee trust. On the 2024 list, Alexandria holds the top rank among the three S&P 500 REITs recognized in the real estate and housing category.
- In March 2024, Alexandria's executive chairman and founder, Joel S. Marcus, was selected to receive the inaugural Bisnow Life Sciences Icon & Influencer Award. This prestigious award highlights Mr. Marcus and the company's significant contributions to and lasting impact on the life science real estate sector and broader life science industry. Mr. Marcus will accept the award on behalf of Alexandria at Bisnow's International Life Sciences & Biotech Conference in September 2024.
- During three months ended March 31, 2024, Alexandria earned several awards in recognition of operational excellence in asset management, leasing, real estate transactions, and sustainability across our regions:
 - In our Greater Boston market, Alexandria won two 2023 Commercial Broker Association Achievement Awards: Life Science Deal of the Year for our lease with Novo Nordisk at 60 Sylvan Road on the Alexandria Center® for Life Science – Waltham mega campus and Investment Sale of the Year – Urban for our strategic sale of partial interest in 15 Necco Street.
 - In our San Francisco Bay Area market, the Alexandria Center® for Life Science – San Carlos mega campus won a TOBY (The Outstanding Building of the Year) Award from BOMA (Building Owners and Managers Association) in the region's new Life Science category. Alexandria also received a San Francisco Business Times' 2024 Real Estate Deal of the Year Award for our lease with CARGO Therapeutics, a clinical-stage biotechnology company, at 835 Industrial Road on this mega campus.
 - In our Seattle market, Alexandria was an honoree in the Water Stewardship category of the Puget Sound Business Journal's 2024 Environmental and Sustainability Awards in recognition of our implementation of an innovative energy district at the Alexandria Center® for Life Science – South Lake Union mega campus featuring one of the largest wastewater heat recovery systems in North America. This wastewater heat recovery system, which will provide an alternative energy source to heat our buildings and enhance building resilience and operating performance, demonstrates our continued focus on reducing greenhouse gas emissions in our laboratory facilities.
 - In our Research Triangle market, we earned the Top Life Sciences/Laboratory Lease in the Triangle Business Journal's 2024 SPACE Awards for our lease with Pairwise, a health-focused food and agriculture company, at 110 and 112 TW Alexander Drive on the Alexandria Center® for Sustainable Technologies mega campus. The annual SPACE Awards recognize the Research Triangle's top commercial real estate developments and transactions.
- In February 2024, Alexandria, in partnership with former congressman Patrick J. Kennedy and The Kennedy Forum, held its second Alexandria Summit® on Mental Health in Washington, DC. Alexandria convened a diverse set of key decision makers, influential life science industry thought leaders, members of Congress, regulatory agency executives, and other key policymakers to advance the development of novel, effective psychiatric therapies to address vast unmet need.
- During the three months ended December 31, 2023, we retired our 2025 environmental goals, which had previously been set to decrease carbon emissions, energy use, and potable water

consumption and to improve waste diversion by 2025 compared to 2015 baselines. We are currently considering establishing new targets for reducing greenhouse gas emissions.

socialresponsibilityv3.jpg

notablerecognitionsv3.jpg

notableawardsv2.jpg

Operating summary

Historical Same Property Net Operating Income Growth		Historical Rental Rate Growth: Renewed/Re-Leased Space	
q124samepropav2.jpg		q124rentalrateav2.jpg	
q124samepropbv2.jpg		q124rentalratebv2.jpg	

Margins ⁽¹⁾		Favorable Lease Structure ⁽²⁾	
Operating	Adjusted EBITDA	Strategic Lease Structure by Owner and Operator of Collaborative Life Science Mega Campuses	
72%	72%	Increasing cash flows	
		Percentage of leases containing annual rent escalations	96%
Weighted-Average Lease Term of Executed Leases ⁽³⁾		Stable cash flows	
		Percentage of triple net leases	94%
8.8 years		Lower capex burden	
Net Debt and Preferred Stock to Adjusted EBITDA ⁽⁴⁾		Percentage of leases providing for the recapture of capital expenditures	93%
		Fixed-Charge Coverage Ratio ⁽⁴⁾	
q124netdebtv2.jpg		q124fixedchargev2.jpg	

Refer to “Same properties” and “Definitions and reconciliations” in Item 2 for additional details. “Definitions and reconciliations” contains the definitions of “Fixed-charge coverage ratio,” “Net debt and preferred stock to Adjusted EBITBA,” and “Net operating

income” and their respective reconciliations from the most directly comparable financial measures presented in accordance with GAAP.

- (1) For the three months ended March 31, 2024.
- (2) Percentages calculated based on our annual rental revenue in effect as of March 31, 2024.
- (3) Represents the weighted-average lease term of executed leases for the 10-year period from December 31, 2015 through March 31, 2024.
- (4) Quarter annualized.

**Stable Cash Flows From Our High-Quality and Diverse Mix
of
Approximately 800 Tenants**

**Investment-Grade or
Publicly Traded
Large Cap Tenants**

q124clienttenantmixv3.jpg

92%

of ARE's Top 20 Tenant
Annual Rental Revenue

Percentage of ARE's
Annual Rental Revenue

52%

of ARE's Annual
Rental Revenue

**Solid Historical Occupancy of 96% Over Past 10 Years⁽³⁾
From
Historically Strong Demand for Our Class A/A+ Properties
in AAA Locations**

Mega Campuses

Occupancy Across Key Locations

megacampusv2.jpg

q124occupancyQv4.jpg

Percentage of ARE's
Annual Rental Revenue

As of March 31, 2024. Annual rental revenue represents amounts in effect as of March 31, 2024. Refer to “Definitions and reconciliations” in Item 2 for additional information.

- (1) Represents annual rental revenue currently generated from space that is targeted for a future change in use to laboratory space, including 1.0% of annual rental revenue that is generated from covered land play projects for future development opportunities. The weighted-average remaining term of these leases is 3.6 years.
- (2) Represents the percentage of our annual rental revenue generated by “Other” tenants, which comprise technology, professional services, finance, telecommunications, and construction/real estate companies, and (by less than 1.0% of our annual rental revenue) retail-related tenants.
- (3) Represents average occupancy of operating properties as of each December 31 from 2015 through 2023 and as of March 31, 2024.
- (4) Refer to footnote 1 under “Summary of occupancy percentages in North America” in Item 2 for additional details.

**Long-Duration and Stable Cash Flows From
High-Quality and Diverse Tenants**

Long-Duration Lease Terms

9.7 Years

Top 20 Tenants

7.5 Years

All Tenants

Weighted-Average Remaining Term⁽¹⁾

Sustained Strength in Tenant Collections⁽²⁾

99.9%

For the Three Months Ended
March 31, 2024

99.7%

April 2024

(1) Based on annual rental revenue in effect as of March 31, 2024.

(2) Represents the portion of total receivables billed for each period collected through the date of this report.

Leasing

The following table summarizes our leasing activity at our properties:

	Three Months Ended		Year Ended	
	March 31, 2024		December 31, 2023	
	Including Straight-Line Rent	Cash Basis	Including Straight-Line Rent	Cash Basis
(Dollars per RSF)				
Leasing activity:				
Renewed/re-leased space ⁽¹⁾				
Rental rate changes	33.0% ⁽²⁾	19.0% ⁽²⁾	29.4%	15.8%
New rates	\$81.17	\$78.61	\$52.35	\$50.82
Expiring rates	\$61.01	\$66.04	\$40.46	\$43.87
RSF	994,770		3,046,386	
Tenant improvements/leasing commissions	\$21.97		\$26.09	
Weighted-average lease term	8.5 years		8.7 years	
Developed/redeveloped/ previously vacant space leased ⁽³⁾				
New rates	\$76.63	\$76.79	\$65.66	\$59.74
RSF	148,087		1,259,686	
Weighted-average lease term	5.6 years		13.8 years	
Leasing activity summary (totals):				
New rates	\$80.90	\$78.50	\$56.09	\$53.33
RSF	1,142,857		4,306,072	
Weighted-average lease term	8.4 years		11.3 years	
Lease expirations ⁽¹⁾				
Expiring rates	\$55.76	\$59.39	\$43.84	\$45.20
RSF	1,412,931 ⁽⁴⁾		5,027,773	

Leasing activity includes 100% of results for properties in North America in which we have an investment.

- (1) Excludes month-to-month leases aggregating 142,020 RSF and 86,092 RSF as of March 31, 2024 and December 31, 2023, respectively. During the trailing twelve months ended March 31, 2024, we granted free rent concessions averaging 0.8 months per annum.
- (2) Rental rate changes can experience volatility from quarter to quarter based on the mix of leases executed. Refer to "Projected results" in Item 2 for rental rate changes expected from leases executed during the year ending December 31, 2024.
- (3) Refer to "New Class A/A+ development and redevelopment properties: summary of pipeline" in Item 2 for additional information, including total project costs.

- (4) Includes 160,053 RSF, which was an acquired in-place lease, at 311 Arsenal Street in our Cambridge/Inner Suburbs submarket that commenced redevelopment during the three months ended March 31, 2024 with initial occupancy expected in 2027.

Summary of contractual lease expirations

The following table summarizes information with respect to the contractual lease expirations at our properties as of March 31, 2024:

Year	RSF	Percentage of Occupied RSF	Annual Rental Revenue (per RSF) ⁽¹⁾	Percentage of Annual Rental Revenue
2024 ⁽²⁾	2,454,461	6.2 %	\$ 48.04	5.4 %
2025	4,204,286	10.6 %	\$ 53.73	10.3 %
2026	2,308,196	5.8 %	\$ 52.11	5.5 %
2027	3,106,423	7.8 %	\$ 52.39	7.4 %
2028	4,657,935	11.8 %	\$ 51.60	10.9 %
2029	2,649,318	6.7 %	\$ 50.78	6.1 %
2030	2,447,767	6.2 %	\$ 48.68	5.4 %
2031	3,670,568	9.3 %	\$ 55.33	9.2 %
2032	1,157,219	2.9 %	\$ 59.50	3.1 %
2033	2,803,731	7.1 %	\$ 51.78	6.6 %
Thereafter	10,114,906	25.6 %	\$ 65.43	30.1 %

(1) Represents amounts in effect as of March 31, 2024.

(2) Excludes month-to-month leases aggregating 142,020 RSF as of March 31, 2024.

The following tables present information by market with respect to our lease expirations for the remainder of 2024 and for all of 2025 in North America as of March 31, 2024:

2024 Contractual Lease Expirations (in RSF)

Market	Leased	Negotiating/ Anticipating	Targeted for Future Development/ Redevelopment ⁽¹⁾		Remaining Expiring Leases ⁽²⁾	Total ⁽³⁾	Annual Rental Revenue (per RSF) ⁽⁴⁾
			Committed Near-Term/ Priority Anticipated	Future			
Greater Boston	14,075	32,574	148,393	104,500	308,244	607,786	\$ 64.26
San Francisco							
Bay Area	5,998	—	107,250	84,083	367,499	564,830	61.43
San Diego	20,626	—	159,884 ⁽⁵⁾	420,137	60,977	661,624	24.17
Seattle	—	2,147	—	—	152,552	154,699	22.01
Maryland	—	—	—	—	15,819	15,819	25.27
Research							
Triangle	—	—	—	—	68,960	68,960	55.16
New York City	—	—	—	—	360,636 ⁽⁶⁾	360,636	55.50
Texas	—	—	—	—	—	—	—
Canada	20,107	—	—	—	—	20,107	26.26
Non-cluster/ other markets	—	—	—	—	—	—	—
Total	60,806	34,721	415,527	608,720	1,334,687	2,454,461	\$ 48.04
Percentage of expiring leases	2%	1%	17%	25%	55%	100%	

2025 Contractual Lease Expirations (in RSF)

Market	Leased	Negotiating/ Anticipating	Targeted for Future Development/ Redevelopment ⁽¹⁾	Remaining Expiring Leases ⁽²⁾	Total	Annual Rental Revenue (per RSF) ⁽⁴⁾
Greater Boston	44,332	140,684	25,312	1,076,112 ⁽⁷⁾	1,286,440	\$ 71.80
San Francisco						
Bay Area	35,797	118,591	—	488,205	642,593	72.20
San Diego	16,891	—	—	329,258	346,149	42.89
Seattle	—	—	50,552	350,071	400,623	28.00
Maryland	35,055	—	—	200,156	235,211	28.09
Research						
Triangle	—	—	—	327,850	327,850	48.77
New York City	—	—	—	62,224	62,224	105.76
Texas	—	—	198,972	604,382	803,354	36.27
Canada	—	—	—	88,412	88,412	20.46
Non-cluster/ other markets	—	—	—	11,430	11,430	80.31
Total	132,075	259,275	274,836	3,538,100	4,204,286	\$ 53.73
Percentage of expiring leases	3%	6%	7%	84%	100%	

- (1) Primarily represents assets that were recently acquired for future value-creation opportunities, for which we expect, subject to market conditions and leasing, to commence first-time conversion from non-laboratory space to laboratory space, or to commence future ground-up development. As of March 31, 2024, annual rental revenue from these leases expiring in 2024 and 2025 is \$39.13 per RSF and \$49.71 per RSF, respectively. The weighted-average expiration date of these leases expiring in 2024 and 2025 is July 25, 2024 and January 14, 2025, respectively. Refer to “Investments in real estate” under “Definitions and reconciliations” in Item 2 for additional details, including value-creation square feet currently included in rental properties.
- (2) Excluding the expiration described in footnote 6, the largest remaining contractual lease expiration in 2024 is 97,702 RSF in our Mission Bay submarket, where we are working to retain the current tenant, and in 2025 is 357,136 RSF in our Austin submarket, where we are in early negotiations to renew with the existing tenant.
- (3) Excludes month-to-month leases aggregating 142,020 RSF as of March 31, 2024.
- (4) Represents amounts in effect as of March 31, 2024.
- (5) Represents 159,884 RSF at 4161 Campus Point Court in our University Town Center submarket that is targeted for future development into a 492,570 RSF building at 4165 Campus Point Court, which is 51% leased/negotiating and expected to commence construction in the next two years subject to leasing the project and overall market conditions.
- (6) Includes 349,947 RSF at 219 East 42nd Street that is classified as held for sale as of March 31, 2024 and expected to be sold in 2024.
- (7) Includes 966,964 RSF in our Cambridge/Inner Suburbs submarket, with the largest remaining contractual lease expiration aggregating 171,945 RSF at the Alexandria Technology Square® mega campus.

Top 20 tenants

92% of Top 20 Tenant Annual Rental Revenue Is From Investment-Grade or Publicly Traded Large Cap Tenants⁽¹⁾

Our properties are leased to a high-quality and diverse group of tenants, with no individual tenant accounting for more than 5.6% of our annual rental revenue in effect as of March 31, 2024. The following table sets forth information regarding leases with our 20 largest tenants in North America based upon annual rental revenue in effect as of March 31, 2024 (dollars in thousands, except average market cap amounts):

	Tenant	Remaining Lease Term ⁽¹⁾ (in Years)	Aggregate RSF	Annual Rental Revenue ⁽¹⁾	Percentage of Annual Rental Revenue ⁽¹⁾	Investment- Grade Credit Ratings		Average Market Cap ⁽¹⁾ (in billions)
						Moody's	S&P	
1	Moderna, Inc.	13.0	1,370,536	\$ 124,504	5.6 %	—	—	\$ 41.1
2	Eli Lilly and Company	8.9	1,134,349	92,595	4.2	A2	A+	\$ 529.0
3	Bristol-Myers Squibb Company	6.9	999,379	75,757	3.4	A2	A+	\$ 120.0
4	Takeda Pharmaceutical Company Limited	11.6	549,759	47,899	2.2	Baa2	BBB+	\$ 47.9
5	Roche	6.1	770,279	45,933	2.1	Aa2	AA	\$ 235.7
6	Illumina, Inc.	6.8	955,669	41,588	1.9	Baa3	BBB	\$ 25.1
7	Alphabet Inc.	3.2	724,223	39,155	1.8	Aa2	AA+	\$1,648.5
8	2seventy bio, Inc. ⁽²⁾	9.4	312,805	33,543	1.5	—	—	\$ 0.3
9	Novartis AG	4.3	450,563	31,196	1.4	A1	AA-	\$ 228.0
10	Harvard University	6.4	343,858	29,280	1.3	Aaa	AAA	\$ —
11	Cloud Software Group, Inc.	2.9 ⁽³⁾	292,013	28,537	1.3	—	—	\$ —
12	United States Government	6.3	425,166	27,965	1.3	Aaa	AA+	\$ —
13	Uber Technologies, Inc.	58.5 ⁽⁴⁾	1,009,188	27,754	1.3	—	—	\$ 106.1
14	AstraZeneca PLC	5.6	450,848	27,156	1.2	A3	A	\$ 211.6
15	Pfizer Inc.	0.9 ⁽⁵⁾	524,159	25,249	1.1	A1	A+	\$ 186.8
16	Sanofi	6.8	267,278	21,444	1.0	A1	AA	\$ 129.4
17	Merck & Co., Inc.	9.3	337,703	21,401	1.0	A1	A+	\$ 284.2
18	New York University	7.9	218,983	21,056	1.0	Aa2	AA-	\$ —
19	Massachusetts Institute of Technology	5.2	246,725	20,527	0.9	Aaa	AAA	\$ —
20	Boston Children's Hospital	12.6	266,857	20,066	0.9	Aa2	AA	\$ —
	Total/weighted- average	9.7 ⁽⁴⁾	11,650,340	\$ 802,605	36.4 %			

Annual rental revenue and RSF include 100% of each property managed by us in North America. Refer to “Annual rental revenue” and “Investment-grade or publicly traded large cap tenants” under “Definitions and reconciliations” in Item 2 for additional details, including our methodologies of calculating annual rental revenue from unconsolidated real estate joint ventures and average market capitalization, respectively.

- (1) Based on annual rental revenue in effect as of March 31, 2024.
- (2) As of December 31, 2023, 2seventy bio, Inc. ("2seventy bio") held \$217.0 million of cash, cash equivalents, and marketable securities. In March 2024, Regeneron Pharmaceuticals, Inc., a publicly traded biotechnology company with investment-grade credit ratings of Baa1 and BBB+ assigned by Moody's and S&P, respectively, entered into a sublease for approximately 195,000 RSF, or 62.7% of our annual rental revenue generated from 2seventy bio as of March 31, 2024. Additionally, 90.0% of the annual rental revenue generated by 2seventy bio is guaranteed by another related public biotechnology company.
- (3) Includes one lease at a recently acquired property with future development and redevelopment opportunities. This lease with Cloud Software Group, Inc. (formerly known as TIBCO Software, Inc.) was in place when we acquired the property.
- (4) Includes (i) ground leases for land at 1455 and 1515 Third Street (two buildings aggregating 422,980 RSF) and (ii) leases at 1655 and 1725 Third Street (two buildings aggregating 586,208 RSF) in our Mission Bay submarket owned by our unconsolidated real estate joint venture in which we have an ownership interest of 10%. Annual rental revenue is presented using 100% of the annual rental revenue from our consolidated properties and our share of annual rental revenue from our unconsolidated real estate joint ventures. Refer to footnote 1 for additional details. Excluding these ground leases, the weighted-average remaining lease term for our top 20 tenants was 7.8 years as of March 31, 2024.
- (5) Primarily relates to one office building in our New York City submarket aggregating 349,947 RSF with a contractual lease expiration in the third quarter of 2024, which was classified as held for sale as of March 31, 2024 and is expected to be sold in 2024.

Locations of properties

The locations of our properties are diversified among a number of Class A/A+ assets strategically clustered in life science mega campuses in AAA innovation cluster markets. The following table sets forth the total RSF, number of properties, and annual rental revenue in effect as of March 31, 2024 in each of our markets in North America (dollars in thousands, except per RSF amounts):

Market	RSF				% of Total	Number of Properties	Annual Rental Revenue		
	Operating	Development	Redevelopment	Total			Total	% of Total	Per RSF
Greater Boston	10,849,509	801,949	1,464,104 ⁽¹⁾	13,115,562	28 %	72	\$ 844,713	38 %	\$ 82.40
San Francisco									
Bay Area	7,947,899	498,142	282,054	8,728,095	18	67	460,530	21	65.99
San Diego	7,841,080	1,187,796	—	9,028,876	19	90	333,605	15	44.67
Seattle	3,032,918	33,349	34,306	3,100,573	7	43	130,945	6	45.48
Maryland	3,582,162	510,601	—	4,092,763	9	51	125,237	6	37.08
Research Triangle	3,843,673	—	—	3,843,673	8	39	120,692	5	32.10
New York City	922,477	—	—	922,477	2	4	72,325	3	92.89
Texas	1,845,159	—	73,298	1,918,457	4	15	57,831	3	32.94
Canada	909,760	—	163,211	1,072,971	2	12	18,895	1	22.63
Non-cluster/ other markets	347,806	—	—	347,806	1	10	15,446	1	58.90
Properties held for sale	1,035,386	—	—	1,035,386	2	7	32,751	1	N/A
North America	42,157,829	3,031,837	2,016,973	47,206,639	100 %	410	\$2,212,970	100 %	\$56.86
		5,048,810							

(1) Primarily includes our active redevelopment projects aggregating 716,604 RSF at 40, 50, and 60 Sylvan Road and 840 Winter Street located on the Alexandria Center® for Life Science – Waltham mega campus, which are 43% leased/negotiating on a combined basis. This mega campus project is expected to capture demand in our Route 128 submarket.

Summary of occupancy percentages in North America

The following table sets forth the occupancy percentages for our operating properties and our operating and redevelopment properties in each of our North America markets, excluding properties held for sale, as of the following dates:

Market	Operating Properties			Operating and Redevelopment Properties		
	3/31/24	12/31/23	3/31/23	3/31/24	12/31/23	3/31/23
Greater Boston	94.5 %	94.9 %	92.8 %	83.3 %	84.7 %	81.8 %
San Francisco Bay Area	94.4	94.8	95.9	91.2	91.4	92.3
San Diego	95.2	94.1	94.2	95.2	94.1	94.2
Seattle	94.9	95.2	96.0	93.9	90.7	90.4
Maryland	95.4	95.6	95.7	95.4	95.6	94.2
Research Triangle	97.8	97.8	92.7	97.8	97.8	92.7
New York City	84.4 ⁽¹⁾	85.3	89.2	84.4	85.3	89.2
Texas	95.1	95.1	89.8	91.5	91.5	83.7
Subtotal	94.9	94.9	93.9	90.6	90.7	89.1
Canada	91.8	87.1	86.8	77.8	73.0	68.8
Non-cluster/other markets	75.4	78.5	79.7	75.4	78.5	79.7
North America	94.6 %	94.6 %	93.6 %	90.2 %	90.2 %	88.5 %

- (1) Alexandria Center® for Life Science – New York City mega campus is 94.7% occupied as of March 31, 2024. Occupancy percentage in our New York City market reflects vacancy at the Alexandria Center® for Life Science – Long Island City property, which was 41.7% occupied as of March 31, 2024.

Investments in real estate

A key component of our business model is our disciplined allocation of capital to the development and redevelopment of new Class A/A+ properties, and property enhancements identified during the underwriting of certain acquired properties, located in collaborative life science mega campuses in AAA innovation clusters. These projects are focused on providing high-quality, generic, and reusable spaces that meet the real estate requirements of a wide range of tenants. Upon completion, each value-creation project is expected to generate increases in rental income, net operating income, and cash flows. Our development and redevelopment projects are generally in locations that are highly desirable to high-quality entities, which we believe results in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value. Our pre-construction activities are undertaken in order to prepare the property for its intended use and include entitlements, permitting, design, site work, and other activities preceding commencement of construction of aboveground building improvements.

Our investments in real estate consisted of the following as of March 31, 2024 (dollars in thousands):

		Development and Redevelopment					
		Active and Near-Term Construction		Future Opportunities Subject to Market Conditions and Leasing			
		Under Construction 64% Leased/ Negotiating	Committed Near Term 51% Leased/ Negotiating ⁽¹⁾	Priority Anticipated	Future	Subtotal	Total
Operating							
Square footage							
Operating	41,122,443	—	—	—	—	—	41,122,443
New Class A/A+ development and redevelopment properties	—	5,048,810	492,570	2,919,315	27,176,766	35,637,461	35,637,461
Value-creation square feet currently included in rental properties ⁽²⁾	—	—	(159,884)	(457,541)	(3,108,544)	(3,725,969)	(3,725,969)
Total square footage, excluding properties held for sale	41,122,443	5,048,810	332,686	2,461,774	24,068,222	31,911,492	73,033,935
Properties held for sale	1,035,386	—	—	—	—	—	1,035,386
Total square footage	42,157,829	5,048,810	332,686	2,461,774	24,068,222	31,911,492	74,069,321
Investments in real estate							
Gross book value as of March 31, 2024 ⁽³⁾	\$28,871,315	\$ 3,713,483	\$ 50,734	\$ 765,486	\$4,138,977	\$8,668,680	\$37,539,995

- (1) Represents one committed near-term project expected to commence construction during the next two years after March 31, 2024.
- (2) Refer to “Investments in real estate” under “Definitions and reconciliations” in Item 2 for additional details, including value-creation square feet currently included in rental properties.
- (3) Balances exclude accumulated depreciation and our share of the cost basis associated with our properties held by our unconsolidated real estate joint ventures, which is classified as investments in unconsolidated real estate joint ventures in our consolidated balance sheets.

Acquisitions

Our real estate asset acquisitions consisted of the following (dollars in thousands):

Property	Submarket/Market	Date of Purchase	Operating Occupancy	Future Development RSF ⁽¹⁾	Purchase Price
Completed during the three months ended March 31, 2024:					
285, 299, 307, and 345 Dorchester Avenue (60% interest in consolidated JV) ⁽²⁾	Seaport Innovation District/Greater Boston	1/30/24	N/A	1,040,000	\$ 155,321
Other ⁽³⁾					39,490
					194,811
Completed in April 2024					7,000
Pending acquisitions subject to signed letters of intent or purchase and sale agreements					75,350
					<u>\$ 277,161</u>
2024 guidance range				\$250,000 – \$750,000	

- (1) We expect to provide total estimated costs and related yields for development and redevelopment projects in the future, subsequent to the commencement of construction.
- (2) Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements in Item 1 for additional details.
- (3) Includes a payment of \$35.3 million to redeem our partner’s partial ownership interest in a consolidated real estate joint venture located in our Greater Boston market, pursuant to our partner’s notification of their intent to exercise the put option received in December 2023 and settled in January 2024.

Dispositions and sales of partial interests

Our completed dispositions of and sales of partial interests in real estate assets during the three months ended March 31, 2024 and pending as of the date of this report consisted of the following (dollars in thousands):

Property	Submarket/Market	Date of Sale	Interest Sold	RSF	Sales Price
Three months ended March 31, 2024:					
Value harvesting dispositions of 100% interests in properties not integral to our mega campus					
99 A Street ⁽¹⁾	Seaport Innovation District/Greater Boston	3/8/24	100 %	235,000	\$ 13,350
Other					3,863
					17,213
Pending transactions subject to letters of intent or purchase and sale agreement negotiations					
					258,095
					<u>\$275,308</u>

(1) We completed the sale during the three months ended March 31, 2024 and recognized no gain or loss.

New Class A/A+ development and redevelopment properties

pipelinev7.jpg

Refer to “Net operating income” under “Definitions and reconciliations” in Item 2 for additional details, including its reconciliation from the most directly comparable financial measures presented in accordance with GAAP.

- (1) Our share of incremental annual net operating income from development and redevelopment projects expected to be placed into service primarily commencing from 2Q24 through 4Q27 is projected to be \$380 million.
- (2) Represents expected incremental annual net operating income to be placed into service from deliveries of projects undergoing construction and one committed near-term project expected to commence construction in the next two years, including partial deliveries of projects that stabilize in future years.
- (3) Includes 1.2 million RSF that is expected to stabilize in 2024 and is 98% leased/negotiating. Refer to the initial and stabilized occupancy years under “New Class A/A+ development and redevelopment properties: current projects” in Item 2 for additional details.
- (4) In addition to the projects represented, we are evaluating one priority anticipated development project that could commence active construction in 2024 and may have initial delivery in 2025.

New Class A/A+ development and redevelopment properties: recent deliveries

The following table presents value-creation development and redevelopment of new Class A/A+ properties placed into service during the three months ended March 31, 2024 (dollars in thousands):

**Incremental Annual Net Operating Income
Generated
From 1Q24 Deliveries Aggregated \$26 Million**

99 Coolidge Avenue	500 North Beacon Street and 4 Kingsbury Avenue⁽¹⁾	651 Gateway Boulevard	Alexandria Center® for Advanced Technologies - Monte Villa Parkway⁽²⁾
Greater Boston/ Cambridge/Inner Suburbs	Greater Boston/ Cambridge/Inner Suburbs	San Francisco Bay Area/ South San Francisco	Seattle/Bothell
116,414 RSF	100,624 RSF	44,652 RSF	180,684 RSF
100% Occupancy	100% Occupancy	100% Occupancy	100% Occupancy

coolidge.jpg arsenalphaseii.jpg gateway651.jpg montevilla3755.jpg

Property/ Market/ Submarket	1Q24 Delivery Date ⁽³⁾	Our Ownership Interest	RSF Placed in Service				Total Project		Unlevered
			Prior to 1/1/24	1Q24	Total	Occupancy Percentage ⁽⁴⁾	RSF	Investment	Initial
			1/1/24	1Q24	Total	Percentage ⁽⁴⁾	RSF	Investment	Stabilized
Development projects									
99 Coolidge Avenue/ Greater Boston/ Cambridge/ Inner Suburbs	1/29/24	75.0%	43,568	72,846	116,414	100%	320,809	\$ 468,000	7.1 %
500 North Beacon Street and 4 Kingsbury Avenue/ Greater Boston/ Cambridge/ Inner Suburbs	1/23/24	100%	—	100,624	100,624	100%	248,018	427,000	6.2
Redevelopment projects									
651 Gateway Boulevard/San Francisco Bay Area/South San Francisco	1/16/24	50.0%	—	44,652	44,652	100%	326,706	487,000	5.0
Alexandria Center® for Advanced Technologies – Monte Villa Parkway/ Seattle/Bothell	1/27/24	100%	65,086	115,598	180,684	100%	460,934	229,000	6.3
Canada	2/28/24	100%	44,862	9,725	54,587	100%	250,790	113,000	6.4
Weighted average/total	1/26/24		153,516	343,445	496,961		1,607,257	\$ 1,724,000	6.1 %

(1) Image represents 500 North Beacon Street on the Arsenal on the Charles mega campus.

(2) Image represents 3755 Monte Villa Parkway.

(3) Represents the average delivery date for deliveries that occurred during the three months ended March 31, 2024, weighted by annual rental revenue.

(4) Occupancy relates to total operating RSF placed in service as of the most recent delivery.

New Class A/A+ development and redevelopment properties: current projects

99 Coolidge Avenue	500 North Beacon Street and 4 Kingsbury Avenue⁽¹⁾	311 Arsenal Street	201 Brookline Avenue	401 Park Drive
Greater Boston/Cambridge/Inner Suburbs	Greater Boston/Cambridge/Inner Suburbs	Greater Boston/Cambridge/Inner Suburbs	Greater Boston/Fenway	Greater Boston/Fenway
204,395 RSF	147,394 RSF	160,053 RSF	58,149 RSF	133,578 RSF
36% Leased	85% Leased	59% Leased	98% Leased	17% Leased

coolidge.jpg arsenalphaseii.jpg arsenal311.jpg 201 Brookline parkdrive401v2.jpg v2.jpg

421 Park Drive	40, 50, and 60 Sylvan Road⁽²⁾	840 Winter Street	1450 Owens Street⁽³⁾	651 Gateway Boulevard
Greater Boston/Fenway	Greater Boston/Route 128	Greater Boston/Route 128	San Francisco Bay Area/Mission Bay	San Francisco Bay Area/South San Francisco
392,011 RSF	576,924 RSF	139,680 RSF	212,796 RSF	282,054 RSF
13% Leased	29% Leased	100% Leased	—% Leased/ Negotiating	21% Leased

parkdrive421.jpg 60 Sylvan.jpg winter840.jpg owens1450.jpg gateway651.jpg

(1) Image represents 500 North Beacon Street on the Arsenal on the Charles mega campus.

(2) Image represents 60 Sylvan Road. The Alexandria Center® for Life Science – Waltham mega campus project is expected to capture demand in our Route 128 submarket.

(3) Image represents a single- or multi-tenant project expanding our existing Alexandria Center® for Science and Technology – Mission Bay mega campus, where our joint venture partner will fund 100% of the construction cost until they attain an ownership interest of 75%, after which they will contribute their respective share of additional capital. We are currently marketing the space for lease and have initial interest from publicly traded biotechnology and institutional tenants.

New Class A/A+ development and redevelopment properties: current projects (continued)

10935, 10945, and 10955			
230 Harriet Tubman Way	Alexandria Way ⁽¹⁾	4135 Campus Point Court	4155 Campus Point Court
San Francisco Bay Area/ South San Francisco	San Diego/Torrey Pines	San Diego/ University Town Center	San Diego/ University Town Center
285,346 RSF	334,996 RSF	426,927 RSF	171,102 RSF
100% Leased	100% Leased	100% Leased	100% Leased

harriettubman.jpg alexandriawayOASv2.jpg Campuspoint4135.jpg campuspoint4155.jpg

1150 Eastlake Avenue East	Alexandria Center® for Advanced Technologies - Monte Villa Parkway ⁽²⁾	9810 and 9820 Darnestown Road ⁽³⁾	9808 Medical Center Drive	8800 Technology Forest Place
Seattle/Lake Union	Seattle/Bothell	Maryland/ Rockville	Maryland/ Rockville	Texas/Greater Houston
33,349 RSF	34,306 RSF	442,000 RSF	68,601 RSF	73,298 RSF
100% Leased	98% Leased/Negotiating	100% Leased	60% Leased	41% Leased

eastlake1150.jpg montevilla3755.jpg 9810 Darnestown Road .jpg 9808 Medical Center Drive - 6 v2.jpg Techforest8800v3.jpg

(1) Image represents 10955 Alexandria Way.

(2) Image represents 3755 Monte Villa Parkway.

(3) Image represents 9810 Darnestown Road.

New Class A/A+ development and redevelopment properties: current projects (continued)

The following tables set forth a summary of our new Class A/A+ development and redevelopment properties under construction and pre-leased/negotiating near-term projects as of March 31, 2024 (dollars in thousands):

Property/ Market/ Submarket	Dev/ Redev	Square Footage			Percentage		Occupancy ⁽¹⁾	
		In Service	CIP	Total	Leased	Leased/ Negotiating	Initial	Stabilized
Under construction								
2024 stabilization								
201 Brookline Avenue/Greater Boston/Fenway	Dev	451,967	58,149	510,116	98 %	98 %	3Q22	4Q24
840 Winter Street/Greater Boston/Route 128	Redev	28,534	139,680	168,214	100	100	4Q24	4Q24
230 Harriet Tubman Way/San Francisco Bay Area/South San Francisco	Dev	—	285,346	285,346	100	100	4Q24	4Q24
4155 Campus Point Court/San Diego/University Town Center	Dev	—	171,102	171,102	100	100	4Q24	4Q24
1150 Eastlake Avenue East/Seattle/Lake Union	Dev	278,282	33,349	311,631	100	100	4Q23	3Q24
Alexandria Center® for Advanced Technologies – Monte Villa Parkway/Seattle/Bothell	Redev	426,628		460,934				
			34,306		90	98	1Q23	4Q24
9820 Darnestown Road/Maryland/Rockville	Dev	—		250,000				
			250,000		100	100	4Q24	4Q24
9810 Darnestown Road/Maryland/Rockville	Dev	—	192,000	192,000	100	100	2Q24	2Q24
9808 Medical Center Drive/Maryland/Rockville	Dev	26,460	68,601	95,061	60	60	3Q23	4Q24
		1,211,871	1,232,533	2,444,404	96	98		
2025 stabilization								
99 Coolidge Avenue/Greater	Dev							

New Class A/A+ development and redevelopment properties: current projects (continued)

		At 100%				Unlevered Yields	
Property/ Market/ Submarket	Our Ownership Interest	In Service	CIP	Cost to Complete	Total at Completion	Initial Stabilized	Initial Stabilized (Cash Basis)
Under construction							
2024 stabilization							
201 Brookline Avenue/Greater Boston/Fenway	99.0 %	\$ 662,979	\$ 86,657	\$ 25,364	\$ 775,000	7.2 %	6.5 %
840 Winter Street/Greater Boston/Route 128	100 %	13,649	170,501	23,850	208,000	7.5 %	6.5 %
230 Harriet Tubman Way/San Francisco Bay Area/South San Francisco	47.4 %	—	273,434	236,566	510,000	7.4 %	6.4 %
4155 Campus Point Court/ San Diego/ University Town Center	55.0 %	—	109,061	63,939	173,000	7.4 %	6.5 %
1150 Eastlake Avenue East/ Seattle/Lake Union	100 %	371,166	40,332	31,502	443,000	6.6 %	6.7 %
Alexandria Center® for Advanced Technologies – Monte Villa Parkway/ Seattle/Bothell	100 %	192,995	10,956	25,049	229,000	6.3 %	6.2 %
9820 Darnestown Road/ Maryland/ Rockville	100 %	—	156,118	20,882	177,000	6.3 %	5.6 %
9810 Darnestown Road/ Maryland/ Rockville	100 %	—	112,603	20,397	133,000	6.9 %	6.2 %
9808 Medical Center Drive/ Maryland/ Rockville	100 %	35,208	68,984	8,808	113,000	5.5 %	5.5 %
		1,275,997	1,028,646				
2025 stabilization							

New Class A/A+ development and redevelopment properties: summary of pipeline

69% of Our Total Value-Creation Pipeline RSF Is Within Our Mega Campuses

The following table summarizes the key information for all our development and redevelopment projects in North America as of March 31, 2024 (dollars in thousands):

Market	Property/ Submarket	Our Ownership Interest	Book Value	Square Footage				Total ⁽¹⁾
				Development and Redevelopment				
				Active and Near-Term Construction		Future Opportunities Subject to Market Conditions and Leasing		
				Under Construction	Committed Near Term	Priority Anticipated	Future	
Greater Boston								
Mega Campus: The Arsenal on the Charles/ Cambridge/ Inner Suburbs								
	100 %	\$	334,152	307,447	—	173,705	34,157	515,309
311 Arsenal Street, 500 North Beacon Street, and 4 Kingsbury Avenue								
99 Coolidge Avenue/ Cambridge/Inner Suburbs								
	75.0 %		173,314	204,395	—	—	—	204,395
Mega Campus: Alexandria Center® for Life Science - Fenway/ Fenway								
	(2)		562,520	583,738	—	—	—	583,738
201 Brookline Avenue and 401 and 421 Park Drive								
Mega Campus: Alexandria Center® for Life Science - Waltham/ Route 128								
	100 %		643,372	716,604	—	—	515,000	1,231,604
40, 50, and 60 Sylvan Road, 35 Gatehouse Drive, and 840 Winter Street								
Mega Campus: Alexandria Center® at Kendall Square/ Cambridge								
	100 %		119,609	—	—	—	216,455	216,455

New Class A/A+ development and redevelopment properties: summary of pipeline (continued)

			Square Footage					
			Development and Redevelopment					
Market	Property/ Submarket	Our Ownership Interest	Book Value	Active and Near-Term Construction		Future Opportunities Subject to Market Conditions and Leasing		Total ⁽¹⁾
				Under Construction	Committed Near Term	Priority Anticipated	Future	
San Francisco Bay Area								
Mega Campus: Alexandria Center® for Science and Technology - Mission Bay/ Mission Bay								
		27.2 %	\$ 220,899	212,796	—	—	—	212,796
1450 Owens Street								
Alexandria Center® for Life Science - Millbrae/South San Francisco								
		47.4 %	427,652	285,346	—	198,188	150,213	633,747
230 Harriet Tubman Way, 201 and 231 Adrian Road, and 6 and 30 Rollins Road								
Mega Campus: Alexandria Technology Center® - Gateway/ South San Francisco								
		50.0 %	292,111	282,054	—	—	291,000	573,054
651 Gateway Boulevard								
Mega Campus: Alexandria Center® for Advanced Technologies - Tanforan/ South San Francisco								
		100 %	383,068	—	—	150,000	1,780,000	1,930,000
1122, 1150, and 1178 El Camino Real								
Mega Campus: Alexandria								

New Class A/A+ development and redevelopment properties: summary of pipeline (continued)

Market	Property/ Submarket	Our Ownership Interest	Book Value	Square Footage				Total ⁽¹⁾
				Development and Redevelopment				
				Active and Near-Term Construction		Future Opportunities Subject to Market Conditions and Leasing		
				Under Construction	Committed Near Term	Priority Anticipated	Future	
San Diego								
Mega Campus: One Alexandria Square/Torrey Pines								
	100 %	\$ 286,291	334,996	—	—	125,280	460,276	
10935, 10945, and 10955 Alexandria Way and 10975 and 10995 Torreyana Road								
Mega Campus: Campus Point by Alexandria/ University Town Center								
	55.0 %	495,923	598,029	492,570	—	650,000	1,740,599	
10010 ⁽²⁾ , 10140 ⁽²⁾ , and 10260 Campus Point Drive and 4135, 4155, 4161, 4165, and 4275 ⁽²⁾ Campus Point Court								
Mega Campus: SD Tech by Alexandria/ Sorrento Mesa								
	50.0 %	264,936	254,771	—	250,000	243,845	748,616	
9805 Scranton Road and 10065 and 10075 Barnes Canyon Road								
11255 and 11355 North Torrey Pines Road/ Torrey Pines								
	100 %	145,328	—	—	153,000	62,000	215,000	
ARE Towne Centre/ University Town Center								
	100 %	27,153	—	—	230,000	—	230,000	
9363, 9373, and 9393 Towne								

New Class A/A+ development and redevelopment properties: summary of pipeline (continued)

Market	Property/ Submarket	Our Ownership Interest	Book Value	Square Footage				Total ⁽¹⁾
				Development and Redevelopment				
				Active and Near-Term Construction		Future Opportunities		
						Subject to Market Conditions and Leasing		
			Under Construction	Committed Near Term	Priority Anticipated	Future		
Seattle								
Mega Campus: Alexandria Center® for Life Science - Eastlake/Lake Union								
		100 %	\$ 40,332	33,349	—	—	—	33,349
1150 Eastlake Avenue East								
Alexandria Center® for Advanced Technologies - Monte Villa Parkway/Bothell								
		100 %	10,956	34,306	—	50,552	—	84,858
3301 Monte Villa Parkway								
Mega Campus: Alexandria Center® for Life Science - South Lake Union/Lake Union								
		(2)	443,273	—	—	1,095,586	188,400	1,283,986
601 and 701 Dexter Avenue North and 800 Mercer Street								
830 and 1010 4th Avenue South/ SoDo								
		100 %	57,849	—	—	—	597,313	597,313
Mega Campus: Alexandria Center® for Advanced Technologies - Canyon Park/ Bothell								
		100 %	16,270	—	—	—	230,000	230,000
21660 20th Avenue Southeast								
Other value- creation projects								
		100 %	138,062	—	—	—	706,087	706,087
706,742								
67,655								
1,146,138								
1,731,800								
2,935,503								

New Class A/A+ development and redevelopment properties: summary of pipeline (continued)

Market	Property/ Submarket	Our Ownership Interest	Book Value	Square Footage				Total ⁽¹⁾
				Development and Redevelopment				
				Active and Near-Term Construction		Future Opportunities Subject to Market Conditions and Leasing		
				Under Construction	Committed Near Term	Priority Anticipated	Future	
Research Triangle (continued)								
Mega Campus: Alexandria Center® for Sustainable Technologies/ Research Triangle								
	100 %	\$	52,601	—	—	—	750,000	750,000
120 TW Alexander Drive, 2752 East NC Highway 54, and 10 South Triangle Drive/ Research Triangle								
100 Capitola Drive/Research Triangle	100 %		—	—	—	—	65,965	65,965
Other value- creation projects	100 %		4,185	—	—	—	76,262	76,262
			435,233	—	—	280,000	5,047,227	5,327,227
New York City								
Mega Campus: Alexandria Center® for Life Science - New York City/ New York City								
	100 %		158,579	—	—	—	550,000	550,000
			158,579	—	—	—	550,000	550,000
Texas								
Alexandria Center® for Advanced Technologies at The Woodlands/ Greater Houston								
	100 %		78,484	73,298	—	—	116,405	189,703
8800 Technology Forest Place								
1001 Trinity Street and 1020 Red								

(2)

Refer to “Mega campus” under “Definitions and reconciliations” in Item 2 for additional information.

- (1) Total square footage includes 3,725,969 RSF of buildings currently in operation where we expect to demolish or redevelop and commence future construction. Refer to “Investments in real estate” under “Definitions and reconciliations” in Item 2 for additional information, including value-creation square feet currently included in rental properties.
- (2) Pursuant to an option agreement, we are currently negotiating a long-term ground lease with the City of New York for the future site of a new building aggregating approximately 550,000 SF.
- (3) Includes \$3.7 billion of projects that are currently under construction and are 64% leased/negotiating. We also expect to commence construction of one committed near-term project aggregating \$50.7 million, which is 51% leased/negotiating, in the next two years after March 31, 2024.

Results of operations

We present a tabular comparison of items, whether gain or loss, that may facilitate a high-level understanding of our results and provide context for the disclosures included in our annual report on Form 10-K for the year ended December 31, 2023 and our subsequent quarterly reports on Form 10-Q. We believe that such tabular presentation promotes a better understanding for investors of the corporate-level decisions made and activities performed that significantly affect comparison of our operating results from period to period. We also believe that this tabular presentation will supplement for investors an understanding of our disclosures and real estate operating results. Gains or losses on sales of real estate and impairments of assets classified as held for sale are related to corporate-level decisions to dispose of real estate. Gains or losses on early extinguishment of debt are related to corporate-level financing decisions focused on our capital structure strategy. Significant realized and unrealized gains or losses on non-real estate investments, impairments of real estate and non-real estate investments, and acceleration of stock compensation expense due to the resignations of executive officers are not related to the operating performance of our real estate assets as they result from strategic, corporate-level non-real estate investment decisions and external market conditions. Impairments of non-real estate investments are not related to the operating performance of our real estate as they represent the write-down of non-real estate investments when their fair values decrease below their respective carrying values due to changes in general market or other conditions outside of our control. Significant items, whether a gain or loss, included in the tabular disclosure for current periods are described in further detail within this Item 2. Key items included in net income attributable to Alexandria's common stockholders for the three months ended March 31, 2024 and 2023 and the related per share amounts were as follows (in millions, except per share amounts):

	Three Months Ended March 31,			
	2024	2023	2024	2023
	Amount		Per Share - Diluted	
Unrealized gains (losses) on non-real estate investments	\$ 29.2	\$ (65.9)	\$ 0.17	\$ (0.39)
Gain on sales of real estate	0.4	—	—	—
Impairment of non-real estate investments	(14.7)	—	(0.09)	—
Total	<u>\$ 14.9</u>	<u>\$ (65.9)</u>	<u>\$ 0.08</u>	<u>\$ (0.39)</u>

Refer to Note 3 - "Investments in real estate" and Note 7 - "Investments" to our unaudited consolidated financial statements in Item 1 for additional information.

Same properties

We supplement an evaluation of our results of operations with an evaluation of operating performance of certain of our properties, referred to as “Same Properties.” For additional information on the determination of our Same Properties portfolio, refer to “Same property comparisons” under “Definitions and reconciliations” in Item 2. The following table presents information regarding our Same Properties for the three months ended March 31, 2024:

	Three Months Ended March 31, 2024
Percentage change in net operating income over comparable period from prior year	1.0%
Percentage change in net operating income (cash basis) over comparable period from prior year	4.2%
Operating margin	70%
Number of Same Properties	347
RSF	34,698,081
Occupancy – current-period average	94.5%
Occupancy – same-period prior-year average	94.9%

The following table reconciles the number of Same Properties to total properties for the three months ended March 31, 2024:

Development – under construction	Properties	Redevelopment – placed into service after January 1, 2023	Properties
201 Brookline Avenue	1	20400 Century Boulevard	1
1150 Eastlake Avenue East	1	140 First Street	1
9810 and 9820 Darnestown Road	2	2400 Ellis Road, 40 Moore Drive, and 14 TW Alexander Drive	3
99 Coolidge Avenue	1	9601 and 9603 Medical Center Drive	2
500 North Beacon Street and 4 Kingsbury Avenue	2		7
9808 Medical Center Drive	1	Acquisitions after January 1, 2023	Properties
1450 Owens Street	1	Other	4
230 Harriet Tubman Way	1		4
4155 Campus Point Court	1	Unconsolidated real estate JVs	4
10935, 10945, and 10955 Alexandria Way	3	Properties held for sale	7
10075 Barnes Canyon Road	1	Total properties excluded from Same Properties	63
421 Park Drive	1	Same Properties	347
4135 Campus Point Court	1	Total properties in North America as of March 31, 2024	410
	17		
Development – placed into service after January 1, 2023	Properties		
751 Gateway Boulevard	1		
15 Necco Street	1		
325 Binney Street	1		
6040 George Watts Hill Drive	1		
	4		
Redevelopment – under construction	Properties		
840 Winter Street	1		
40, 50, and 60 Sylvan Road	3		
Alexandria Center® for Advanced Technologies – Monte Villa Parkway	6		
651 Gateway Boulevard	1		
401 Park Drive	1		
8800 Technology Forest Place	1		
311 Arsenal Street	1		
Canada	4		
Other	2		
	20		

Comparison of results for the three months ended March 31, 2024 to the three months ended March 31, 2023

The following table presents a comparison of the components of net operating income for our Same Properties and Non-Same Properties for the three months ended March 31, 2024, compared to the three months ended March 31, 2023 (dollars in thousands). Refer to “Definitions and reconciliations” in Item 2 for definitions of “Tenant recoveries” and “Net operating income” and their reconciliations from the most directly comparable financial measures presented in accordance with GAAP, income from rentals and net income, respectively.

	Three Months Ended March 31,			
	2024	2023	\$ Change	% Change
Income from rentals:				
Same Properties	\$ 452,992	\$ 445,043	\$ 7,949	1.8 %
Non-Same Properties	128,408	73,259	55,149	75.3
Rental revenues	581,400	518,302	63,098	12.2
Same Properties	157,402	152,073	5,329	3.5
Non-Same Properties	16,749	17,574	(825)	(4.7)
Tenant recoveries	174,151	169,647	4,504	2.7
Income from rentals	755,551	687,949	67,602	9.8
Same Properties	338	437	(99)	(22.7)
Non-Same Properties	13,219	12,409	810	6.5
Other income	13,557	12,846	711	5.5
Same Properties	610,732	597,553	13,179	2.2
Non-Same Properties	158,376	103,242	55,134	53.4
Total revenues	769,108	700,795	68,313	9.7
Same Properties	183,466	174,580	8,886	5.1
Non-Same Properties	34,848	32,353	2,495	7.7
Rental operations	218,314	206,933	11,381	5.5
Same Properties	427,266	422,973	4,293	1.0
Non-Same Properties	123,528	70,889	52,639	74.3
Net operating income	\$ 550,794	\$ 493,862	\$ 56,932	11.5 %
Net operating income – Same Properties	\$ 427,266	\$ 422,973	\$ 4,293	1.0 %
Straight-line rent revenue	(14,954)	(26,489)	11,535	(43.5)
Amortization of acquired below-market leases	(15,497)	(15,647)	150	(1.0)
Net operating income – Same Properties (cash basis)	\$ 396,815	\$ 380,837	\$ 15,978	4.2 %

Income from rentals

Total income from rentals for the three months ended March 31, 2024 increased by \$67.6 million, or 9.8%, to \$755.6 million, compared to \$687.9 million for the three months ended March 31, 2023, as a result of an increase in rental revenues and tenant recoveries, as discussed below.

Rental revenues

Total rental revenues for the three months ended March 31, 2024 increased by \$63.1 million, or 12.2%, to \$581.4 million, compared to \$518.3 million for the three months ended March 31, 2023. The increase was primarily due to an increase in rental revenues from our Non-Same Properties related to 2.9 million RSF of development and redevelopment projects placed into service subsequent to April 1, 2023 and four operating properties aggregating 716,153 RSF acquired subsequent to April 1, 2023.

Rental revenues from our Same Properties for the three months ended March 31, 2024 increased by \$7.9 million, or 1.8%, to \$453.0 million, compared to \$445.0 million for the three months ended March 31, 2023. The increase was primarily due to rental rate increases on lease renewals and re-leasing of space since April 1, 2023.

Tenant recoveries

Tenant recoveries for the three months ended March 31, 2024 increased by \$4.5 million, or 2.7%, to \$174.2 million, compared to \$169.6 million for the three months ended March 31, 2023. The increase was primarily due to our Same Properties related to tenant recoveries from higher operating expenses, as described below.

Same Properties' tenant recoveries for the three months ended March 31, 2024 increased by \$5.3 million, or 3.5%, to \$157.4 million, compared to \$152.1 million for the three months ended March 31, 2023, primarily due to higher operating expenses during the three months ended March 31, 2024, as discussed under "Rental operations" below. As of March 31, 2024, 94% of our leases (on an annual rental revenue basis) were triple net leases, which require tenants to pay substantially all real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses (including increases thereto) in addition to base rent.

Other income

Other income for the three months ended March 31, 2024 increased by \$711 thousand, or 5.5%, to \$13.6 million, compared to \$12.8 million for the three months ended March 31, 2023. The increase in other income was primarily due to an increase in interest income resulting from an increase in average interest rates earned from our money market accounts to over 5.0% during the three months ended March 31, 2024, compared to less than 4.1% during the three months ended March 31, 2023.

Rental operations

Total rental operating expenses for the three months ended March 31, 2024 increased by \$11.4 million, or 5.5%, to \$218.3 million, compared to \$206.9 million for the three months ended March 31, 2023. The increase was primarily due to incremental expenses related to our Same Properties, as discussed below.

Same Properties' rental operating expenses increased by \$8.9 million, or 5.1%, to \$183.5 million during the three months ended March 31, 2024, compared to \$174.6 million for the three months ended March 31, 2023. The increase was primarily the result of increases in (i) property taxes aggregating \$3.4 million, primarily due to increased assessed values of some of our properties as a result of the construction and property improvements, (ii) contractual costs aggregating \$1.9 million, primarily due to increases in rates, and (iii) property insurance expenses aggregating \$1.5 million primarily due to increases in insurance premiums in California.

Depreciation and amortization

Depreciation and amortization expense for the three months ended March 31, 2024 increased by \$22.3 million, or 8.4%, to \$287.6 million, compared to \$265.3 million for the three months ended March 31, 2023. The increase was primarily due to additional depreciation from development and redevelopment projects placed into service and properties acquired, as discussed above under "Rental revenues."

Interest expense

Interest expense for the three months ended March 31, 2024 and 2023 consisted of the following (dollars in thousands):

Component	Three Months Ended March 31,		Change
	2024	2023	
Gross interest	\$ 122,680	\$ 100,824	\$ 21,856
Capitalized interest	(81,840)	(87,070)	5,230
Interest expense	<u>\$ 40,840</u>	<u>\$ 13,754</u>	<u>\$ 27,086</u>
Average debt balance outstanding ⁽¹⁾	\$ 12,056,184	\$ 10,791,039	\$ 1,265,145
Weighted-average annual interest rate ⁽²⁾	4.1 %	3.7 %	0.4 %

(1) Represents the average debt balance outstanding during the respective periods.

(2) Represents annualized total interest incurred divided by the average debt balance outstanding during the respective periods.

The net change in interest expense during the three months ended March 31, 2024, compared to the three months ended March 31, 2023, resulted from the following (dollars in thousands):

Component	Interest Rate ⁽¹⁾	Effective Date	Change
Increases in interest incurred due to:			
Issuances of debt:			
\$500 million of unsecured senior notes payable due 2053	5.26 %	February 2023	\$ 3,225
\$500 million of unsecured senior notes payable due 2035	4.88 %	February 2023	2,981
\$600 million of unsecured senior notes payable due 2054	5.71 %	February 2024	4,314
\$400 million of unsecured senior notes payable due 2036	5.38 %	February 2024	2,690
Increases in construction borrowing and interest rates under secured notes payable	8.37 %		1,386
Rate increases on borrowings under commercial paper program and from unsecured senior line of credit			1,000
Higher average outstanding balances under commercial paper program and unsecured senior line of credit			5,420
Other increase in interest			840
Total increases			21,856
Decrease in capitalized interest			5,230
Total change in interest expense			\$ 27,086

(1) Represents the weighted-average interest rate as of the end of the applicable period, including amortization of loan fees, amortization of debt premiums (discounts), and other bank fees.

Investment income

During the three months ended March 31, 2024, we recognized investment income aggregating \$43.3 million. This income comprised unrealized gains and reclassifications of \$29.2 million resulting from a \$57.1 million increase primarily in the increase in valuation in publicly traded entities and a \$27.9 million reclassification of unrealized gains recognized in prior periods into realized gains upon the sales of investments during the three months ended March 31, 2024. The investment income also included realized gains of \$28.8 million, partially offset by impairment charges of \$14.7 million primarily related to one non-real estate investment in a privately held entity that does not report NAV.

During the three months ended March 31, 2023, we recognized an investment loss aggregating \$45.1 million, which consisted of \$65.9 million of unrealized losses and \$20.7 million of realized gains.

For more information about our investments, refer to Note 7 - "Investments" to our unaudited consolidated financial statements in Item 1. For our impairments accounting policy, refer to "Investments" in Note 2 - "Summary of significant accounting policies" to our consolidated financial statements in Item 1.

Other comprehensive loss

Total other comprehensive loss for the three months ended March 31, 2024 decreased by \$8.2 million to aggregate net unrealized losses of \$7.9 million, compared to net unrealized gains of \$276

thousand for the three months ended March 31, 2023, primarily in connection with the foreign currency translation related to our operations in Canada.

Summary of capital expenditures

Our construction spending for the three months ended March 31, 2024 and projected spending for the year ending December 31, 2024 consisted of the following (in thousands):

	Three Months Ended March 31, 2024	Projected Midpoint for the Year Ending December 31, 2024
Construction of Class A/A+ properties:		
Active construction projects		
Under construction and committed near-term projects ⁽¹⁾ and projects expected to commence active construction in 2024 ⁽²⁾	\$ 487,891	\$ 1,778,000
Future pipeline pre-construction		
Primarily mega campus expansion pre-construction work (entitlement, design, and site work)	131,456	652,000
Revenue- and non-revenue-enhancing capital expenditures	37,068	250,000
Construction spend (before contributions from noncontrolling interests)	656,415	2,680,000
Contributions from noncontrolling interests (consolidated real estate joint ventures)	(92,863)	(430,000) ⁽³⁾
Total construction spending	\$ 563,552	\$ 2,250,000
2024 guidance range		\$1,950,000 – \$2,550,000

- (1) Includes projects under construction aggregating 5.0 million RSF and one committed near-term project aggregating 492,570 RSF expected to commence construction during the next two years after March 31, 2024, which are 63% leased/negotiating and expected to generate \$480 million in incremental annual net operating income primarily commencing from the second quarter of 2024 through the fourth quarter of 2027.
- (2) Includes three priority anticipated development and redevelopment projects expected to commence active construction in 2024, subject to market conditions and leasing. Refer to “Investments in real estate” under “Definitions and reconciliations” in Item 2 for additional details, including value-creation square feet currently included in rental properties.
- (3) Represents contractual capital commitments expected from existing consolidated real estate joint ventures to fund construction.

Projected capital contributions from partners in consolidated real estate joint ventures to fund construction

The following table summarizes projected capital contributions from partners in our existing consolidated joint ventures to fund construction through 2027 (in thousands):

Projected timing	Amount ⁽¹⁾
April 1, 2024 through December 31, 2024	\$ 337,137
2025 through 2027	913,146
Total	\$ 1,250,283

- (1) Represents reduction to our consolidated construction spending.

Capitalization of interest

Our construction spending includes capitalized interest. The table below provides key categories of interest capitalized during the three months ended March 31, 2024:

	Three Months Ended March 31, 2024		Upon Completion of Construction		
	Average Real Estate Basis Capitalized	Percentage of Total Capitalized Interest	RSF	Potential Growth in Operating RSF	
Construction of Class A/A+ properties:					
Active construction projects					
Under construction and committed near-term projects	\$ 2,779,559	34 %	5,541,380	78%	
Future pipeline pre-construction					
Priority anticipated projects	623,098 ⁽¹⁾	8	2,919,315		
Primarily mega campus expansion pre-construction work (entitlement, design, and site work)	3,578,177 ⁽¹⁾	44	27,176,766		
Smaller redevelopments and repositioning capital projects	1,182,455	14	N/A		
	\$ 8,163,289	100 %	35,637,461		

(1) Average real estate basis capitalized related to our future pipeline pre-construction includes 32% from four key active and future value-creation projects on mega campuses.

Projected results

We present updated guidance for EPS attributable to Alexandria's common stockholders – diluted, funds from operations per share attributable to Alexandria's common stockholders – diluted, and funds from operations per share attributable to Alexandria's common stockholders – diluted, as adjusted, based on our current view of existing market conditions and other assumptions for the year ending December 31, 2024 as set forth in the tables below. The tables below also provide a reconciliation of EPS attributable to Alexandria's common stockholders – diluted, the most directly comparable financial measure presented in accordance with GAAP, to funds from operations per share and funds from operations per share, as adjusted, non-GAAP measures, and other key assumptions included in our updated guidance for the year ending December 31, 2024. There can be no assurance that actual amounts will not be materially higher or lower than these expectations. Refer to our discussion of "Forward-looking statements" at the beginning of this Item 2.

Projected 2024 Earnings per Share and Funds From Operations per Share Attributable to Alexandria's Common Stockholders - Diluted

Earnings per share ⁽¹⁾	\$3.60 to \$3.72
Depreciation and amortization of real estate assets	5.95
Allocation of unvested restricted stock awards	(0.06)
Funds from operations per share ⁽²⁾	\$9.49 to \$9.61
Unrealized gains on non-real estate investments	(0.17)
Impairment of non-real estate investments	0.09
Funds from operations per share, as adjusted ⁽²⁾	\$9.41 to \$9.53
Midpoint	\$9.47

(1) Excludes unrealized gains or losses on non-real estate investments after March 31, 2024 that are required to be recognized in earnings and are excluded from funds from operations per share, as adjusted.

(2) Refer to "Definitions and reconciliations" in Item 2 for additional information.

Key Assumptions⁽¹⁾ (Dollars in millions)	2024 Guidance	
	Low	High
Occupancy percentage for operating properties in North America as of December 31, 2024	94.6%	95.6%
Lease renewals and re-leasing of space:		
Rental rate increases	11.0%	19.0%
Rental rate increases (cash basis)	5.0%	13.0%
Same property performance:		
Net operating income increases	0.5%	2.5%
Net operating income increases (cash basis)	3.0%	5.0%
Straight-line rent revenue	\$ 169	\$ 184
General and administrative expenses	\$ 181	\$ 191
Capitalization of interest	\$ 325	\$ 355
Interest expense	\$ 154	\$ 184
Realized gains on non-real estate investments ⁽²⁾	\$ 95	\$ 125

- (1) Our assumptions presented in the table above are subject to a number of variables and uncertainties, including those discussed as “Forward-looking statements” under Part I; “Item 1A. Risk factors”; and “Item 7. Management’s discussion and analysis of financial condition and results of operations” of our annual report on Form 10-K for the year ended December 31, 2023, as well as in “Item 1A. Risk factors” within “Part II – Other information” of this quarterly report on Form 10-Q. To the extent our full-year earnings guidance is updated during the year, we will provide additional disclosure supporting reasons for any significant changes to such guidance.
- (2) Represents realized gains and losses included in funds from operations per share – diluted, as adjusted, and excludes significant impairments realized on non-real estate investments, if any. Refer to Note 7 – “Investments” to our consolidated financial statements in Item 1 for additional details.

Key Credit Metric Targets⁽¹⁾

Net debt and preferred stock to Adjusted EBITDA – fourth quarter of 2024 annualized	Less than or equal to 5.1x
Fixed-charge coverage ratio – fourth quarter of 2024 annualized	Greater than or equal to 4.5x

- (1) Refer to “Definitions and reconciliations” in Item 2 for additional information.

Consolidated and unconsolidated real estate joint ventures

We present components of balance sheet and operating results information for the noncontrolling interest share of our consolidated real estate joint ventures and for our share of investments in unconsolidated real estate joint ventures to help investors estimate balance sheet and operating results information related to our partially owned entities. These amounts are estimated by computing, for each joint venture that we consolidate in our financial statements, the noncontrolling interest percentage of each financial item to arrive at the cumulative noncontrolling interest share of each component presented. In addition, for our real estate joint ventures that we do not control and do not consolidate, we apply our economic ownership percentage to the unconsolidated real estate joint ventures to arrive at our proportionate share of each component presented. Refer to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statement in Item 1 for further discussion.

Consolidated Real Estate Joint Ventures

Property/Market/Submarket	Noncontrolling ⁽¹⁾ Interest Share	Operating RSF at 100%
50 and 60 Binney Street/Greater Boston/Cambridge/Inner Suburbs	66.0 %	532,395
75/125 Binney Street/Greater Boston/Cambridge/Inner Suburbs	60.0 %	388,269
100 and 225 Binney Street and 300 Third Street/Greater Boston/ Cambridge/Inner Suburbs	70.0 %	870,106
99 Coolidge Avenue/Greater Boston/Cambridge/Inner Suburbs	25.0 %	116,414 ⁽²⁾
15 Necco Street/Greater Boston/Seaport Innovation District	43.3 %	345,996
285, 299, 307, and 345 Dorchester Avenue/Greater Boston/Seaport Innovation District	40.0 %	— ⁽²⁾
Alexandria Center® for Science and Technology – Mission Bay/San Francisco Bay Area/Mission Bay ⁽³⁾	75.0 %	999,979
1450 Owens Street/San Francisco Bay Area/Mission Bay	72.8 % ⁽⁴⁾	— ⁽²⁾
601, 611, 651 ⁽²⁾ , 681, 685, and 701 Gateway Boulevard/San Francisco Bay Area/ South San Francisco	50.0 %	831,318
751 Gateway Boulevard/San Francisco Bay Area/South San Francisco	49.0 %	230,592
211 ⁽²⁾ and 213 East Grand Avenue/San Francisco Bay Area/South San Francisco	70.0 %	300,930
500 Forbes Boulevard/San Francisco Bay Area/South San Francisco	90.0 %	155,685
Alexandria Center® for Life Science – Millbrae/San Francisco Bay Area/South San Francisco	52.6 %	— ⁽²⁾
3215 Merryfield Row/San Diego/Torrey Pines	70.0 %	170,523
Campus Point by Alexandria/San Diego/University Town Center ⁽⁵⁾	45.0 %	1,342,164
5200 Illumina Way/San Diego/University Town Center	49.0 %	792,687
9625 Towne Centre Drive/San Diego/University Town Center	70.0 %	163,648
SD Tech by Alexandria/San Diego/Sorrento Mesa ⁽⁶⁾	50.0 %	884,266
Pacific Technology Park/San Diego/Sorrento Mesa	50.0 %	544,352
Summers Ridge Science Park/San Diego/Sorrento Mesa ⁽⁷⁾	70.0 %	316,531
1201 and 1208 Eastlake Avenue East and 199 East Blaine Street / Seattle/Lake Union	70.0 %	321,115
400 Dexter Avenue North/Seattle/Lake Union	70.0 %	290,754
800 Mercer Street/Seattle/Lake Union	40.0 %	— ⁽²⁾

Unconsolidated Real Estate Joint Ventures

Property/Market/Submarket	Our Ownership Share ⁽⁸⁾	Operating RSF at 100%
1655 and 1725 Third Street/San Francisco Bay Area/Mission Bay	10.0 %	586,208
1401/1413 Research Boulevard/Maryland/Rockville	65.0 % ⁽⁹⁾	— ⁽¹⁰⁾
1450 Research Boulevard/Maryland/Rockville	73.2 % ⁽⁹⁾	42,679
101 West Dickman Street/Maryland/Beltsville	57.9 % ⁽⁹⁾	135,423

Refer to “Joint venture financial information” under “Definitions and reconciliations” in Item 2 for additional details.

- (1) In addition to the consolidated real estate joint ventures listed, various joint venture partners hold insignificant noncontrolling interests in four other real estate joint ventures in North America.
- (2) Represents a property currently under construction or in our value-creation pipeline. Refer to “New Class A/A+ development and redevelopment properties” in Item 2 for additional details.
- (3) Includes 409 and 499 Illinois Street, 1500 and 1700 Owens Street, and 455 Mission Bay Boulevard South.
- (4) During the three months ended March 31, 2024, our equity ownership decreased from 40.6% to 27.2% based on continued funding of construction costs by our joint venture partner and a reallocation of equity to our joint venture partner of \$30.2 million from us. The noncontrolling interest share of our joint venture partner is anticipated to increase to 75% and ours to decrease to 25% as our partner contributes additional equity to fund the construction of the project.
- (5) Includes 10210, 10260, 10290, and 10300 Campus Point Drive and 4110, 4135, 4155, 4161, 4165, 4224, and 4242 Campus Point Court.
- (6) Includes 9605, 9645, 9675, 9685, 9725, 9735, 9805, 9808, 9855, and 9868 Scranton Road and 10055, 10065, and 10075 Barnes Canyon Road.
- (7) Includes 9965, 9975, 9985, and 9995 Summers Ridge Road.
- (8) In addition to the unconsolidated real estate joint ventures listed, we hold an interest in one other insignificant unconsolidated real estate joint venture in North America.
- (9) Represents a joint venture with a local real estate operator in which our joint venture partner manages the day-to-day activities that significantly affect the economic performance of the joint venture.
- (10) Represents a joint venture with a distinguished retail real estate developer for a retail shopping center aggregating 84,837 RSF.

The following table presents key terms related to our unconsolidated real estate joint ventures' secured loans as of March 31, 2024 (dollars in thousands):

Unconsolidated Joint Venture	Maturity Date	Stated Rate	Interest Rate ⁽¹⁾	At 100%		Our Share
				Aggregate Commitment	Debt Balance ⁽²⁾	
1401/1413 Research Boulevard	12/23/24	2.70%	3.31 %	\$ 28,500	\$ 28,374	65.0%
1655 and 1725 Third Street	3/10/25	4.50%	4.57 %	600,000	599,612	10.0%
101 West Dickman Street	11/10/26	SOFR+1.95% ⁽³⁾	7.37 %	26,750	17,749	57.9%
1450 Research Boulevard	12/10/26	SOFR+1.95% ⁽³⁾	7.43 %	13,000	8,509	73.2%
				<u>\$ 668,250</u>	<u>\$ 654,244</u>	

(1) Includes interest expense and amortization of loan fees.

(2) Represents outstanding principal, net of unamortized deferred financing costs, as of March 31, 2024.

(3) This loan is subject to a fixed SOFR floor of 0.75%.

The following tables present information related to the operating results and financial positions of our consolidated and unconsolidated real estate joint ventures as of and for the three months ended March 31, 2024 (in thousands):

	Three Months Ended March 31, 2024	
	Noncontrolling Interest Share of Consolidated Real Estate Joint Ventures	Our Share of Unconsolidated Real Estate Joint Ventures
Total revenues	\$ 111,097	\$ 3,175
Rental operations	(30,869)	(1,024)
	80,228	2,151
General and administrative	(678)	(40)
Interest	(216)	(922)
Depreciation and amortization of real estate assets	(30,904)	(1,034)
Fixed returns allocated to redeemable noncontrolling interests ⁽¹⁾	201	—
	<u>\$ 48,631</u>	<u>\$ 155</u>
Straight-line rent and below-market lease revenue	\$ 9,309	\$ 282
Funds from operations ⁽²⁾	\$ 79,535	\$ 1,189

Refer to "Joint venture financial information" under "Definitions and reconciliations" in Item 2 for additional details.

- (1) Represents an allocation of joint venture earnings to redeemable noncontrolling interests primarily in one property in our South San Francisco submarket. These redeemable noncontrolling interests earn a fixed return on their investment rather than participate in the operating results of the property.
- (2) Refer to “Funds from operations and funds from operations, as adjusted, attributable to Alexandria Real Estate Equities, Inc.’s common stockholders” under “Definitions and reconciliations” in Item 2 for the definition and its reconciliation from the most directly comparable financial measure presented in accordance with GAAP.

	As of March 31, 2024	
	Noncontrolling Interest Share of Consolidated Real Estate Joint Ventures	Our Share of Unconsolidated Real Estate Joint Ventures
Investments in real estate	\$ 4,098,889	\$ 124,102
Cash, cash equivalents, and restricted cash	117,844	6,397
Other assets	427,374	12,491
Secured notes payable	(32,358)	(94,920)
Other liabilities	(268,426)	(7,434)
Redeemable noncontrolling interests	(16,620)	—
	<u>\$ 4,326,703</u>	<u>\$ 40,636</u>

During the three months ended March 31, 2024 and 2023, our consolidated real estate joint ventures distributed an aggregate of \$59.8 million and \$63.2 million, respectively, to our joint venture partners. Refer to our consolidated statements of cash flows and Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements in Item 1 for additional information.

Investments

We hold investments in publicly traded companies and privately held entities primarily involved in the life science industry. The tables below summarize components of our investment income (loss) and non-real estate investments (in thousands). For additional information, refer to Note 7 – “Investments” to our unaudited consolidated financial statements in Item 1.

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Realized gains	\$ 14,126 ⁽¹⁾	\$ 6,078 ⁽²⁾
Unrealized gains (losses)	29,158 ⁽³⁾	(201,475) ⁽⁴⁾
Investment income (loss)	<u>\$ 43,284</u>	<u>\$ (195,397)</u>

	March 31, 2024				December 31, 2023
Investments	Cost	Unrealized Gains	Unrealized Losses	Carrying Amount	Carrying Amount
Publicly traded companies	\$ 187,775	\$ 57,761	\$ (71,015)	\$ 174,521	\$ 159,566
Entities that report NAV	511,039	189,044	(27,954)	672,129	671,532
Entities that do not report NAV:					
Entities with observable price changes	94,283	73,629	(1,224)	166,688	174,268
Entities without observable price changes	382,408	—	—	382,408	368,654
Investments accounted for under the equity method	N/A	N/A	N/A	115,842	75,498
March 31, 2024	<u>\$ 1,175,505 ⁽⁵⁾</u>	<u>\$ 320,434</u>	<u>\$ (100,193)</u>	<u>\$ 1,511,588</u>	<u>\$ 1,449,518</u>
December 31, 2023	<u>\$ 1,177,072</u>	<u>\$ 320,445</u>	<u>\$ (123,497)</u>	<u>\$ 1,449,518</u>	

Public/Private Mix (Cost)

q124pubprivmix.jpg

Tenant/Non-Tenant Mix (Cost)

q124investmenttenantmix.jpg

- (1) Consists of realized gains of \$28.8 million, partially offset by impairment charges of \$14.7 million during the three months ended March 31, 2024.
- (2) Consists of realized gains of \$80.6 million, offset by impairment charges of \$74.6 million during the year ended December 31, 2023.
- (3) Consists of unrealized gains of \$57.1 million primarily resulting from the increase in valuation in publicly traded entities and \$27.9 million resulting from accounting reclassifications of unrealized gains recognized in prior periods into realized gains upon our realization of investments during the three months ended March 31, 2024.
- (4) Consists of unrealized losses of \$111.6 million primarily resulting from the decrease in the fair value of our investments in privately held entities that report NAV and \$89.9 million resulting from accounting reclassifications of unrealized gains recognized in prior periods into realized gains upon our sales of investments, during the year ended December 31, 2023.
- (5) Represents 2.7% of gross assets as of March 31, 2024. Refer to the definition of "Gross assets" under "Definitions and reconciliations" in Item 2 for additional details.

Liquidity

Minimal Outstanding
Borrowings and Significant
Availability on
Unsecured Senior Line of
Credit

Liquidity

(in millions)

\$6.0B

q124lineofcredit.jpg

(In millions)

Availability under our unsecured senior line of credit, net of amounts outstanding under our commercial paper program		\$	5,000
Cash, cash equivalents, and restricted cash			732
Availability under our secured construction loan			65
Investments in publicly traded companies			175
Liquidity as of March 31, 2024		\$	5,972

We expect to meet certain long-term liquidity requirements, such as requirements for development, redevelopment, other construction projects, capital improvements, tenant improvements, property acquisitions, leasing costs, non-revenue-enhancing capital expenditures, scheduled debt maturities, distributions to noncontrolling interests, and payment of dividends through net cash provided by operating activities, periodic asset sales, strategic real estate joint ventures, long-term secured and unsecured indebtedness, borrowings under our unsecured senior line of credit, issuances under our commercial paper program, and issuances of additional debt and/or equity securities.

We also expect to continue meeting our short-term liquidity and capital requirements, as further detailed in this section, generally through 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 enable us to make the distributions necessary to continue qualifying as a REIT.

For additional information on our liquidity requirements related to our contractual obligations and commitments, refer to Note 5 – “Leases” and Note 10 – “Secured and unsecured senior debt” to our unaudited consolidated financial statements in Item 1.

Over the next several years, our balance sheet, capital structure, and liquidity objectives are as follows:

- Retain cash flows from operating activities after payment of dividends and distributions to noncontrolling interests for investment in development and redevelopment projects and/or acquisitions;
- Maintain significant balance sheet liquidity;
- Improve credit profile and relative long-term cost of capital;
- Maintain diverse sources of capital, including sources from net cash provided by operating activities, unsecured debt, secured debt, selective real estate asset sales, strategic real estate joint ventures, non-real estate investment sales, and common stock;
- Maintain commitment to long-term capital to fund growth;
- Maintain prudent laddering of debt maturities;
- Maintain solid credit metrics;
- Prudently manage variable-rate debt exposure;
- Maintain a large, unencumbered asset pool to provide financial flexibility;
- Fund common stock dividends and distributions to noncontrolling interests from net cash provided by operating activities;
- Manage a disciplined level of value-creation projects as a percentage of our gross real estate assets; and
- Maintain high levels of pre-leasing and percentage leased in value-creation projects.

The following table presents the availability under our unsecured senior line of credit, net of amounts outstanding under our commercial paper program; cash, cash equivalents, and restricted cash; availability under our secured construction loan; and investments in publicly traded companies as of March 31, 2024 (in thousands):

Description	Stated Rate	Aggregate Commitments	Outstanding Balance ⁽¹⁾	Remaining Commitments/ Liquidity
Availability under our unsecured senior line of credit, net of amounts outstanding under our commercial paper program	SOFR+0.855%	\$ 5,000,000	\$ —	\$ 5,000,000
Cash, cash equivalents, and restricted cash				731,695
Construction loan	SOFR+2.70%	\$ 195,300	\$ 129,431	65,410
Investments in publicly traded companies				174,521
Liquidity as of March 31, 2024				<u>\$ 5,971,626</u>

(1) Represents outstanding principal, net of unamortized deferred financing costs, as of March 31, 2024.

Cash, cash equivalents, and restricted cash

As of March 31, 2024 and December 31, 2023, we had \$731.7 million and \$660.8 million, respectively, of cash, cash equivalents, and restricted cash. We expect existing cash, cash equivalents, and restricted cash, net cash provided by operating activities, proceeds from real estate asset sales, sales of partial interests, strategic real estate joint ventures, non-real estate investment sales, borrowings under our unsecured senior line of credit, issuances under our commercial paper program, issuances of unsecured senior notes payable, borrowings under our secured construction loans, and issuances of common stock to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, such as regular quarterly dividends, distributions to noncontrolling interests, scheduled debt repayments, acquisitions, and certain capital expenditures, including expenditures related to construction activities.

Cash flows

We report and analyze our cash flows based on operating activities, investing activities, and financing activities. The following table summarizes changes in our cash flows for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		Change
	2024	2023	
Net cash provided by operating activities	\$ 341,157	\$ 305,570	\$ 35,587
Net cash used in investing activities	\$ (894,854)	\$ (1,039,665)	\$ 144,811
Net cash provided by financing activities	\$ 624,429	\$ 1,174,810	\$ (550,381)

Operating activities

Cash flows provided by operating activities are primarily dependent upon the occupancy level of our asset base, the rental rates of our leases, the collectibility of rent and recovery of operating expenses from our tenants, the timing of completion of development and redevelopment projects, and the timing of acquisitions and dispositions of operating properties. Net cash provided by operating activities for the three months ended March 31, 2024 increased by \$35.6 million to \$341.2 million, compared to \$305.6 million for the three months ended March 31, 2023. The increase was primarily attributable to the following since January 1, 2023: (i) cash flows generated from our highly leased development and redevelopment projects recently placed into service, (ii) income-producing acquisitions, and (iii) increases in rental rates on lease renewals and re-leasing of space.

Investing activities

Cash used in investing activities for the three months ended March 31, 2024 and 2023 consisted of the following (in thousands):

	Three Months Ended March 31,		
	2024	2023	Increase (Decrease)
Sources of cash from investing activities:			
Proceeds from sales of real estate	\$ 16,670	\$ —	\$ 16,670
Sales of and distributions from non-real estate investments	40,550	49,385	(8,835)
Change in escrow deposits	—	9,366	(9,366)
	57,220	58,751	(1,531)
Uses of cash for investing activities:			
Purchases of real estate	194,002	177,543	16,459
Additions to real estate	693,268	873,366	(180,098)
Change in escrow deposits	1,008	—	1,008
Investments in unconsolidated real estate joint ventures	3,224	106	3,118
Additions to non-real estate investments	60,572	47,401	13,171
	952,074	1,098,416	(146,342)
Net cash used in investing activities	\$ 894,854	\$ 1,039,665	\$ (144,811)

The decrease in net cash used in investing activities for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to a decreased use of cash for additions to real estate. Refer to Note 3 – “Investments in real estate” to our unaudited consolidated financial statements in Item 1 for additional information.

Financing activities

Cash flows provided by financing activities for the three months ended March 31, 2024 and 2023 consisted of the following (in thousands):

	Three Months Ended March 31,		
	2024	2023	Change
Borrowings under secured notes payable	\$ 10,216	\$ 14,428	\$ (4,212)
Proceeds from issuance of unsecured senior notes payable	998,806	996,205	2,601
Borrowings under unsecured senior line of credit	—	375,000	(375,000)
Repayments of borrowings under unsecured senior line of credit	—	(375,000)	375,000
Proceeds from issuances under commercial paper program	3,170,000	775,000	2,395,000
Repayments of borrowings under commercial paper program	(3,270,000)	(400,000)	(2,870,000)
Payments of loan fees	(10,118)	(9,989)	(129)
Changes related to debt	898,904	1,375,644	(476,740)
Contributions from and sales of noncontrolling interests	82,853	79,337	3,516
Distributions to and purchases of noncontrolling interests	(111,540)	(63,186)	(48,354)
Dividends on common stock	(221,824)	(209,131)	(12,693)
Taxes paid related to net settlement of equity awards	(23,964)	(7,854)	(16,110)
Net cash provided by financing activities	<u>\$ 624,429</u>	<u>\$ 1,174,810</u>	<u>\$ (550,381)</u>

Capital resources

We expect that our principal liquidity needs for the year ending December 31, 2024 will be satisfied by the following multiple sources of capital, as shown in the table below. There can be no assurance that our sources and uses of capital will not be materially higher or lower than these expectations.

Key Sources and Uses of Capital (In millions)	2024 Guidance		
	Range		Midpoint
Sources of capital:			
Incremental debt	\$ 900	\$ 900	\$ 900
Net cash provided by operating activities after dividends	400	500	450
Dispositions, sales of partial interests, and common equity ⁽¹⁾	900	1,900	1,400
Total sources of capital	<u>\$ 2,200</u>	<u>\$ 3,300</u>	<u>\$ 2,750</u>
Uses of capital:			
Construction	\$ 1,950	\$ 2,550	\$ 2,250
Acquisitions	250	750	500
Total uses of capital	<u>\$ 2,200</u>	<u>\$ 3,300</u>	<u>\$ 2,750</u>
Incremental debt (included above):			
Issuance of unsecured senior notes payable ⁽²⁾	\$ 1,000	\$ 1,000	\$ 1,000
Unsecured senior line of credit, commercial paper program, and other	(100)	(100)	(100)
Incremental debt	\$ 900	\$ 900	\$ 900

- (1) Refer to “Dispositions and sales of partial interests” in Item 2 for additional detail. We expect to continue pursuing our strategy to fund a significant portion of our capital requirements for the year ending December 31, 2024 with dispositions and sales of partial interests and are actively pursuing several dispositions and partial interest sale opportunities. In February 2024, we entered into a new ATM common stock offering program, which allows us to sell up to an aggregate of \$1.5 billion of our common stock. As of the date of this report, the full amount remained available for future sales of our common stock.
- (2) In February 2024, we issued \$1.0 billion of unsecured senior notes payable with a weighted-average interest rate of 5.48% and a weighted-average maturity of 23.1 years. The unsecured senior notes consisted of \$400.0 million of 5.25% unsecured senior notes due 2036 and \$600.0 million of 5.625% unsecured senior notes due 2054. Our 2024 guidance for issuance of unsecured senior notes payable assumes we issue new unsecured senior notes payable in 2025 to fund the repayment of our \$600.0 million unsecured senior notes payable due on April 30, 2025. Subject to market conditions, we may seek opportunities in 2024 to fund the repayment of our 2025 debt maturity through issuance of additional unsecured senior notes payable.

The key assumptions behind the sources and uses of capital in the table above include a favorable real estate transaction and capital market environments, performance of our core operating properties, lease-up and delivery of current and future development and redevelopment projects, and leasing activity. Our expected sources and uses of capital are subject to a number of variables and

uncertainties, including those discussed as “Forward-looking statements” under Part I; “Item 1A. Risk factors”; and “Item 7. Management’s discussion and analysis of financial condition and results of operations” of our annual report on Form 10-K for the year ended December 31, 2023; as well as in “Item 1A. Risk factors” within “Part II – Other information” of this quarterly report on Form 10-Q. We expect to update our forecast for key sources and uses of capital on a quarterly basis.

Sources of capital

Net cash provided by operating activities after dividends

We expect to retain \$400 million to \$500 million of net cash flows from operating activities after payment of common stock dividends, and distributions to noncontrolling interests for the year ending December 31, 2024. For purposes of this calculation, changes in operating assets and liabilities are excluded as they represent timing differences. For the year ending December 31, 2024, we expect our recently delivered projects, our highly pre-leased value-creation projects expected to be delivered, contributions from Same Properties, and recently acquired income-producing properties to contribute increases in income from rentals, net operating income, and cash flows. We anticipate contractual near-term growth in annual net operating income (cash basis) of \$101 million related to the commencement of contractual rents on the projects recently placed into service that are near the end of their initial free rent period. Refer to “Cash flows” in Item 2 for a discussion of cash flows provided by operating activities for the three months ended March 31, 2024.

Debt

We expect to fund a portion of our capital needs for 2024 from issuances under our commercial paper program, issuances of unsecured senior notes payable, borrowings under our unsecured senior line of credit, and borrowings under our secured construction loan.

As of March 31, 2024, our unsecured senior line of credit had aggregate commitments of \$5.0 billion and bore an interest rate of SOFR plus 0.855%. In addition to the cost of borrowing, the unsecured senior line of credit is subject to an annual facility fee of 0.145% based on the aggregate commitments outstanding. Based upon our ability to achieve certain annual sustainability targets, the interest rate and facility fee rate are also subject to upward or downward adjustments of up to four basis points with respect to the interest rate and up to one basis point with respect to the facility fee rate.

Based on certain sustainability metrics achieved in accordance with the terms of our unsecured senior line of credit agreement, the borrowing rate was reduced for a one-year period by two basis points to SOFR plus 0.855%, from SOFR plus 0.875%, and the facility fee was reduced by 0.5 basis point to 0.145% from 0.15%. As of March 31, 2024, we had no outstanding balance on our unsecured line of credit.

Our commercial paper program provides us with the ability to issue up to \$2.5 billion of commercial paper notes with a maturity of generally 30 days or less and with a maximum maturity of 397 days from the date of issuance. Our commercial paper program is backed by our unsecured senior line of credit, and at all times we expect to retain a minimum undrawn amount of borrowing capacity under our unsecured senior line of credit equal to any outstanding balance under our commercial paper program. We use borrowings under the program to fund short-term capital needs. The notes issued under our commercial paper program are sold under customary terms in the commercial paper market. They are typically issued at a discount to par, representing a yield to maturity dictated by market conditions at the time of issuance. In the event we are unable to issue commercial paper notes or refinance outstanding commercial paper notes under terms equal to or more favorable than those under the unsecured senior line of credit, we expect to borrow under the unsecured senior line of credit. The commercial paper notes sold during the three months ended March 31, 2024 were issued at a

weighted-average yield to maturity of 5.60%. As of March 31, 2024, we had no commercial paper notes outstanding.

In February 2024, we issued \$1.0 billion of unsecured senior notes payable with a weighted-average interest rate of 5.48% and a weighted-average maturity of 23.1 years. The unsecured senior notes consisted of \$400.0 million of 5.25% unsecured senior notes due 2036 and \$600.0 million of 5.625% unsecured senior notes due 2054.

The following table presents our average debt outstanding and weighted-average interest rates during the three months ended March 31, 2024 (dollars in thousands):

	Three Months Ended March 31, 2024	
	Average Debt Outstanding	Weighted-Average Interest Rate
Long-term fixed-rate debt	\$ 11,683,004	3.71 %
Short-term variable-rate unsecured senior line of credit and commercial paper program debt	531,445	5.76
Blended average interest rate	12,214,449	3.80
Loan fee amortization and annual facility fee related to unsecured senior line of credit	N/A	0.12
Total/weighted average	\$ 12,214,449	3.92 %

Real estate dispositions, sales of partial interests, and issuances of common equity

We expect to continue to focus on the disciplined execution of select sales of real estate. Future sales will provide an important source of capital to fund a portion of pending and recently completed acquisitions and our highly leased value-creation development and redevelopment projects, and also provide significant capital for growth. In addition, we may also consider additional sales of partial interests in core Class A/A+ properties and/or development projects. For the year ending December 31, 2024, we expect real estate dispositions, sales of partial interests, and issuances of common equity to range from \$900 million to \$1.9 billion. The amount of asset sales necessary to meet our forecasted sources of capital will vary depending upon the amount of EBITDA associated with the assets sold.

Refer to Note 3 – “Investments in real estate,” Note 4 – “Consolidated and unconsolidated real estate joint ventures,” and Note 13 – “Stockholders’ equity” to our unaudited consolidated financial statements in Item 1 and to “Dispositions and sales of partial interests” in Item 2 for additional information on our real estate dispositions and sales of partial interests.

As a REIT, we are generally subject to a 100% tax on the net income from real estate asset sales that the IRS characterizes as “prohibited transactions.” We do not expect our sales will be categorized as prohibited transactions. However, unless we meet certain “safe harbor” requirements, whether a real estate asset sale is a “prohibited transaction” will be based on the facts and circumstances of the sale. Our real estate asset sales may not always meet such “safe harbor” requirements. Refer to “Item 1A. Risk factors” of our annual report on Form 10-K for the year ended December 31, 2023 for additional information about the “prohibited transaction” tax.

Common equity transactions

In February 2024, we entered into a new ATM common stock offering program, which allows us to sell up to an aggregate of \$1.5 billion of our common stock. As of March 31, 2024, the full amount remained available for future sales of our common stock.

Other sources

As a well-known seasoned issuer, we may, from time to time, issue securities at our discretion based on our needs and market conditions, including, as necessary, to balance our use of incremental debt capital.

Additionally, we, together with joint venture partners, hold interests in real estate joint ventures that we consolidate in our financial statements. These existing joint ventures provide significant equity capital to fund a portion of our future construction spend, and our joint venture partners may also contribute equity into these entities for financing-related activities. From April 1, 2024 through December 31, 2027, we expect to receive capital contributions aggregating \$1.3 billion from existing consolidated real estate joint venture partners to fund construction. During the year ending December 31, 2024, contributions from noncontrolling interests from existing joint venture partners are expected to aggregate \$430.0 million.

Uses of capital

Summary of capital expenditures

One of our primary uses of capital relates to the development, redevelopment, pre-construction, and construction of properties. We currently have projects in our value-creation pipeline aggregating 5.3 million RSF of Class A/A+ properties undergoing construction and one committed near-term project expected to commence construction in the next two years, 2.5 million RSF of priority anticipated development and redevelopment projects, and 24.1 million SF of future development projects in North America. We incur capitalized construction costs related to development, redevelopment, pre-construction, and other construction activities. We also incur additional capitalized project costs, including interest, property taxes, insurance, and other costs directly related and essential to the development, redevelopment, pre-construction, or construction of a project, during periods when activities necessary to prepare an asset for its intended use are in progress. Refer to “New Class A/A+ development and redevelopment properties: current projects” and “Summary of capital expenditures” in Item 2 for more information on our capital expenditures.

We capitalize interest cost as a cost of the project only during the period in which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the three months ended March 31, 2024 and 2023 of \$81.8 million and \$87.1 million, respectively, was classified in investments in real estate in our consolidated balance sheets. The decrease in capitalized interest was related to a lower weighted-average capitalized cost basis of \$8.2 billion for the three months ended March 31, 2024, as compared to \$9.3 billion for the three months ended March 31, 2023, partially offset by an increase in weighted-average interest rate used to capitalize interest to 3.92% for the three months ended March 31, 2024 from 3.69% for the three months ended March 31, 2023.

Property taxes, insurance on real estate, and indirect project costs, such as construction, administration, legal fees, and office costs that clearly relate to projects under development or construction, are capitalized as incurred during the period an asset is undergoing activities to prepare it for its intended use. We capitalized payroll and other indirect costs related to development, redevelopment, pre-construction, and construction projects, aggregating \$26.3 million and \$23.6 million, and property taxes, insurance on real estate and indirect project costs aggregating \$32.7 million and \$29.8 million during the three months ended March 31, 2024 and 2023, respectively.

Our capitalized costs for the three months ended March 31, 2024, compared to the same period in 2023, were consistent primarily due to relative consistency in the size of our value-creation pipeline during these periods. Pre-construction activities include entitlements, permitting, design, site work, and other activities preceding commencement of construction of aboveground building improvements. The advancement of pre-construction efforts is focused on reducing the time required to deliver projects to prospective tenants. These critical activities add significant value for future ground-up development and are required for the vertical construction of buildings. Should we cease activities necessary to prepare an asset for its intended use, the interest, taxes, insurance, and certain other direct and indirect project costs related to the asset would be expensed as incurred. Expenditures for repairs and maintenance are expensed as incurred.

Fluctuations in our development, redevelopment, and construction activities could result in significant changes to total expenses and net income. For example, had we experienced a 10%

reduction in development, redevelopment, and construction activities without a corresponding decrease in indirect project costs, including interest and payroll, total expenses would have increased by approximately \$14.1 million for the three months ended March 31, 2024.

We use third-party brokers to assist in our leasing activity, who are paid on a contingent basis upon successful leasing. We are required to capitalize initial direct costs related to successful leasing transactions that result directly from and are essential to the lease transaction and would not have been incurred had that lease transaction not been successfully executed. During the three months ended March 31, 2024, we capitalized total initial direct leasing costs of \$29.4 million. Costs that we incur to negotiate or arrange a lease regardless of its outcome, such as fixed employee compensation, tax, or legal advice to negotiate lease terms, and other costs, are expensed as incurred.

Acquisitions

During the three months ended March 31, 2024, the purchase price of our completed acquisitions aggregated \$194.8 million. As of March 31, 2024, the total purchase price of our pending acquisitions under executed letters of intent or purchase and sale agreements that are expected to be completed in 2024 aggregated \$82.4 million. For the year ending December 31, 2024, we expect real estate acquisitions to range from \$250 million to \$750 million.

Refer to “Acquisitions” in Note 3 – “Investments in real estate” and to Note 4 – “Consolidated and unconsolidated real estate joint ventures” to our unaudited consolidated financial statements in Item 1, and “Acquisitions” in Item 2 for information on our acquisitions.

Dividends

During the three months ended March 31, 2024 and 2023, we paid common stock dividends of \$221.8 million and \$209.1 million, respectively. The increase of \$12.7 million in dividends paid on our common stock during the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to an increase in the number of common shares outstanding subsequent to January 1, 2023 as a result of settled forward equity sales agreements, and an increase in the related dividends to \$1.27 per common share paid during the three months ended March 31, 2024 from \$1.21 per common share paid during the three months ended March 31, 2023.

Secured notes payable

Secured notes payable as of March 31, 2024 consisted of three notes secured by two properties. Our secured notes payable typically require monthly payments of principal and interest and had a weighted-average interest rate of approximately 8.36%. As of March 31, 2024, the total book value of our investments in real estate securing debt was approximately \$345.4 million. As of March 31, 2024, our secured notes payable, including unamortized discounts and deferred financing costs, comprised approximately \$619 thousand and \$129.4 million of fixed-rate debt and unhedged variable-rate debt, respectively.

Unsecured senior notes payable and unsecured senior line of credit

The requirements of, and our actual performance with respect to, the key financial covenants under our unsecured senior notes payable as of March 31, 2024 were as follows:

Covenant Ratios ⁽¹⁾	Requirement	March 31, 2024
Total Debt to Total Assets	Less than or equal to 60%	29%
Secured Debt to Total Assets	Less than or equal to 40%	0.3%
Consolidated EBITDA ⁽²⁾ to Interest Expense	Greater than or equal to 1.5x	14.1x
Unencumbered Total Asset Value to Unsecured Debt	Greater than or equal to 150%	330%

(1) All covenant ratio titles utilize terms as defined in the respective debt agreements.

(2) The calculation of consolidated EBITDA is based on the definitions contained in our loan agreements and is not directly comparable to the computation of EBITDA as described in Exchange Act Release No. 47226.

In addition, the terms of the indentures, among other things, limit the ability of the Company, Alexandria Real Estate Equities, L.P., and the Company's subsidiaries to (i) consummate a merger, or consolidate or sell all or substantially all of the Company's assets, and (ii) incur certain secured or unsecured indebtedness.

The requirements of, and our actual performance with respect to, the key financial covenants under our unsecured senior line of credit as of March 31, 2024 were as follows:

Covenant Ratios ⁽¹⁾	Requirement	March 31, 2024
Leverage Ratio	Less than or equal to 60.0%	28.5%
Secured Debt Ratio	Less than or equal to 45.0%	0.2%
Fixed-Charge Coverage Ratio	Greater than or equal to 1.50x	4.06x
Unsecured Interest Coverage Ratio	Greater than or equal to 1.75x	20.57x

(1) All covenant ratio titles utilize terms as defined in the credit agreement.

Estimated interest payments

Estimated interest payments on our fixed-rate debt are calculated based upon contractual interest rates, including interest payment dates and scheduled maturity dates. As of March 31, 2024, 98.9% of our debt was fixed-rate debt. For additional information regarding our debt, refer to Note 10 – “Secured and unsecured senior debt” to our unaudited consolidated financial statements in Item 1.

Ground lease obligations

Ground lease obligations as of March 31, 2024 included leases for 36 of our properties, which accounted for approximately 9% of our total number of properties. Excluding one ground lease that expires in 2036 related to one operating property with a net book value of \$5.8 million as of March 31, 2024, our ground lease obligations have remaining lease terms ranging from approximately 30 to 98 years, including available extension options that we are reasonably certain to exercise.

In many cases, we seek to extend our ground leases well ahead of their scheduled contractual expirations. If we are successful in extending ground leases, we could see significant up-front or increased recurring future payments to the ground lessor and/or increased ground lease expense, which may require us to increase our capital funding needs.

Operating lease agreements

As of March 31, 2024, the remaining contractual payments under ground and office lease agreements in which we are the lessee aggregated \$815.6 million and \$27.9 million, respectively. We are required to recognize a right-of-use asset and a related liability to account for our future obligations under operating lease arrangements in which we are the lessee. The operating lease liability is measured based on the present value of the remaining lease payments, including payments during the term under our extension options that we are reasonably certain to exercise. The right-of-use asset is equal to the corresponding operating lease liability, adjusted for the initial direct leasing cost and any other consideration exchanged with the landlord prior to the commencement of the lease, as well as adjustments to reflect favorable or unfavorable terms of an acquired lease when compared with market terms at the time of acquisition. As of March 31, 2024, the present value of the remaining contractual payments aggregating \$843.5 million under our operating lease agreements, including our extension options that we are reasonably certain to exercise, was \$381.6 million, which was classified in accounts payable, accrued expenses, and other liabilities in our consolidated balance sheets. As of March 31, 2024, the weighted-average remaining lease term of operating leases in which we are the lessee was approximately 41 years, and the weighted-average discount rate was 4.6%. Our corresponding operating lease right-of-use assets, adjusted for initial direct leasing costs and other consideration exchanged with the landlord prior to the commencement of the lease, aggregated \$513.3 million. We classify the right-of-use asset in other assets in our consolidated balance sheets. Refer to "Lease accounting" in Note 2 - "Summary of significant accounting policies" to our unaudited consolidated financial statements in Item 1 for additional information.

Commitments

As of March 31, 2024, remaining aggregate costs under contract for the construction of properties undergoing development, redevelopment, and improvements under the terms of leases approximated \$1.7 billion. In addition, we may be required to incur construction costs associated with future development projects aggregating 643,331 RSF pursuant to an agreement whereby our counterparty may elect to execute future lease agreements on mutually agreeable terms. We expect payments for these obligations to occur over one to three years, subject to capital planning adjustments from time to time. We may have the ability to cease the construction of certain projects, which would result in the reduction of our commitments.

As of March 31, 2024, the total purchase price of our pending acquisitions under executed letters of intent or purchase and sale agreements aggregated \$82.4 million related to the acquisitions expected to be completed in 2024. In addition, we have letters of credit and performance obligations aggregating \$29.5 million primarily related to acquisitions expected to be completed after 2024.

We are committed to funding approximately \$409.1 million related to our non-real estate investments. These funding commitments are primarily associated with our investments in privately held entities that report NAV and expire at various dates over the next 12 years, with a weighted-average expiration of 8.3 years as of March 31, 2024.

Exposure to environmental liabilities

In connection with the acquisition of all of our properties, we have obtained Phase I environmental assessments to ascertain the existence of any environmental liabilities or other issues. The Phase I environmental assessments of our properties have not revealed any environmental liabilities that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole, nor are we aware of any material environmental liabilities that have occurred since the Phase I environmental assessments were completed. In addition, we carry a policy of pollution legal liability insurance covering exposure to certain environmental losses at substantially all of our properties.

Foreign currency translation gains and losses

The following table presents the change in accumulated other comprehensive loss attributable to Alexandria Real Estate Equities, Inc.'s stockholders during the three months ended March 31, 2024 primarily due to the changes in the foreign exchange rates for our real estate investments in Canada (in thousands). We reclassify unrealized foreign currency translation gains and losses into net income as we dispose of these holdings.

	Total
Balance as of December 31, 2023	\$ (15,896)
Other comprehensive loss before reclassifications	(7,919)
Net other comprehensive loss	(7,919)
Balance as of March 31, 2024	<u>\$ (23,815)</u>

Inflation

As of March 31, 2024, approximately 94% of our leases (on an annual rental revenue basis) were triple net leases, which require tenants to pay substantially all real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses (including increases thereto) in addition to base rent. Approximately 96% of our leases (on an annual rental revenue basis) contained effective annual rent escalations that were either fixed (generally ranging from 3.0% to 3.5%) or indexed based on a consumer price index or other indices. Accordingly, we do not believe that our cash flows or earnings from real estate operations are subject to significant risks from inflation. A period of inflation, however, could cause an increase in the cost of our variable-rate borrowings, including borrowings under our unsecured senior line of credit and commercial paper program, issuances of unsecured senior notes payable, and borrowings under our secured construction loans, and secured loans held by our unconsolidated real estate joint ventures.

In addition, refer to "Item 1A. Risk factors" within "Part II - Other information" in this quarterly report on Form 10-Q for a discussion about risks that inflation directly or indirectly may pose to our business.

Issuer and guarantor subsidiary summarized financial information

Alexandria Real Estate Equities, Inc. (the “Issuer”) has sold certain debt securities registered under the Securities Act of 1933, as amended, that are fully and unconditionally guaranteed by Alexandria Real Estate Equities, L.P. (the “LP” or the “Guarantor Subsidiary”), an indirectly 100% owned subsidiary of the Issuer. The Issuer’s other subsidiaries, including, but not limited to, the subsidiaries that own substantially all of its real estate (collectively, the “Combined Non-Guarantor Subsidiaries”), will not provide a guarantee of such securities, including the subsidiaries that are partially or 100% owned by the LP. The following summarized financial information presents, on a combined basis, balance sheet information as of March 31, 2024 and December 31, 2023, and results of operations and comprehensive income for the three months ended March 31, 2024 and year ended December 31, 2023 for the Issuer and the Guarantor Subsidiary. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis. In presenting the summarized financial statements, the equity method of accounting has been applied to (i) the Issuer’s interests in the Guarantor Subsidiary, (ii) the Guarantor Subsidiary’s interests in the Combined Non-Guarantor Subsidiaries, and (iii) the Combined Non-Guarantor Subsidiaries’ interests in the Guarantor Subsidiary, where applicable, even though all such subsidiaries meet the requirements to be consolidated under GAAP. All assets and liabilities have been allocated to the Issuer and the Guarantor Subsidiary generally based on legal entity ownership.

The following tables present combined summarized financial information as of March 31, 2024 and December 31, 2023, for the three months ended March 31, 2024, and for the year ended December 31, 2023 for the Issuer and Guarantor Subsidiary. Amounts provided do not represent our total consolidated amounts (in thousands):

	March 31, 2024	December 31, 2023
Assets:		
Cash, cash equivalents, and restricted cash	\$ 380,040	\$ 210,755
Other assets	118,464	115,373
Total assets	\$ 498,504	\$ 326,128
Liabilities:		
Unsecured senior notes payable	\$ 12,087,113	\$ 11,096,028
Unsecured senior line of credit and commercial paper	—	99,952
Other liabilities	493,253	504,659
Total liabilities	\$ 12,580,366	\$ 11,700,639

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Total revenues	\$ 16,359	\$ 54,230
Total expenses	(87,121)	(273,990)
Net loss	(70,762)	(219,760)
Net income attributable to unvested restricted stock awards	(3,659)	(11,195)
Net loss attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	<u>\$ (74,421)</u>	<u>\$ (230,955)</u>

As of March 31, 2024, 395 of our 410 properties were held indirectly by the REIT's wholly owned consolidated subsidiary, Alexandria Real Estate Equities, L.P.

Critical accounting estimates

Refer to our annual report on Form 10-K for the year ended December 31, 2023 for a discussion of our critical accounting estimates related to recognition of real estate acquired, impairment of long-lived assets, impairment of non-real estate investments, and monitoring of tenant credit quality.

Definitions and reconciliations

This section contains additional information on certain non-GAAP financial measures, including reconciliations to the most directly comparable financial measure calculated and presented in accordance with GAAP and the reasons why we use these supplemental measures of performance and believe they provide useful information to investors, as well as the definitions of other terms used in this report.

Funds from operations and funds from operations, as adjusted, attributable to Alexandria Real Estate Equities, Inc.'s common stockholders

GAAP-basis accounting for real estate assets utilizes historical cost accounting and assumes that real estate values diminish over time. In an effort to overcome the difference between real estate values and historical cost accounting for real estate assets, the Nareit Board of Governors established funds from operations as an improved measurement tool. Since its introduction, funds from operations has become a widely used non-GAAP financial measure among equity REITs. We believe that funds from operations is helpful to investors as an additional measure of the performance of an equity REIT. Moreover, we believe that funds from operations, as adjusted, allows investors to compare our performance to the performance of other real estate companies on a consistent basis, without having to account for differences recognized because of real estate acquisition and disposition decisions, financing decisions, capital structure, capital market transactions, variances resulting from the volatility of market conditions outside of our control, or other corporate activities that may not be representative of the operating performance of our properties.

The 2018 White Paper published by the Nareit Board of Governors (the "Nareit White Paper") defines funds from operations as net income (computed in accordance with GAAP), excluding gains or losses on sales of real estate, and impairments of real estate, plus depreciation and amortization of operating real estate assets, and after adjustments for our share of consolidated and unconsolidated partnerships and real estate joint ventures. Impairments represent the write-down of assets when fair value over the recoverability period is less than the carrying value due to changes in general market conditions and do not necessarily reflect the operating performance of the properties during the corresponding period.

We compute funds from operations, as adjusted, as funds from operations calculated in accordance with the Nareit White Paper, excluding significant gains, losses, and impairments realized on non-real estate investments, unrealized gains or losses on non-real estate investments, gains or losses on early extinguishment of debt, significant termination fees, acceleration of stock compensation expense due to the resignations of executive officers, deal costs, the income tax effect related to such items, and the amount of such items that is allocable to our unvested restricted stock awards. We compute the amount that is allocable to our unvested restricted stock awards using the two-class method. Under the two-class method, we allocate net income (after amounts attributable to noncontrolling interests) to common stockholders and to unvested restricted stock awards by applying the respective weighted-average shares outstanding during each quarter-to-date and year-to-date period. This may result in a difference of the summation of the quarter-to-date and year-to-date amounts. Neither funds from operations nor funds from operations, as adjusted, should be considered as alternatives to net income (determined in accordance with GAAP) as indications of financial performance, or to cash flows from operating activities (determined in accordance with GAAP) as

measures of liquidity, nor are they indicative of the availability of funds for our cash needs, including our ability to make distributions.

The following table reconciles net income to funds from operations for the share of consolidated real estate joint ventures attributable to noncontrolling interests and our share of unconsolidated real estate joint ventures for the three months ended March 31, 2024 (in thousands):

	Three Months Ended March 31, 2024	
	Noncontrolling Interest Share of Consolidated Real Estate Joint Ventures	Our Share of Unconsolidated Real Estate Joint Ventures
Net income	\$ 48,631	\$ 155
Depreciation and amortization of real estate assets	30,904	1,034
Funds from operations	<u>\$ 79,535</u>	<u>\$ 1,189</u>

The following tables present a reconciliation of net income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders, the most directly comparable financial measure presented in accordance with GAAP, including our share of amounts from consolidated and unconsolidated real estate joint ventures, to funds from operations attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, and funds from operations attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted, and the related per share amounts for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts). Per share amounts may not add due to rounding.

	Three Months Ended March 31,	
	2024	2023
Net income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic and diluted	\$ 166,886	\$ 75,256
Depreciation and amortization of real estate assets	284,950	262,124
Noncontrolling share of depreciation and amortization from consolidated real estate JVs	(30,904)	(28,178)
Our share of depreciation and amortization from unconsolidated real estate JVs	1,034	859
Gain on sales of real estate	(392)	—
Allocation to unvested restricted stock awards	(3,469)	(1,359)
Funds from operations attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted ⁽¹⁾	418,105	308,702
Unrealized (gains) losses on non-real estate investments	(29,158)	65,855
Impairment of non-real estate investments	14,698 ⁽²⁾	—
Allocation to unvested restricted stock awards	247	(867)
Funds from operations attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted	\$ 403,892	\$ 373,690

(1) Calculated in accordance with standards established by the Nareit Board of Governors.

(2) Related to non-real estate investments in privately held entities that do not report NAV. Refer to Note 7 – “Investments” to our unaudited consolidated financial statements in Item 1 for additional information.

(Per share)	Three Months Ended March 31,	
	2024	2023
Net income per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted	\$ 0.97	\$ 0.44
Depreciation and amortization of real estate assets	1.48	1.38
Allocation to unvested restricted stock awards	(0.02)	(0.01)
Funds from operations per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted	2.43	1.81
Unrealized (gains) losses on non-real estate investments	(0.17)	0.39
Impairment of non-real estate investments	0.09	—
Allocation to unvested restricted stock awards	—	(0.01)
Funds from operations per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted	\$ 2.35	\$ 2.19
Weighted-average shares of common stock outstanding – diluted ⁽¹⁾	171,949	170,784

(1) Refer to “Weighted-average shares of common stock outstanding – diluted” in this section for additional information.

Adjusted EBITDA and Adjusted EBITDA margin

We use Adjusted EBITDA as a supplemental performance measure of our operations, for financial and operational decision-making, and as a supplemental means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation, and amortization ("EBITDA"), excluding stock compensation expense, gains or losses on early extinguishment of debt, gains or losses on sales of real estate, impairments of real estate, and significant termination fees. Adjusted EBITDA also excludes unrealized gains or losses and significant realized gains or losses and impairments that result from our non-real estate investments. These non-real estate investment amounts are classified in our consolidated statements of operations outside of total revenues.

We believe Adjusted EBITDA provides investors with relevant and useful information as it allows investors to evaluate the operating performance of our business activities without having to account for differences recognized because of investing and financing decisions related to our real estate and non-real estate investments, our capital structure, capital market transactions, and variances resulting from the volatility of market conditions outside of our control. For example, we exclude gains or losses on the early extinguishment of debt to allow investors to measure our performance independent of our indebtedness and capital structure. We believe that adjusting for the effects of impairments and gains or losses on sales of real estate, significant impairments and realized gains or losses on non-real estate investments, and significant termination fees allows investors to evaluate performance from period to period on a consistent basis without having to account for differences recognized because of investing and financing decisions related to our real estate and non-real estate investments or other corporate activities that may not be representative of the operating performance of our properties.

In addition, we believe that excluding charges related to stock compensation and unrealized gains or losses facilitates for investors a comparison of our business activities across periods without the volatility resulting from market forces outside of our control. Adjusted EBITDA has limitations as a measure of our performance. Adjusted EBITDA does not reflect our historical expenditures or future requirements for capital expenditures or contractual commitments. While Adjusted EBITDA is a relevant measure of performance, it does not represent net income (loss) or cash flows from operations calculated and presented in accordance with GAAP, and it should not be considered as an alternative to those indicators in evaluating performance or liquidity.

In order to calculate the Adjusted EBITDA margin, we divide Adjusted EBITDA by total revenues as presented in our consolidated statements of operations. We believe that this supplemental performance measure provides investors with additional useful information regarding the profitability of our operating activities.

We are not able to forecast fourth quarter net income without unreasonable effort and therefore do not provide a reconciliation for Adjusted EBITDA on a forward-looking basis. This is due to the inherent difficulty of forecasting the timing and/or amount of items that depend on market conditions outside of our control, including the timing of dispositions, capital events, and financing decisions, as well as quarterly components such as gain on sales of real estate, unrealized gains or losses on non-real estate investments, impairment of real estate, and impairment of non-real estate investments. Our attempt to predict these amounts may produce significant but inaccurate estimates, which would be potentially misleading for our investors.

The following table reconciles net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA and calculates the Adjusted EBITDA margin for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 219,176	\$ 121,693
Interest expense	40,840	13,754
Income taxes	1,764	1,131
Depreciation and amortization	287,554	265,302
Stock compensation expense	17,125	16,486
Gain on sales of real estate	(392)	—
Unrealized (gains) losses on non-real estate investments	(29,158)	65,855
Impairment of non-real estate investments	14,698	—
Adjusted EBITDA	<u>\$ 551,607</u>	<u>\$ 484,221</u>
Total revenues	\$ 769,108	\$ 700,795
Adjusted EBITDA margin	72%	69%

Annual rental revenue

Annual rental revenue represents the annualized fixed base rental obligations, calculated in accordance with GAAP, for leases in effect as of the end of the period, related to our operating RSF. Annual rental revenue is presented using 100% of the annual rental revenue from our consolidated properties and our share of annual rental revenue for our unconsolidated real estate joint ventures. Annual rental revenue per RSF is computed by dividing annual rental revenue by the sum of 100% of the RSF of our consolidated properties and our share of the RSF of properties held in unconsolidated real estate joint ventures. As of March 31, 2024, approximately 94% of our leases (on an annual rental revenue basis) were triple net leases, which require tenants to pay substantially all real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses (including increases thereto) in addition to base rent. Annual rental revenue excludes these operating expenses recovered from our tenants. Amounts recovered from our tenants related to these operating expenses, along with base rent, are classified in income from rentals in our consolidated statements of operations.

Capitalization rates

Capitalization rates are calculated based on net operating income and net operating income (cash basis) annualized, excluding lease termination fees, on stabilized operating assets for the quarter preceding the date on which the property is sold, or near-term prospective net operating income.

Capitalized interest

We capitalize interest cost as a cost of a project during periods for which activities necessary to develop, redevelop, or reposition a project for its intended use are ongoing, provided that expenditures for the asset have been made and interest cost has been incurred. Activities necessary to develop, redevelop, or reposition a project include pre-construction activities such as entitlements, permitting, design, site work, and other activities preceding commencement of construction of aboveground building improvements. The advancement of pre-construction efforts is focused on reducing the time required to deliver projects to prospective tenants. These critical activities add significant value for future ground-up development and are required for the vertical construction of buildings. If we cease activities necessary to prepare a project for its intended use, interest costs related to such project are expensed as incurred.

Cash interest

Cash interest is equal to interest expense calculated in accordance with GAAP plus capitalized interest, less amortization of loan fees and debt premiums (discounts). Refer to “Fixed-charge coverage ratio” in this section for a reconciliation of interest expense, the most directly comparable financial measure calculated and presented in accordance with GAAP, to cash interest.

Class A/A+ properties and AAA locations

Class A/A+ properties are properties clustered in AAA locations that provide innovative tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. Class A/A+ properties generally command higher annual rental rates than other classes of similar properties.

AAA locations are in close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Such locations are generally characterized by high barriers to entry for new landlords, high barriers to exit for tenants, and a limited supply of available space.

Development, redevelopment, and pre-construction

A key component of our business model is our disciplined allocation of capital to the development and redevelopment of new Class A/A+ properties, and property enhancements identified during the underwriting of certain acquired properties, located in collaborative life science mega campuses in AAA innovation clusters. These projects are generally focused on providing high-quality, generic, and reusable spaces that meet the real estate requirements of a wide range of tenants. Upon completion, each value-creation project is expected to generate increases in rental income, net operating income, and cash flows. Our development and redevelopment projects are generally in locations that are highly desirable to high-quality entities, which we believe results in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value.

Development projects generally consist of the ground-up development of generic and reusable laboratory facilities. Redevelopment projects consist of the permanent change in use of acquired office, warehouse, or shell space into laboratory space. We generally will not commence new development projects for aboveground construction of new Class A/A+ laboratory space without first securing significant pre-leasing for such space, except when there is solid market demand for high-quality Class A/A+ properties.

Priority anticipated projects are those most likely to commence future ground-up development or first-time conversion from non-laboratory space to laboratory space prior to our other future projects, pending market conditions and leasing negotiations.

Pre-construction activities include entitlements, permitting, design, site work, and other activities preceding commencement of construction of aboveground building improvements. The advancement of pre-construction efforts is focused on reducing the time required to deliver projects to prospective tenants. These critical activities add significant value for future ground-up development and are required for the vertical construction of buildings. Ultimately, these projects will provide high-quality facilities and are expected to generate significant revenue and cash flows.

Development, redevelopment, and pre-construction spending also includes the following costs: (i) amounts to bring certain acquired properties up to market standard and/or other costs identified during the acquisition process (generally within two years of acquisition) and (ii) permanent conversion of space for highly flexible, move-in-ready laboratory space to foster the growth of promising early- and growth-stage life science companies.

Revenue-enhancing and repositioning capital expenditures represent spending to reposition or significantly change the use of a property, including through improvement in the asset quality from Class B to Class A/A+.

Non-revenue-enhancing capital expenditures represent costs required to maintain the current revenues of a stabilized property, including the associated costs for renewed and re-leased space.

Dividend payout ratio (common stock)

Dividend payout ratio (common stock) is the ratio of the absolute dollar amount of dividends on our common stock (shares of common stock outstanding on the respective record dates multiplied by the related dividend per share) to funds from operations attributable to Alexandria's common stockholders - diluted, as adjusted.

Dividend yield

Dividend yield for the quarter represents the annualized quarter dividend divided by the closing common stock price at the end of the quarter.

Fixed-charge coverage ratio

Fixed-charge coverage ratio is a non-GAAP financial measure representing the ratio of Adjusted EBITDA to cash interest and fixed charges. We believe that this ratio is useful to investors as a supplemental measure of our ability to satisfy fixed financing obligations and preferred stock dividends. Cash interest is equal to interest expense calculated in accordance with GAAP plus capitalized interest, less amortization of loan fees and debt premiums (discounts).

The following table reconciles interest expense, the most directly comparable financial measure calculated and presented in accordance with GAAP, to cash interest and computes fixed-charge coverage ratio for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Adjusted EBITDA	\$ 551,607	\$ 484,221
Interest expense	\$ 40,840	\$ 13,754
Capitalized interest	81,840	87,070
Amortization of loan fees	(4,142)	(3,639)
Amortization of debt discounts	(318)	(288)
Cash interest and fixed charges	\$ 118,220	\$ 96,897
Fixed-charge coverage ratio:		
- quarter annualized	4.7x	5.0x
- trailing 12 months	4.7x	5.0x

We are not able to forecast fourth quarter net income without unreasonable effort and therefore do not provide a reconciliation for fixed-charge coverage ratio on a forward-looking basis. This is due to the inherent difficulty of forecasting the timing and/or amount of items that depend on market conditions outside of our control, including the timing of dispositions, capital events, and financing decisions, as well as quarterly components such as gain on sales of real estate, unrealized gains or losses on non-real estate investments, impairment of real estate, and impairment of non-real estate investments. Our attempt to predict these amounts may produce significant but inaccurate estimates, which would be potentially misleading for our investors.

Gross assets

Gross assets are calculated as total assets plus accumulated depreciation as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Total assets	\$ 37,699,046	\$ 36,771,402
Accumulated depreciation	5,216,857	4,985,019
Gross assets	<u>\$ 42,915,903</u>	<u>\$ 41,756,421</u>

Initial stabilized yield (unlevered)

Initial stabilized yield is calculated as the estimated amounts of net operating income at stabilization divided by our investment in the property. Our initial stabilized yield excludes the benefit of leverage. Our cash rents related to our value-creation projects are generally expected to increase over time due to contractual annual rent escalations. Our estimates for initial stabilized yields, initial stabilized yields (cash basis), and total costs at completion represent our initial estimates at the commencement of the project. We expect to update this information upon completion of the project, or sooner if there are significant changes to the expected project yields or costs.

- Initial stabilized yield reflects rental income, including contractual rent escalations and any rent concessions over the term(s) of the lease(s), calculated on a straight-line basis.
- Initial stabilized yield (cash basis) reflects cash rents at the stabilization date after initial rental concessions, if any, have elapsed and our total cash investment in the property.

Investment-grade or publicly traded large cap tenants

Investment-grade or publicly traded large cap tenants represent tenants that are investment-grade rated or publicly traded companies with an average daily market capitalization greater than \$10 billion for the twelve months ended March 31, 2024, as reported by Bloomberg Professional Services. Credit ratings from Moody's Investors Service and S&P Global Ratings reflect credit ratings of the tenant's parent entity, and there can be no assurance that a tenant's parent entity will satisfy the tenant's lease obligation upon such tenant's default. We monitor the credit quality and related material changes of our tenants. Material changes that cause a tenant's market capitalization to decrease below \$10 billion, which are not immediately reflected in the twelve-month average, may result in their exclusion from this measure.

Investments in real estate

The following table presents our value-creation pipeline of new Class A/A+ development and redevelopment projects, excluding properties held for sale, as a percentage of gross assets as of March 31, 2024:

	Percentage of Gross Assets
Under construction projects and one committed near-term project expected to commence construction in the next two years (63% leased/negotiating)	9%
Income-producing/potential cash flows/covered land play ⁽¹⁾	7%
Land	4%

- (1) Includes projects with existing buildings that are generating or can generate operating cash flows. Also includes development rights associated with existing operating campuses. These projects aggregated 1.0% of annual rental revenue as of March 31, 2024 and are included in our industry mix chart as targeted for a future change in use. Refer to "High-quality and diverse client base" in Item 2 for additional information.

The square footage presented in the table below is classified as operating as of March 31, 2024. These lease expirations or vacant space at recently acquired properties represent future opportunities for which we have the intent, subject to market conditions and leasing, to commence first-time conversion from non-laboratory space to laboratory space, or to commence future ground-up development:

Property/Submarket	Dev/ Redev	RSF of Lease Expirations Targeted for Development and Redevelopment			
		2024	2025	Thereafter ⁽¹⁾	Total
Committed near-term project:					
4161 Campus Point Court/University Town Center	Dev	159,884	—	—	159,884
Priority anticipated projects:					
311 Arsenal Street/Cambridge/Inner Suburbs	Redev	148,393	25,312	—	173,705
269 East Grand Avenue/South San Francisco	Redev	107,250	—	—	107,250
3301 Monte Villa Parkway/Bothell	Redev	—	50,552	—	50,552
1020 Red River Street/Austin	Redev	—	126,034	—	126,034
		255,643	201,898	—	457,541
Future projects:					
100 Edwin H. Land Boulevard/Cambridge	Dev	104,500	—	—	104,500
446, 458, 500, and 550 Arsenal Street/ Cambridge/Inner Suburbs	Dev	—	—	376,698	376,698
Other/Greater Boston	Redev	—	—	167,549	167,549
1122 and 1150 El Camino Real/South San Francisco	Dev	—	—	375,232	375,232
3875 Fabian Way/Greater Stanford	Dev	—	—	228,000	228,000
2100, 2200, 2300, and 2400 Geng Road/ Greater Stanford	Dev	84,083	—	78,501	162,584
960 Industrial Road/Greater Stanford	Dev	—	—	112,590	112,590
10975 and 10995 Torreyana Road/Torrey Pines	Dev	84,829	—	—	84,829
Campus Point by Alexandria/University Town Center	Dev	335,308	—	—	335,308
Sequence District by Alexandria/ Sorrento Mesa	Dev/ Redev	—	—	686,290	686,290
830 4th Avenue South/SoDo	Dev	—	—	42,380	42,380
Other/Seattle	Dev	—	—	77,376	77,376
100 Capitola Drive/Research Triangle	Dev	—	—	34,527	34,527
1001 Trinity Street/Austin	Dev	—	72,938	—	72,938
Canada	Redev	—	—	247,743	247,743
		608,720	72,938	2,426,886	3,108,544
		1,024,247	274,836	2,426,886	3,725,969

(1) Includes vacant square footage as of March 31, 2024.

Joint venture financial information

We present components of balance sheet and operating results information related to our real estate joint ventures, which are not presented, or intended to be presented, in accordance with GAAP. We present the proportionate share of certain financial line items as follows: (i) for each real estate joint venture that we consolidate in our financial statements, which are controlled by us through contractual rights or majority voting rights, but of which we own less than 100%, we apply the noncontrolling interest economic ownership percentage to each financial item to arrive at the amount of such cumulative noncontrolling interest share of each component presented; and (ii) for each real estate joint venture that we do not control and do not consolidate, and are instead controlled jointly or by our joint venture partners through contractual rights or majority voting rights, we apply our economic ownership percentage to each financial item to arrive at our proportionate share of each component presented.

The components of balance sheet and operating results information related to our real estate joint ventures do not represent our legal claim to those items. For each entity that we do not wholly own, the joint venture agreement generally determines what equity holders can receive upon capital events, such as sales or refinancing, or in the event of a liquidation. Equity holders are normally entitled to their respective legal ownership of any residual cash from a joint venture only after all liabilities, priority distributions, and claims have been repaid or satisfied.

We believe that this information can help investors estimate the balance sheet and operating results information related to our partially owned entities. Presenting this information provides a perspective not immediately available from consolidated financial statements and one that can supplement an understanding of the joint venture assets, liabilities, revenues, and expenses included in our consolidated results.

The components of balance sheet and operating results information related to our real estate joint ventures are limited as an analytical tool as the overall economic ownership interest does not represent our legal claim to each of our joint ventures' assets, liabilities, or results of operations. In addition, joint venture financial information may include financial information related to the unconsolidated real estate joint ventures that we do not control. We believe that in order to facilitate for investors a clear understanding of our operating results and our total assets and liabilities, joint venture financial information should be examined in conjunction with our consolidated statements of operations and balance sheets. Joint venture financial information should not be considered an alternative to our consolidated financial statements, which are presented and prepared in accordance with GAAP.

Mega campus

Mega campuses are cluster campuses that consist of approximately 1 million RSF or more, including operating, active development/redevelopment, and land RSF less operating RSF expected to be demolished. The following table reconciles our annual rental revenue and value-creation pipeline RSF as of March 31, 2024 (dollars in thousands):

	Annual Rental Revenue	Value-Creation Pipeline RSF
Mega campus	\$ 1,637,733	21,958,936
Non-mega campus	575,237	9,952,556
Total	<u>\$ 2,212,970</u>	<u>31,911,492</u>
Mega campus as a percentage of annual rental revenue and of total value-creation pipeline RSF		
	74 %	69 %

Net cash provided by operating activities after dividends

Net cash provided by operating activities after dividends includes the deduction for distributions to noncontrolling interests. For purposes of this calculation, changes in operating assets and liabilities are excluded as they represent timing differences.

Net debt and preferred stock to Adjusted EBITDA

Net debt and preferred stock to Adjusted EBITDA is a non-GAAP financial measure that we believe is useful to investors as a supplemental measure of evaluating our balance sheet leverage. Net debt and preferred stock is equal to the sum of total consolidated debt less cash, cash equivalents, and restricted cash, plus preferred stock outstanding as of the end of the period. Refer to “Adjusted EBITDA and Adjusted EBITDA margin” within this section for further information on the calculation of Adjusted EBITDA.

We are not able to forecast fourth quarter net income without unreasonable effort and therefore do not provide a reconciliation for net debt and preferred stock to Adjusted EBITDA on a forward-looking basis. This is due to the inherent difficulty of forecasting the timing and/or amount of items that depend on market conditions outside of our control, including the timing of dispositions, capital events, and financing decisions, as well as quarterly components such as gain on sales of real estate, unrealized gains or losses on non-real estate investments, impairment of real estate, and impairment of non-real estate investments. Our attempt to predict these amounts may produce significant but inaccurate estimates, which would be potentially misleading for our investors.

The following table reconciles debt to net debt and preferred stock and computes the ratio to Adjusted EBITDA as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Secured notes payable	\$ 130,050	\$ 119,662
Unsecured senior notes payable	12,087,113	11,096,028
Unsecured senior line of credit and commercial paper	—	99,952
Unamortized deferred financing costs	84,198	76,329
Cash and cash equivalents	(722,176)	(618,190)
Restricted cash	(9,519)	(42,581)
Preferred stock	—	—
Net debt and preferred stock	<u>\$ 11,569,666</u>	<u>\$ 10,731,200</u>
Adjusted EBITDA:		
- quarter annualized	\$ 2,206,428	\$ 2,094,988
- trailing 12 months	\$ 2,064,904	\$ 1,997,518
Net debt and preferred stock to Adjusted EBITDA:		
- quarter annualized	5.2 x	5.1 x
- trailing 12 months	5.6 x	5.4 x

Net operating income, net operating income (cash basis), and operating margin

The following table reconciles net income to net operating income and net operating income (cash basis) and computes operating margin for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 219,176	\$ 121,693
Equity in earnings of unconsolidated real estate joint ventures	(155)	(194)
General and administrative expenses	47,055	48,196
Interest expense	40,840	13,754
Depreciation and amortization	287,554	265,302
Gain on sales of real estate	(392)	—
Investment (income) loss	(43,284)	45,111
Net operating income	550,794	493,862
Straight-line rent revenue	(48,251)	(33,191)
Amortization of acquired below-market leases	(30,340)	(21,636)
Net operating income (cash basis)	\$ 472,203	\$ 439,035
Net operating income (cash basis) - annualized	\$ 1,888,812	\$ 1,756,140
Net operating income (from above)	\$ 550,794	\$ 493,862
Total revenues	\$ 769,108	\$ 700,795
Operating margin	72%	70%

Net operating income is a non-GAAP financial measure calculated as net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, excluding equity in the earnings of our unconsolidated real estate joint ventures, general and administrative expenses, interest expense, depreciation and amortization, impairments of real estate, gains or losses on early extinguishment of debt, gains or losses on sales of real estate, and investment income or loss. We believe net operating income provides useful information to investors regarding our financial condition and results of operations because it primarily reflects those income and expense items that are incurred at the property level. Therefore, we believe net operating income is a useful measure for investors to evaluate the operating performance of our consolidated real estate assets. Net operating income on a cash basis is net operating income adjusted to exclude the effect of straight-line rent and amortization of acquired above- and below-market lease revenue adjustments required by GAAP. We believe that net operating income on a cash basis is helpful to investors as an additional measure of operating performance because it eliminates straight-line rent revenue and the amortization of acquired above- and below-market leases.

Furthermore, we believe net operating income is useful to investors as a performance measure of our consolidated properties because, when compared across periods, net operating income reflects trends in occupancy rates, rental rates, and operating costs, which provide a perspective not immediately apparent from net income or loss. Net operating income can be used to measure the initial stabilized yields of our properties by calculating net operating income generated by a property divided by our investment in the property. Net operating income excludes certain components from net income in order to provide results that are more closely related to the results of operations of our properties. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level rather than at the property level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort comparability of operating performance at the property level. Impairments of real estate have been excluded in deriving net operating income because we do not consider impairments of real estate to be property-level operating expenses. Impairments of real estate relate to changes in the values of our assets and do not reflect the current operating performance with respect to related revenues or expenses. Our impairments of real estate represent the write-down in the value of the assets to the estimated fair value less cost to sell. These impairments result from investing decisions or a deterioration in market conditions. We also exclude realized and unrealized investment gain or loss, which results from investment decisions that occur at the corporate level related to non-real estate investments in publicly traded companies and certain privately held entities. Therefore, we do not consider these activities to be an indication of operating performance of our real estate assets at the property level. Our calculation of net operating income also excludes charges incurred from changes in certain financing decisions, such as losses on early extinguishment of debt, as these charges often relate to corporate strategy. Property operating expenses included in determining net operating income primarily consist of costs that are related to our operating properties, such as utilities, repairs, and maintenance; rental expense related to ground leases; contracted services, such as janitorial, engineering, and landscaping; property taxes and insurance; and property-level salaries. General and administrative expenses consist primarily of accounting and corporate compensation, corporate insurance, professional fees, rent, and supplies that are incurred as part of corporate office management. We calculate operating margin as net operating income divided by total revenues.

We believe that in order to facilitate for investors a clear understanding of our operating results, net operating income should be examined in conjunction with net income or loss as presented in our consolidated statements of operations. Net operating income should not be considered as an alternative to net income or loss as an indication of our performance, nor as an alternative to cash flows as a measure of our liquidity or our ability to make distributions.

Operating statistics

We present certain operating statistics related to our properties, including number of properties, RSF, occupancy percentage, leasing activity, and contractual lease expirations as of the end of the period. We believe these measures are useful to investors because they facilitate an understanding of certain trends for our properties. We compute the number of properties, RSF, occupancy percentage, leasing activity, and contractual lease expirations at 100% for all properties in which we have an investment, including properties owned by our consolidated and unconsolidated real estate joint ventures. For operating metrics based on annual rental revenue, refer to “Annual rental revenue” within this section.

Same property comparisons

As a result of changes within our total property portfolio during the comparative periods presented, including changes from assets acquired or sold, properties placed into development or redevelopment, and development or redevelopment properties recently placed into service, the consolidated total income from rentals, as well as rental operating expenses in our operating results, can show significant changes from period to period. In order to supplement an evaluation of our results of operations over a given quarterly or annual period, we analyze the operating performance for all consolidated properties that were fully operating for the entirety of the comparative periods presented, referred to as same properties. We separately present quarterly and year-to-date same property results to align with the interim financial information required by the SEC in our management's discussion and analysis of our financial condition and results of operations. These same properties are analyzed separately from properties acquired subsequent to the first day in the earliest comparable quarterly or year-to-date period presented, properties that underwent development or redevelopment at any time during the comparative periods, unconsolidated real estate joint ventures, properties classified as held for sale, and corporate entities (legal entities performing general and administrative functions), which are excluded from same property results. Additionally, termination fees, if any, are excluded from the results of same properties. Refer to "Same properties" in Item 2 for additional information.

Stabilized occupancy date

The stabilized occupancy date represents the estimated date on which the project is expected to reach occupancy of 95% or greater.

Tenant recoveries

Tenant recoveries represent revenues comprising reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses and earned in the period during which the applicable expenses are incurred and the tenant's obligation to reimburse us arises.

We classify rental revenues and tenant recoveries generated through the leasing of real estate assets within revenues in income from rentals in our consolidated statements of operations. We provide investors with a separate presentation of rental revenues and tenant recoveries in "Comparison of results for the three months ended March 31, 2024 to the three months ended March 31, 2023" in Item 2 because we believe it promotes investors' understanding of our operating results. We believe that the presentation of tenant recoveries is useful to investors as a supplemental measure of our ability to recover operating expenses under our triple net leases, including recoveries of utilities, repairs and maintenance, insurance, property taxes, common area expenses, and other operating expenses, and of our ability to mitigate the effect to net income for any significant variability to components of our operating expenses.

The following table reconciles income from rentals to tenant recoveries for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Income from rentals	\$ 755,551	\$ 687,949
Rental revenues	(581,400)	(518,302)
Tenant recoveries	\$ 174,151	\$ 169,647

Total equity capitalization

Total equity capitalization is equal to the outstanding shares of common stock multiplied by the closing price on the last trading day at the end of each period presented.

Total market capitalization

Total market capitalization is equal to the sum of total equity capitalization and total debt.

Unencumbered net operating income as a percentage of total net operating income

Unencumbered net operating income as a percentage of total net operating income is a non-GAAP financial measure that we believe is useful to investors as a performance measure of the results of operations of our unencumbered real estate assets as it reflects those income and expense items that are incurred at the unencumbered property level. Unencumbered net operating income is derived from assets classified in continuing operations, which are not subject to any mortgage, deed of trust, lien, or other security interest, as of the period for which income is presented.

The following table summarizes unencumbered net operating income as a percentage of total net operating income for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Unencumbered net operating income	\$ 546,830	\$ 492,860
Encumbered net operating income	3,964	1,002
Total net operating income	<u>\$ 550,794</u>	<u>\$ 493,862</u>
Unencumbered net operating income as a percentage of total net operating income	99.3%	99.8%

Weighted-average shares of common stock outstanding – diluted

From time to time, we enter into capital market transactions, including forward equity sales agreements (“Forward Agreements”), to fund acquisitions, to fund construction of our highly leased development and redevelopment projects, and for general working capital purposes. We are required to consider the potential dilutive effect of our Forward Agreements under the treasury stock method while the Forward Agreements are outstanding. As of March 31, 2024, we had no Forward Agreements outstanding. Refer to Note 13 – “Stockholders’ equity” to our unaudited consolidated financial statements in Item 1 for additional information.

The weighted-average shares of common stock outstanding used in calculating EPS – diluted, funds from operations per share – diluted, and funds from operations per share – diluted, as adjusted, for the three months ended March 31, 2024 and 2023 are calculated as follows. Also shown are the weighted-average unvested shares associated with restricted stock awards used in calculating the amounts allocable to unvested stock award holders for each of the respective periods presented below (in thousands):

	Three Months Ended March 31,	
	2024	2023
Basic shares for earnings per share	171,949	170,784
Forward Agreements	—	—
Diluted shares for earnings per share	<u>171,949</u>	<u>170,784</u>
Basic shares for funds from operations per share and funds from operations per share, as adjusted	171,949	170,784
Forward Agreements	—	—
Diluted shares for funds from operations per share and funds from operations per share, as adjusted	<u>171,949</u>	<u>170,784</u>
Weighted-average unvested restricted shares used in calculating the allocations of net income, funds from operations, and funds from operations, as adjusted	<u>2,987</u>	<u>2,277</u>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The primary market risk to which we believe we may be exposed is interest rate risk, which may result from many factors, including government 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 hedge agreements, caps, floors, and other interest rate exchange contracts. The use of these types of instruments to hedge a portion of our exposure to changes in interest rates may carry additional risks, such as counterparty credit risk and the legal enforceability of hedge agreements. As of March 31, 2024, we did not have any outstanding interest rate hedge agreements.

Our future earnings and fair values relating to our outstanding debt are primarily dependent upon prevalent market rates of interest. The following tables illustrate the effect of a 1% change in interest rates, assuming a zero percent interest rate floor, on our fixed- and variable-rate debt as of March 31, 2024 (in thousands):

Annualized effect on future earnings due to variable-rate debt:

Rate increase of 1%	\$	(1,299)
Rate decrease of 1%	\$	1,299

Effect on fair value of total consolidated debt:

Rate increase of 1%	\$	(813,025)
Rate decrease of 1%	\$	932,533

These amounts are determined by considering the effect of the hypothetical interest rates on our borrowings as of March 31, 2024. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Furthermore, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. Because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analyses assume no changes in our capital structure.

Equity price risk

We have exposure to equity price market risk because we hold equity investments in publicly traded companies and privately held entities. All of our investments in actively traded public companies are reflected in our consolidated balance sheets at fair value. Our investments in privately held entities that report NAV per share are measured at fair value using NAV as a practical expedient to fair value. Our equity investments in privately held entities that do not report NAV per share are measured at cost less impairments, adjusted for observable price changes during the period. Changes in fair value of public investments, changes in NAV per share reported by privately held entities, and observable price changes of privately held entities that do not report NAV per share are classified as investment income in our consolidated statements of operations. There is no assurance that future declines in value will

not have a material adverse effect on our future results of operations. The following table illustrates the effect that a 10% change in the value of our equity investments would have on earnings as of March 31, 2024 (in thousands):

Equity price risk:

Fair value increase of 10%	\$ 151,159
Fair value decrease of 10%	\$ (151,159)

Foreign currency exchange rate risk

We have exposure to foreign currency exchange rate risk related to our subsidiaries operating in Canada. The functional currencies of our foreign subsidiaries are the local currencies in each respective country. Gains or losses resulting from the translation of our foreign subsidiaries' balance sheets and statements of operations are classified in accumulated other comprehensive income (loss) as a separate component of total equity and are excluded from net income (loss). Gains or losses will be reflected in our consolidated statements of operations when there is a sale or partial sale of our investment in these operations or upon a complete or substantially complete liquidation of the investment. The following tables illustrate the effect that a 10% change in foreign currency rates relative to the U.S. dollar would have on our potential future earnings and on the fair value of our net investment in foreign subsidiaries based on our current operating assets outside the U.S. as of March 31, 2024 (in thousands):

Effect on potential future earnings due to foreign currency exchange rate:

Rate increase of 10%	\$	62
Rate decrease of 10%	\$	(62)

Effect on the fair value of net investment in foreign subsidiaries due to foreign currency exchange rate:

Rate increase of 10%	\$	39,505
Rate decrease of 10%	\$	(39,505)

The sensitivity analyses assume a parallel shift of all foreign currency exchange rates with respect to the U.S. dollar; however, foreign currency exchange rates do not typically move in such a manner, and actual results may differ materially.

Our exposure to market risk elements for the three months ended March 31, 2024 was consistent with the risk elements presented above, including the effects of changes in interest rates, equity prices, and foreign currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of March 31, 2024, we had performed an evaluation, under the supervision of our principal executive officers and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. These controls and procedures have been designed to ensure that information required for disclosure is recorded, processed, summarized, and reported within the requisite time periods. Based on our evaluation, the principal executive officers and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in internal control over financial reporting

There has not been any change in our internal control over financial reporting during the three months ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the information set forth in this quarterly report on Form 10-Q, one should also carefully review and consider the information contained in the other reports and periodic filings that we make with the SEC, including, without limitation, the information contained under the caption “Item 1A. Risk factors” in our annual report on Form 10-K for the year ended December 31, 2023. Those risk factors could materially affect our business, financial condition, and results of operations. The risks that we describe in our public filings are not the only risks that we face. Additional risks and uncertainties not currently known to us, or that we presently deem to be immaterial, also may materially adversely affect our business, financial condition, and results of operations.

There have been no material changes in our risk factors from those disclosed under the caption “Item 1A. Risk factors” in our annual report on Form 10-K for the year ended December 31, 2023, except for the following updates:

The use of artificial intelligence presents risks and challenges that may adversely impact our business and operating results or that of our tenants and vendors or may adversely impact the requirements and demand for life science laboratory space as a whole.

We may adopt and integrate generative artificial intelligence and machine learning (collectively, “AI”) tools into our operations to enhance efficiencies and streamline existing systems. However, the deployment and maintenance of AI tools may entail substantial risks. While these tools hold promise in optimizing processes and driving efficiencies, as with many technological innovations, they also pose inherent risks. These include, but are not limited to, the potential for inaccuracy, bias, intellectual property infringement, or misappropriation, as well as concerns regarding data privacy and cybersecurity.

Moreover, the use of AI may introduce errors or inadequacies that are not easily detectable. Deficiencies, inaccuracies, or biases in the data used for AI training, or in the content, analyses, or recommendations generated by AI applications, may adversely affect our business, financial condition, and results of operations. The legal landscape surrounding AI is evolving and remains uncertain. It is unknown how the development of laws in this area could impact our business and our ability to enforce our proprietary rights or protect against infringement of those rights.

Potential risks from the use of AI by our tenants

The integration of AI technologies in the life science industry presents both significant opportunities and inherent risks. AI predictive models have the potential to enhance the accuracy and usefulness of simulation models and be utilized broadly across various stages of drug development. However, the adoption of AI also introduces a complex risk landscape similar to those described above that must be navigated with caution.

Moreover, the adoption of AI by our tenants may lead to infrastructure requirements that our buildings currently do not accommodate, such as increased power needs due to high-

performance computing. Infrastructure upgrades may necessitate substantial capital expenditures and could potentially impact the environmental footprint of our building operations.

Potential risks from the use of AI by our investors, analysts, and other market participants

The increasing use of AI by investors, analysts, and other market participants for processing, summarizing, and interpreting financial and other information, including that in our annual reports on Form 10-K, quarterly reports on Form 10-Q, and other public disclosures, poses potential risks. While AI could improve efficiencies in data analysis, AI could also inaccurately interpret or summarize information due to algorithmic limitations or misinterpretation of complex financial concepts. These misinterpretations could be further exacerbated by the potential for AI to overlook additional disclosures in various report sections, such as the Management's Discussion and Analysis of Financial Condition and Results of Operations or Risk Factors section within our annual reports on Form 10-K and/or quarterly reports on Form 10-Q.

Our status as a REIT introduces unique financial metrics, such as funds from operations and fund from operations, as adjusted, which represent widely used non-GAAP financial performance measures of equity REITs. Inadequate AI training on the aspects unique to our industry could lead to inaccurate interpretations of these financial measures, particularly when comparing our performance against non-REIT entities. Furthermore, rules and regulations requiring REITs to distribute at least 90% of REIT taxable income to stockholders result in a substantial reliance on debt and equity financing by REITs. Without adequate training, this unique aspects might not be properly accounted for by AI and could lead to misinterpretations of our financial metrics, such as net debt and preferred stock to Adjusted EBITDA, resulting in inaccurate conclusions and misleading investment recommendations.

Additionally, current inconsistencies in the use, calculation, and presentation of non-GAAP measures among public companies may lead to AI's inaccurate interpretations and comparisons of these measures. Without appropriate adjustments for these divergences, AI may generate erroneous comparisons with peer companies, distorting the view of our operational performance and profitability, which could lead to misguided investor conclusions about our competitive position among other companies.

Other challenges associated with AI use may include:

- Inadequate interpretation of real estate market nuances, including geographic and property-type differences, and property quality.
- Overemphasis on quantitative data, which overlooks qualitative factors like management's expertise, background, and tenure; and company strategy, credit rating, track record, and market reputation.
- Reliance on historical data, which may not reliably predict future performance in the dynamic real estate sector.
- Current limited capability of AI in making nuanced judgments, particularly in understanding market trends, uncertainties, and investor sentiment.

We are committed to the highest levels of transparency, integrity, and accountability in our public disclosures. However, we have no control over the processing or interpretation of this information by third-party AI tools. Incorrect AI interpretations could significantly impact investment decisions, which may adversely affect our stock price, investor confidence, and our reputation. Additionally, the time and resources needed to address and remediate public misconceptions could distract from our business activities, which may further exacerbate the potential negative impact.

Potential risks of use of AI by vendors

Our vendors may incorporate AI tools into their products or services without our knowledge, and the providers of these tools may not meet existing or rapidly evolving regulatory or industry standards with respect to privacy and data protection. Consequently, this may inhibit our or our vendors' ability to uphold an appropriate level of service, data privacy, and overall experience. Bad actors around the world use increasingly sophisticated methods, including the use of AI, to engage in illegal activities involving the theft and misuse of personal information, confidential information, and intellectual property. If we, our vendors, or other third parties with which we conduct business experience an actual or perceived breach of privacy or security incident due to the use of AI, we may be adversely impacted, lose valuable intellectual property or confidential information, and incur harm to our reputation and the public perception of the effectiveness of our security measures.

The realization of any of the aforementioned risks could have a material adverse impact on our revenues, net operating income; our results of operations, funds from operations, operating margins, occupancy, EPS, FFO per share; our overall business; and the market value of our common stock. Any of the outcomes described above could cause damage to us, our tenants, and vendors and adversely impact our business or that of our tenants and vendors. Furthermore, these risks, combined with an uncertain regulatory environment, may result in reputational harm, legal liability, governmental or regulatory scrutiny, or other adverse consequences to our business operations.

ITEM 5. OTHER INFORMATION

Disclosure of 10b5-1 plans

None of our officers or directors had any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” in effect at any time during the three months ended March 31, 2024.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Title	Incorporated by Reference to:	Date Filed
3.1*	Articles of Amendment and Restatement of the Company, dated May 21, 1997	Form 10-Q	August 14, 1997
3.2*	Certificate of Correction of the Company, dated June 20, 1997	Form 10-Q	August 14, 1997
3.3*	Articles of Amendment of the Company, effective as of May 10, 2017	Form 8-K	May 12, 2017
3.4*	Articles of Amendment of the Company, effective as of May 18, 2022	Form 8-K	May 19, 2022
3.5*	Articles Supplementary, dated June 9, 1999, relating to the 9.50% Series A Cumulative Redeemable Preferred Stock	Form 10-Q	August 13, 1999
3.6*	Articles Supplementary, dated February 10, 2000, relating to the election to be subject to Subtitle 8 of Title 3 of the Maryland General Corporation Law	Form 8-K	February 10, 2000
3.7*	Articles Supplementary, dated February 10, 2000, relating to the Series A Junior Participating Preferred Stock	Form 8-K	February 10, 2000
3.8*	Articles Supplementary, dated January 18, 2002, relating to the 9.10% Series B Cumulative Redeemable Preferred Stock	Form 8-A	January 18, 2002
3.9*	Articles Supplementary, dated June 22, 2004, relating to the 8.375% Series C Cumulative Redeemable Preferred Stock	Form 8-A	June 28, 2004
3.10*	Articles Supplementary, dated March 25, 2008, relating to the 7.00% Series D Cumulative Convertible Preferred Stock	Form 8-K	March 25, 2008
3.11*	Articles Supplementary, dated March 12, 2012, relating to the 6.45% Series E Cumulative Redeemable Preferred Stock	Form 8-K	March 14, 2012
3.12*	Articles Supplementary, effective as of May 10, 2017, relating to Reclassified Preferred Stock	Form 8-K	May 12, 2017
3.13*	Amended and Restated Bylaws of the Company (Amended September 21, 2023)	Form 8-K	September 21, 2023
4.1*	Indenture, dated as of March 3, 2017, by and among the Company, as issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and Truist Bank (formerly known as Branch Banking and Trust Company), as Trustee	Form 8-K	March 3, 2017
4.2*	Supplemental Indenture No. 20, dated as of February 15, 2024, by and among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and Truist Bank, as Trustee	Form 8-K	February 15, 2024
4.3*	Form of 5.250% Senior Note due 2036 (included in Exhibit 4.2 above)	Form 8-K	February 15, 2024
4.4*	Supplemental Indenture No. 21, dated as of February 15, 2024, by and among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as	Form 8-K	February 15, 2024

(*) Incorporated by reference.

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 April 22, 2024.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

/s/ Joel S. Marcus

Joel S. Marcus
Executive Chairman
(Principal Executive Officer)

/s/ Peter M. Moglia

Peter M. Moglia
Chief Executive Officer and Chief Investment
Officer
(Principal Executive Officer)

/s/ Marc E. Binda

Marc E. Binda
Chief Financial Officer and Treasurer
(Principal Financial Officer)