NEWELL BRANDS INC
Form DEFA14A
April 24, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

NEWELL BRANDS INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date Filed:

April 24, 2019

Re: Newell Brands Inc. (the Company)
2019 Annual Meeting of Stockholders May 7, 2019

Proposal 3 Advisory Vote on Executive Compensation

Dear Fellow Stockholders:

We are writing to ask for your support by voting in accordance with the recommendations of our Board of Directors on all of the proposals included in our Proxy Statement, which was filed with the U.S. Securities and Exchange Commission on April 5, 2019 and is available at https://www.sec.gov/Archives/edgar/data/814453/000119312519099221/d667250ddef14a.htm (the Proxy Statement).

In particular, we are requesting your support on Proposal 3 the annual advisory vote on the compensation paid to our named executive officers (referred to as the Say-on-Pay Proposal).

Glass, Lewis & Co., LLC (Glass Lewis), a leading proxy advisory firm, has recommended that stockholders vote in favor of our Say-on-Pay Proposal. In contrast, another leading proxy advisory firm, Institutional Shareholder Services, Inc. (ISS), has recommended that stockholders vote against this proposal. ISS, which has supported our say-on-pay proposal in all prior years, has expressed concerns regarding pay-for-performance alignment in 2018 with respect to one feature of our Long-Term Incentive Plan (LTIP) and certain retention awards granted to named executive officers other than the President and Chief Executive Officer in 2018 and 2019.

As described in our Proxy Statement and below, we believe our executive compensation program directly links pay with performance and is in the best interests of the Company s stockholders. Capitalized terms used herein without definition have the meanings ascribed to them in the Proxy Statement.

Pay for Performance

Our strong commitment to pay for performance is evidenced by the design and execution of our compensation programs.

Importantly, both the target compensation and earned incentives for the named executive officers for 2018 and 2019 correlate with the Company s performance and downturn in stock price over the past two years:

CEO Long-term Incentive Grants Materially Reduced

o The CEO s 2018 long-term incentive grant reflected a 20% reduction in value compared to 2017.

o The CEO s 2019 long-term equity incentive award reflected an additional 30% reduction in value, resulting in a total direct compensation target opportunity in 2019 that was $5.5 million lower than in 2017.

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Other Named Executive Officer Target Direct Compensation Reduced or Held Flat

- None of the named executive officers received an increase in base salary or target annual cash bonus percentage in 2018 or in February 2019.

- 2018 long-term incentive grants reflected a reduction for a majority of the named executive officers.

Incentive Payouts Reflect Actual Performance

- There was no Management Bonus Plan (the Bonus Plan) payout in 2018 for the 2017 plan year for the CEO or any of the named executive officers.

- The Bonus Plan for 2018 paid out at 75% of target for the CEO and each of the other eligible named executive officers.

- Performance-based restricted stock units (RSUs) granted in 2016 are expected to pay out at zero percent of target upon the conclusion of the vesting period in May 2019.

Majority of Compensation is Performance-Based

- For 2018, approximately 90% of the CEO s target total direct compensation was performance-based and over 78% of the other named executive officers target total direct compensation was performance-based.

- For 2019, over 76% of the target total direct compensation for the named executive officers, other than the retiring Chief Executive Officer and Chief Operating Officer (both of whom are departing in the Second Quarter 2019), will be performance-based.

- 70% to 100% of the Company s named executive officers annual long-term equity incentive awards for 2018 and 2019 are performance-based.

Of particular note, as disclosed in the Proxy Statement and fully demonstrating the link between take-home pay and performance, the total direct compensation realized by the CEO was reduced from $18.1 million in 2017 to $7.1 million in 2018.

TSR Metric Under the LTIP

ISS identifies the design of the relative total shareholder return (TSR) portion of the Company s LTIP as a negative factor in its recommendation, solely because this portion of the LTIP pays out at target for median performance within the peer group. We disagree with the ISS characterization of this design as somehow lacking rigor. This design is not new and has been a part of our program for over ten years. The design of the TSR component of the LTIP is also entirely consistent with market norms, as the vast majority of S&P 500 companies that utilize a relative TSR metric target median performance.

In addition, the actual operation of the TSR component of the LTIP contradicts any assertion that these metrics are not rigorous. The payout under TSR portion of the LTIP was zero percent for 2015 awards vesting in 2018 and will be zero percent for 2016 awards vesting in 2019, reflecting the recent downturn in the Company s stock price. Furthermore, based on relative TSR during the applicable performance period through the date of the Proxy Statement, the payout under this portion of the LTIP awards granted in 2017 and vesting in 2020 would also be zero percent. Accordingly, for at least two and perhaps three consecutive plan years, the relative TSR component of the LTIP generated or will generate a zero percent payout to named executive officers.

We note that the Company has modified its LTIP design starting in 2019, reflecting stockholder input. From 2016 to 2018, the Company established metrics for performance-based RSUs that were based 100% on relative TSR due to the complexities related to the Jarden acquisition and integration, the related portfolio transformation, and the difficulty of establishing long term performance metrics for the combined enterprise. In 2019, to enhance focus on cash flow generation and working capital improvement, the Committee established metrics for the performance-based RSUs that are based 50% on relative TSR and 50% on cumulative free cash flow, defined as operating cash flow less capital expenditures, subject to certain adjustments set forth in the LTIP document, over the three-year performance period.

The Committee will continue to review LTIP design each year to promote the best outcomes in terms of performance incentives and alignment with stockholders, but it is apparent that the design of the LTIP has resulted in payouts commensurate with performance and stockholder outcomes in recent years.

Retention Awards

ISS also references special retention awards as a negative factor underlying its voting recommendation. In response, we think it is important to provide the context for these decisions. The Company has experienced a period of significant turbulence and management transition over the past several years. Since 2016, ten individuals have served as named executive officers of the Company. Seven of these individuals have departed or will depart from the Company. As a result, the Committee has placed a premium on the retention of executive talent who will play a critical role in the Company s strategy going forward.

The Committee considered the retention of Bradford Turner and Russell Torres as critical both for their leadership capabilities and to provide continuity during a time of significant executive turnover. The Company has steadily increased Mr. Turner s roles and responsibilities, adding the Human Resources function to his responsibilities along with the Legal Services function in late 2017, and in 2018 also giving him responsibility for the Corporate Development function, including oversight of the execution of the Company s divestiture program. Similarly, Mr. Torres has been given steadily increasing operational responsibility amidst the ongoing management transition. Formerly Chief Transformation Officer, Mr. Torres was named a Group President in 2018 and assumed responsibility for the Food and Baby Divisions in addition to remaining responsible for the Company s Supply Chain transformation initiatives.

In May 2018, the Committee approved retention awards to these individuals reflecting a blend of cash and equity as well as a blend of time and performance based requirements. Mr. Turner was awarded a special RSU award with a grant date value of $700,000, subject to the achievement of certain performance conditions. To receive the first of three tranches of this award, scheduled to vest in 2019, Mr. Turner was required to identify and initiate not less than 20% gross run-rate savings in annualized legal functional costs for 2019 versus the Company s 2018 budget[1].In 2019, the Committee determined that Mr. Turner had met the condition for vesting of the first tranche. To receive the second and third tranches of the award, scheduled to vest in 2020 and 2021, Mr. Turner is required to oversee completion by December 31, 2019 of the Company s current divestiture program[2] Mr. Turner also received a cash retention bonus equal to $1.2 million in the aggregate, of which $500,000 was paid in July 2018 (subject to repayment in the event of a voluntary departure within twelve months of accepting the award), and the remainder of which will be payable in equal installments in July 2019 and July 2020, subject to his continued employment.

At the same time, Mr. Torres was awarded a special RSU award with a grant date value of $750,000, subject to the achievement of certain performance conditions. To receive the first of three tranches of this award, scheduled to vest in 2019, Mr. Torres was required to oversee a reduction of the Company s Transformation Office annual personnel and consulting costs by $48 million in 2018 versus

1 Savings include identified variable costs associated with businesses sold or held for sale. Calculations exclude the impact of merit increases and retention awards.

2 Any transaction abandoned or postponed by determination of the Board of Directors of the Company or the Chief Executive Officer, or any transaction subject to a definitive agreement, the closing of which has not yet occurred, shall be considered completed for purposes of the award.

2017. In 2019, the Committee determined that Mr. Torres had met the condition for vesting of the first tranche. For Mr. Torres to receive the second and third tranches of the award, scheduled to vest in 2020 and 2021, the award requires that such costs be substantially reduced or eliminated by March 1, 2020. Mr. Torres also received a $750,000 cash retention bonus payable in equal installments in July 2019 and July 2020, subject to his continued employment.

In 2019, Mr. Torres s responsibilities were further increased to include the Home and Outdoor Living Segment (which includes Outdoor & Recreation, Home Fragrance and Connected Home & Security), the Food Division and the Commercial and Consumer Solutions Division of the Company. In February 2019, for retention purposes and in recognition of the expansion of his responsibilities, the Committee awarded Mr. Torres a special award of time-based RSUs, with a grant date value of approximately $3.2 million, which vests in three equal installments on the first, second and third anniversary of the grant date, subject to his continued employment.

The ISS report acknowledges the need to retain executives in turbulent times, but questions the fact that a portion of the awards are not performance-based as well as the frequency of the awards. As to the performance-based nature of the awards, the awards reflect a mix of equity and cash and a mix of time and individual performance-based requirements designed to strike the appropriate balance between retention, equity ownership to drive alignment with stockholder interests, and motivation towards the execution of key initiatives. Certain awards driven predominantly by retention concerns are exclusively time-based. The Committee concluded that these awards were appropriate for their purpose and the current circumstances facing the Company.

As to frequency, the Company does not consider these to be normal course or steady state awards. The retention awards referenced in the ISS report were made to two specific individuals to secure key talent and to provide critical continuity during this period of remarkable executive turnover. The Committee concluded that these awards were wise investments, preferable and likely less expensive than the prospect of recruiting replacement talent.

The Committee also approved a sign-on inducement award to Christopher Peterson, Executive Vice President and Chief Financial Officer, of time-based RSUs with a value of $2.7 million based on the Company s closing stock price on the date of grant. This award was a critical component of the compensation package designed to recruit and retain the services of a highly qualified individual to fill the Chief Financial Officer role in December 2018. It was a one-time award to increase Mr. Peterson s equity ownership and align his interests with those of our stockholders during his first three years of employment, because the Company s annual LTIP award to Mr. Peterson in 2019 is subject to a three-year performance and cliff vesting period. The inducement award to Mr. Peterson was made as part of the recruitment of a new Chief Financial Officer, again not a regular event but a function of the management transition occurring during recent periods.

The Committee believes that these awards are in the best interests of the Company and its stockholders. These awards were not systematically made to all or even a majority of named executive officers during the relevant period. They were driven by a need to retain or attract uniquely selected executives during a period of significant change in leadership. These awards cast no doubt on the clear pay-for-performance orientation of the Company.

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We take seriously our commitment to pay for performance. We strongly believe our executive compensation program is in the best interests of the Company s stockholders and that both the design and outcomes of our program support this belief.

We encourage you to vote FOR Proposal 3 the Say-on-Pay Proposal.

Sincerely,

The Organizational Development & Compensation Committee of the Board of Directors

Michael A. Todman, Chair

Debra A. Crew

Brett M. Icahn

Gerardo I. Lopez

style="font-family:inherit;font-size:8pt;">566,355 RSF / 137 acres

1,749

1,777

—

52,357

(2)

—

67,457

Two joint ventures 45% partial interest sales:

10290 Campus Point Drive

6/29/16

304,326 RSF

$
15,832

(3)

$
14,665

(3)

106,263

(4)

—

10300 Campus Point Drive

4Q16

449,759 RSF

—

150,008

(4)

106,263

217,465

Projected dispositions:

306 Belmont Street and 350 Plantation Street/Greater Boston/Route 495/Worcester

4Q16

90,690 RSF

$
1,558

$
1,348

—

17,550

(5)

Operating properties and land parcels/
Asia

TBD

634,328 RSF / 59 acres

N/A

N/A

—

53,600

(6)

Other

TBD

TBD

TBD

TBD

—

71,200

(7)

—

142,350

Completed and pending asset sales

$
106,263

$
359,815

(1) Represents annualized amounts for the quarter ended prior to the date of sale, or the third quarter of 2016, annualized for pending asset sales. Cash net operating income excludes straight-line rent and amortization of acquired below-market leases.
(2) Refer to Note 14 – “Assets Classified as Held for Sale” to our unaudited consolidated financial statements under Item 1 of this report for additional information.
(3) Represents 45% partial interest share of the anticipated initial stabilized net operating income and cash net operating income upon completion of the redevelopment of 10290 Campus Point Drive, and net operating income and cash net operating income for the third quarter of 2016, annualized for 10300 Campus Point Drive.
(4) Aggregate proceeds of $256.3 million, including gross proceeds of $68.6 million received as of September 30, 2016, additional future proceeds of $37.7 million to be received primarily in the fourth quarter of 2016 for the construction funding of 10290 Campus Point Drive, and $150.0 million that we expect to receive primarily in the fourth quarter of 2016 for the sale of a partial interest in 10300 Campus Point Drive.
(5) Non-core properties located outside of our urban innovation clusters. These properties are Class B office buildings leased to non-credit tenants and represent our remaining investments in Worcester. The internal rate of return over our hold period, including the expected disposition of the asset, is projected to be approximately 8.9%.
(6) Represents 634,328 RSF of operating properties located in China plus land parcels aggregating 59 acres located in India. Sales are expected to be completed in multiple transactions over several quarters.
(7) Represents the midpoint of a range of values for two assets we are evaluating for sale in Maryland and Canada.

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Investments

We hold equity investments in certain publicly traded companies and in certain privately held entities and limited partnerships primarily involved in the science and technology industries.
As of September 30, 2016, our investments aggregated $321.0 million, or approximately 3.5% of our total assets. The charts and table below presents selected investment statistics as of September 30, 2016 (dollars in thousands, unless stated otherwise):

Public/Private Mix
(Cost)

Tenant/Non-Tenant Mix
(Cost)

Investment Type	Cost	Net Unrealized Gains	Total
Public	$40,090	$ 28,917	$69,007
Private	251,982	—	251,982
Total	$292,072	$ 28,917	$320,989

Number of Investments

203

Average Cost

$1.4M

78

Results of operations

Key operating metrics

Occupancy of Operating Properties in North America [1]

Annualized Base Rent by Market

% of ARE's Total Annualized Base Rent as of September 30, 2016

Rental Rate Increases: Renewed/Re-Leased Space

Same Property Net Operating Income Increase

Favorable Lease Structure [2]

Percentage of triple net leases Stable cash flows	97%
Percentage of leases containing annual rent escalations Increasing cash flows	95%
Percentage of leases providing for the recapture of capital expenditures Lower capex burden	95%

Margins [3]

Adjusted EBITDA	Operating
67%	69%

(1) As of the end of each respective period.
(2) Percentages calculated based on RSF.
(3) Represents the three months ended September 30, 2016.

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Same Properties

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 and/or redevelopment properties recently placed into service, the consolidated total rental revenues, tenant recoveries, and 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 period, we analyze the operating performance for all properties that were fully operating for the entirety of the comparative periods presented, referred to as Same Properties. These properties are analyzed separately from properties acquired subsequent to the first day in the earliest comparable period presented, properties that underwent development or redevelopment at any time during the comparative periods, and corporate entities (legal entities performing general and administrative functions), which are excluded from same property results. Additionally, rental revenues from lease termination fees, if any, are excluded from the results of same properties.

The following table presents information regarding our Same Properties for the three and nine months ended September 30, 2016:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Percentage change in net operating income over comparable period from prior year	5.3%	5.0%
Percentage change in net operating income (cash basis) over comparable period from prior year	6.1%	6.1%
Operating margin	70%	70%
Number of Same Properties	168	161
RSF	14,472,593	13,642,226
Occupancy – current-period average	97.0%	96.9%
Occupancy – same-period prior year average	95.5%	95.9%

The following table reconciles the number of Same Properties to total properties for the nine months ended September 30, 2016:

Development – under construction	Properties
100 Binney Street	1
510 Townsend Street	1
505 Brannan Street	1
ARE Spectrum	3
4796 Executive Drive	1
400 Dexter Avenue North	1
360 Longwood Avenue (unconsolidated real estate joint venture)	1
1455/1515 Third Street (unconsolidated real estate joint venture)	2
5200 Illumina Way, Parking Structure	N/A
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Development – placed into service after January 1, 2015	Properties
50/60 Binney Street	2
75/125 Binney Street	1

430 East 29th Street	1
5200 Illumina Way, Building 6	1
6040 George Watts Hill Drive	1
	6

Redevelopment – under construction	Properties
10290 Campus Point Drive	1
9625 Towne Centre Drive	1
	2

Redevelopment – placed into service after January 1, 2015	Properties
225 Second Avenue	1
11055/11065/11075 Roselle Street	3
10151 Barnes Canyon Road	1
11 Hurley Street	1
	6
Acquisitions after January 1, 2015	Properties
640 Memorial Drive	1
Properties held for sale	2
Total properties excluded from Same Properties	28
Same Properties	161
Total properties as of September 30, 2016	189

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Comparison of results for the three months ended September 30, 2016, to the three months ended September 30, 2015

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 September 30, 2016, compared to the three months ended September 30, 2015. For a reconciliation of net operating income to income from continuing operations, the most directly comparable financial measure presented in accordance with GAAP, refer to "Non-GAAP Measures" within this Item 2.

(Dollars in thousands)	Three Months Ended September 30,			
	2016	2015	$ Change	% Change
Same Properties	$149,612	$142,370	$7,242	5.1 %
Non-Same Properties	16,979	12,941	4,038	31.2
Total rental	166,591	155,311	11,280	7.3
Same Properties	53,943	51,709	2,234	4.3
Non-Same Properties	4,738	4,410	328	7.4
Total tenant recoveries	58,681	56,119	2,562	4.6
Same Properties	16	297	(281)	(94.6)
Non-Same Properties	5,091	6,883	(1,792)	(26.0)
Total other income	5,107	7,180	(2,073)	(28.9)
Same Properties	203,571	194,376	9,195	4.7
Non-Same Properties	26,808	24,234	2,574	10.6
Total revenues	230,379	218,610	11,769	5.4
Same Properties	62,168	60,048	2,120	3.5
Non-Same Properties	9,834	8,798	1,036	11.8
Total rental operations	72,002	68,846	3,156	4.6
Same Properties	141,403	134,328	7,075	5.3
Non-Same Properties	16,974	15,436	1,538	10.0
Net operating income	$158,377	$149,764	$8,613	5.8 %
Net operating income – Same Properties	$141,403	$134,328	$7,075	5.3 %
Straight-line rent revenue and amortization of acquired below-market leases	(9,801)	(10,286)	485	(4.7)
Net operating income – Same Properties (cash basis)	$131,602	$124,042	$7,560	6.1 %

Rental revenues

Total rental revenues for the three months ended September 30, 2016, increased by $11.3 million, or 7.3%, to $166.6 million, compared to $155.3 million for the three months ended September 30, 2015. The increase was due to a $7.2 million increase in revenue from our Same Properties and a $4.0 million increase in rental revenues from our Non-Same Properties, including highly leased development and redevelopment projects, aggregating 1,366,055 RSF, placed into service subsequent to July 1, 2015.

Rental revenues from our Same Properties for the three months ended September 30, 2016, increased by $7.2 million, or 5.1%, to $149.6 million, compared to $142.4 million for the three months ended September 30, 2015. The increase was primarily due to significant rental rate increases on lease renewals and re-leasing of space since July 1, 2015, as well as an increase in occupancy for same properties to 97.0% for the three months ended September 30, 2016, from 95.5% for the three months ended September 30, 2015.

Tenant recoveries

Tenant recoveries for the three months ended September 30, 2016, increased by $2.6 million, or 4.6%, to $58.7 million, compared to $56.1 million for the three months ended September 30, 2015. This increase is relatively consistent with the increase in our rental operating expenses of $3.2 million, or 4.6%, as discussed under “Rental Operating Expenses” below. Same Properties’ tenant recoveries increased by $2.2 million, or 4.3%, primarily due to the increase in occupancy for Same Properties, as discussed above.

Other income

Other income for the three months ended September 30, 2016 and 2015, consisted of the following (in thousands):

	Three Months Ended September 30,		
	2016	2015	Change
Management fee income	$46	$530	$(484)
Interest and other income	795	1,272	(477)
Investment income	4,266	5,378	(1,112)
Total other income	$5,107	$7,180	$(2,073)

Rental operating expenses

Total rental operating expenses for the three months ended September 30, 2016, increased by $3.2 million, or 4.6%, to $72.0 million, compared to $68.8 million for the three months ended September 30, 2015. Approximately $1.0 million of the increase was due to an increase in rental operating expenses from our Non-Same Properties primarily related to development and redevelopment projects placed into service subsequent to July 1, 2015.

Same Properties’ rental operating expenses increased during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, primarily due to an increase in operating expense from higher utility expenses as a result of an increase in occupancy from 95.5% for the three months ended September 30, 2015, to 97.0% for the three months ended September 30, 2016.

General and administrative expenses

General and administrative expenses for the three months ended September 30, 2016, increased by $0.7 million, or 4.7%, to $15.9 million, compared to $15.1 million for the three months ended September 30, 2015. General and administrative expenses increased primarily due to the continued growth in depth and breadth of our operations in multiple markets. As a percentage of total assets, our general and administrative expenses for the three months ended September 30, 2016 and 2015, on an annualized basis were consistent at 0.7% and 0.7%, respectively.

Interest expense

Interest expense for the three months ended September 30, 2016 and 2015, consisted of the following (dollars in thousands):

	Three Months Ended September 30,		
Component	2016	2015	Change
Interest incurred	$40,753	$36,115	$4,638
Capitalized interest	(14,903)	(8,436)	(6,467)
Interest expense	$25,850	$27,679	$(1,829)
Average debt balance outstanding [1]	$4,244,247	$4,224,856	$19,391

Weighted-average annual interest rate (2)	3.8 %	3.4 %	0.4 %

(1) Represents the average debt balance outstanding during the three months ended September 30, 2016 and 2015.
(2) Represents annualized total interest incurred divided by the average debt balance outstanding in the respective periods.

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The net change in interest expense during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, resulted from the following (dollars in thousands):

Component	Interest Rate[1]	Effective Date	Change
Increases in interest incurred due to:			
Issuance of debt:			
$350 million unsecured senior note payable	4.11%	June 2016	$3,483
$300 million unsecured senior note payable	4.46%	November 2015	3,248
$350 million secured construction loan	1.85%	October 2015	961
Fluctuations in interest rate:			
Hedge agreements becoming effective			975
Variable-rate senior bank term loan			299
Amortization of deferred financing fees			364
Other interest incurred			323
Total increases			9,653
Decreases in interest incurred due to:			
Repayments of debt: [2]			
Secured notes payable	Various	Various	(3,631)
Unsecured senior bank term loan	3.03%	July 2016	(144)
Lower average balance on unsecured line of credit			(1,240)
Total decreases			(5,015)
Change in interest incurred			4,638
Increase in capitalized interest [3]			(6,467)
Total change in interest expense			$(1,829)

(1) Represents the interest rate as of the end of the applicable period, plus the impact of debt premiums/discounts, interest rate hedge agreements, and deferred financing costs.

(2) Refer to Note 8 – “Secured and Unsecured Senior Debt” to our unaudited consolidated financial statements under Item 1 of this report for information on debt repayments.

(3) Increase in capitalized interest is due to increased construction activity on our highly leased development and redevelopment projects in our value-creation pipeline aggregating 2.5 million RSF.

Depreciation and amortization

Depreciation and amortization expense for the three months ended September 30, 2016, increased by $9.2 million, or 13.5%, to $77.1 million, compared to $68.0 million for the three months ended September 30, 2015. The increase is primarily due to additional depreciation from development and redevelopment projects placed into service subsequent to July 1, 2015, as noted above.

Sale of real estate assets and related impairment charges

Refer to “Assets Located in Asia” in Note 14 – “Assets Classified as Held for Sale” and “Sale of Real Estate Assets and Related Impairment Charges” in Note 3 – “Investments in Real Estate” to our unaudited consolidated financial statements under Item 1 of this report.

Loss on early extinguishment of debt

During the three months ended September 30, 2016, we recognized a loss on early extinguishment of debt related to the write-off of a portion of unamortized loan fees aggregating $2.4 million, upon the amendment of our unsecured senior line of credit in July 2016. Additionally, we completed a partial principal repayment of $200 million of our 2019 Unsecured Senior Bank Term Loan and recognized a loss on early extinguishment of debt of $869 thousand related to the write-off of unamortized loan fees.

Equity in earnings of unconsolidated real estate joint ventures

Equity in earnings of unconsolidated real estate joint ventures of $273 thousand and $710 thousand for the three months ended September 30, 2016 and 2015, respectively, primarily includes our 27.5% share of the operating results of our development property at 360 Longwood Avenue in our Longwood Medical Area submarket of Greater Boston. The results are impacted by additional depreciation and amortization expense from placing into service additional RSF at this development property. As of September 30, 2016, we had 313,407 RSF, or 76%, of this property in service and occupied, and 100,392 RSF, or 24%, of this project under development. Refer to “Highly Leased Projects Expected to be Placed into Service in the Fourth Quarter of 2016” within this Item 2 for further information regarding the yields expected upon stabilization of this project.

Comparison of results for the nine months ended September 30, 2016, to the nine months ended September 30, 2015

The following table presents a comparison of the components of net operating income for our Same Properties and Non-Same Properties for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015. For a reconciliation of net operating income to income from continuing operations, the most directly comparable financial measure presented in accordance with GAAP, refer to "Non-GAAP Measures" within this Item 2.

(Dollars in thousands)	Nine Months Ended September 30,			
	2016	2015	$ Change	% Change
Same Properties	$405,309	$390,386	$14,923	3.8 %
Non-Same Properties	81,196	60,338	20,858	34.6
Total rental	486,505	450,724	35,781	7.9
Same Properties	141,836	136,200	5,636	4.1
Non-Same Properties	23,549	17,907	5,642	31.5
Total tenant recoveries	165,385	154,107	11,278	7.3
Same Properties	132	316	(184)	(58.2)
Non-Same Properties	20,522	14,372	6,150	42.8
Total other income	20,654	14,688	5,966	40.6
Same Properties	547,277	526,902	20,375	3.9
Non-Same Properties	125,267	92,617	32,650	35.3
Total revenues	672,544	619,519	53,025	8.6
Same Properties	163,729	161,786	1,943	1.2
Non-Same Properties	41,435	30,533	10,902	35.7
Total rental operations	205,164	192,319	12,845	6.7
Same Properties	383,548	365,116	18,432	5.0
Non-Same Properties	83,832	62,084	21,748	35.0
Net operating income	$467,380	$427,200	$40,180	9.4 %
Net operating income – Same Properties	$383,548	$365,116	$18,432	5.0 %
Straight-line rent revenue and amortization of acquired below-market leases	(11,740)	(14,829)	3,089	(20.8)
Net operating income – Same Properties (cash basis)	$371,808	$350,287	$21,521	6.1 %

Rental revenues

Total rental revenues for the nine months ended September 30, 2016, increased by $35.8 million, or 7.9%, to $486.5 million, compared to $450.7 million for the nine months ended September 30, 2015. The increase was primarily due to rental revenues from our Non-Same Properties totaling $20.9 million primarily due to placing into service, subsequent to January 1, 2015, highly leased development and redevelopment projects, aggregating 1,970,918 RSF.

Rental revenues from our Same Properties for the nine months ended September 30, 2016, increased by $14.9 million, or 3.8%, to $405.3 million, compared to $390.4 million for the nine months ended September 30, 2015. The increase was primarily due to significant rental rate increases on lease renewals and re-leasing of space since January 1, 2015, as well as an increase in occupancy for same properties to 96.9% for the nine months ended September 30, 2016, from 95.9% for the nine months ended September 30, 2015.

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Tenant recoveries

Tenant recoveries for the nine months ended September 30, 2016, increased by $11.3 million, or 7.3%, to $165.4 million, compared to $154.1 million for the nine months ended September 30, 2015. This increase is relatively consistent with the increase in our rental operating expenses of $12.8 million, or 6.7%, as discussed under “Rental Operating Expenses” below. Same Properties’ tenant recoveries increased by $5.6 million, or 4.1%, primarily due to the increase in occupancy for Same Properties, as discussed above.

Other income

Other income for the nine months ended September 30, 2016 and 2015, consisted of the following (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Change
Management fee income	$380	$1,341	$(961)
Interest and other income	2,223	2,136	87
Investment income	18,051	11,211	6,840
Total other income	$20,654	$14,688	$5,966

Rental operating expenses

Total rental operating expenses for the nine months ended September 30, 2016, increased by $12.8 million, or 6.7%, to $205.2 million, compared to $192.3 million for the nine months ended September 30, 2015. Approximately $10.9 million of the increase was due to an increase in rental operating expenses from our Non-Same Properties primarily related to development and redevelopment projects placed into service subsequent to January 1, 2015, and one operating property acquired subsequent to January 1, 2015.

Same Properties’ rental operating expenses increased during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, primarily due to an increase in operating expenses from higher utility expenses and higher repairs and maintenance expenses as a result of an increase in occupancy from 95.9% for the nine months ended September 30, 2015, to 96.9% for the nine months ended September 30, 2016.

General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2016, increased by $1.9 million, or 4.3%, to $46.4 million, compared to $44.5 million for the nine months ended September 30, 2015. General and administrative expenses increased primarily due to the continued growth in depth and breadth of our operations in multiple markets. As a percentage of total assets, our general and administrative expenses for the nine months ended September 30, 2016 and 2015, on an annualized basis, were consistent at 0.7% and 0.7%, respectively.

Interest expense

Interest expense for the nine months ended September 30, 2016 and 2015, consisted of the following (dollars in thousands):

	Nine Months Ended September 30,		
Component	2016	2015	Change
Interest incurred	$116,520	$105,427	$11,093
Capitalized interest	(40,790)	(27,844)	(12,946)
Interest expense	$75,730	$77,583	$(1,853)

Average debt balance outstanding [1]	$4,150,540	$4,024,578	$125,962
Weighted-average annual interest rate [2]	3.7 %	3.5 %	0.2 %

(1) Represents the average total debt balance outstanding during the nine months ended September 30, 2016 and 2015.
(2) Represents annualized total interest incurred divided by the average debt balance outstanding in the respective periods.

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The net change in interest expense during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, resulted from the following (dollars in thousands):

Component	Interest Rate[(1)]	Effective Date	Change
Increases in interest incurred due to:			
Issuance of debt:			
$300 million unsecured senior note payable	4.46%	November 2015	$9,743
$350 million unsecured senior note payable	4.11%	June 2016	4,296
$350 million secured construction loan	1.85%	October 2015	2,253
Fluctuations in interest rate:			
Hedge agreements becoming effective			1,783
Variable-rate senior bank term loans			1,057
Amortization of deferred financing fees			884
Other interest incurred			851
Total increases			20,867
Decreases in interest incurred due to:			
Repayment of secured notes payable [(2)]	Various	Various	(8,143)
Lower average balance on unsecured line of credit			(1,631)
Total decreases			(9,774)
Change in interest incurred			11,093
Increase in capitalized interest [(3)]			(12,946)
Total change in interest expense			$(1,853)

(1) Represents the interest rate as of the end of the applicable period, plus the impact of debt premiums/discounts, interest rate hedge agreements, and deferred financing costs.

(2) Refer to Note 8 – "Secured and Unsecured Senior Debt" to our unaudited consolidated financial statements under Item 1 of this report for information on debt repayments.

(3) Increase in capitalized interest is due to increased construction activity on our highly-leased development and redevelopment projects in our value-creation pipeline aggregating 2.5 million RSF.

Depreciation and amortization

Depreciation and amortization expense for the nine months ended September 30, 2016, increased by $29.1 million, or 15.4%, to $218.2 million, compared to $189.0 million for the nine months ended September 30, 2015. The increase is primarily due to additional depreciation from development and redevelopment projects placed into service subsequent to January 1, 2015.

Sale of real estate assets and related impairment charges

Refer to "Assets Located in Asia" in Note 14 – "Assets Classified as Held for Sale" and to "Sale of Real Estate Assets and Related Impairment Charges" in Note 3 – "Investments in Real Estate" to our unaudited consolidated financial statements under Item 1 of this report.

Loss on early extinguishment of debt

During the nine months ended September 30, 2016, we recognized a loss on early extinguishment of debt related to the write-off of a portion of unamortized loan fees totaling $2.4 million, upon the amendment of our unsecured senior line of credit in July 2016. In addition, we completed a partial principal repayment of $200 million of our 2019 Unsecured Senior Bank Term Loan and recognized a loss on early extinguishment of debt of $869 thousand related to the write-off of unamortized loan fees. During the nine months ended September 30, 2015, we recognized a loss on early extinguishment of debt to expense a portion of unamortized loan fees aggregating $189 thousand upon our $25.0 million partial principal repayment under our Unsecured Senior Bank Term Loan.

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Equity in (losses) earnings of unconsolidated real estate joint ventures

Equity in losses of unconsolidated real estate joint ventures of $270 thousand and equity in earnings of unconsolidated real estate joint ventures of $1.8 million for the nine months ended September 30, 2016 and 2015, respectively, primarily include our 27.5% share of the operating results of our development property at 360 Longwood Avenue in our Longwood Medical Area submarket of Greater Boston. The results are impacted by additional depreciation and amortization expense from placing into service additional RSF at this development property. As of September 30, 2016, we had 313,407 RSF, or 76%, of this property in service at 100% occupancy and 100,392 RSF, or 24%, of this project under development. Refer to “Highly Leased Projects Expected to be Placed into Service in the Fourth Quarter of 2016” within this Item 2 for further information regarding the yields expected upon stabilization of this project.

Joint venture financial information

We present components of operating results and balance sheet information for the share of our consolidated real estate joint ventures owned by noncontrolling interests and for our share of investments in unconsolidated real estate joint ventures to help investors estimate the impact of partially owned entities to our consolidated financial statements. 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 these unconsolidated real estate joint ventures to arrive at our proportionate share of each component presented (dollars in thousands).

Consolidated real estate joint ventures

Property/Market/Submarket	Noncontrolling Interest Share (1)	
225 Binney Street/Greater Boston/Cambridge	70%	
1500 Owns Street/San Francisco/ Mission Bay/SoMa	49.9%	
409/499 Illinois Street/San Francisco/ Mission Bay/SoMa	40%	
10290 Campus Point Drive/San Diego/ University Town Center	45%	(2)

Noncontrolling Interest Share of Consolidated Real Estate Joint Ventures

	September 30, 2016			Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
Investments in real estate	$388,885		Total revenues	$ 8,481		$ 25,054	
Cash and cash equivalents	16,214		Rental operations	(2,321	)	(6,778	)
Other assets	19,120			6,160		18,276	
Secured notes payable	—		General and administrative	(42	)	(110	)
Other liabilities	(41,376	)	Interest	—		—	
Redeemable noncontrolling interests	(9,012	) (3)	Depreciation and amortization	(2,224	)	(6,751	)
Noncontrolling interests	$373,831		Impairment of real estate	—		(586	)
			Net income (4)	$ 3,894		$ 10,829	

Unconsolidated real estate joint ventures

Property/Market/Submarket	Our Share
360 Longwood Avenue/Greater Boston/Longwood Medical Area	27.5%
1455/1515 Third Street/San Francisco/ Mission Bay/SoMa	51%

Our Share of Unconsolidated Real Estate Joint Ventures

	September 30, 2016	Three Months	Nine Months

			Ended September 30, 2016	Ended September 30, 2016
Rental properties, net	$80,049	Total revenues	$ 2,348	$ 6,192
Development and redevelopment projects	98,638	Rental operations	(700)	(2,262)
Investments in real estate	178,687		1,648	3,930
Cash and cash equivalents	4,767	General and administrative	(16)	(68)
Other assets	9,532	Interest	(701)	(2,080)
Secured notes payable	(49,794)[5]	Depreciation and amortization	(658)	(2,052)
Other liabilities	(9,612)	Equity in earnings (loss) of unconsolidated real estate JVs	$ 273	$ (270)
Investments in unconsolidated real estate JVs	$133,580			

(1) In addition to the consolidated real estate joint ventures listed, various partners hold insignificant interests in three other properties in North America.

(2) Upon completion of the project in the fourth quarter of 2016.

(3) Represents redeemable noncontrolling interests aggregating approximately 26% ownership in one of our consolidated real estate joint ventures.

(4) Excludes net income attributable to redeemable noncontrolling interests. These redeemable interests earn a fixed preferred return of 8.4%, rather than a variable return based upon their ownership percentage of the real estate joint venture, and have been excluded from our calculation.

(5) Represents a non-recourse, secured construction loan with aggregate commitments of $213.2 million, of which $175.2 million bears interest at a fixed rate of 5.25% and $38.0 million bears interest at a floating rate of LIBOR+3.75%, with a floor of 5.25%. Borrowings under the floating rate tranche are subject to an interest rate cap on LIBOR of 3.50%. The maturity date of the loan is April 1, 2017, with two, one-year options to extend the stated maturity date to April 1, 2019, subject to certain conditions. The amount of $181.1 million classified as a secured note payable as of September 30, 2016, consists of $181.3 million of outstanding principal of the secured note payable, net of $235 thousand of unamortized deferred financing costs.

Projected results

We present updated guidance for net loss per share attributable to Alexandria's common stockholders – diluted and FFO per share attributable to Alexandria's common stockholders – diluted, based on our current view of existing market conditions and other assumptions for the year ending December 31, 2016, as set forth in the table below. The tables below provide a reconciliation of FFO per share attributable to Alexandria's common stockholders – diluted, a non-GAAP measure, to EPS, the most directly comparable GAAP measure, and other key assumptions included in our updated guidance for the year ending December 31, 2016.

Summary of Key Changes in Guidance	As of 8/1/2016	As of 10/31/2016
Net loss per share, FFO per share, and FFO per share, as adjusted	See below	See below
Rental rate increases up 2%	19.0% to 22.0%	21.0% to 24.0%
Rental rate increases (cash basis) up 1%	7.0% to 10.0%	8.0% to 11.0%
Key credit metrics	See next page	See next page
Same property net operating income increase up 0.5%	2.5% to 4.5%	3.0% to 5.0%
Same property net operating income increase (cash basis) up 0.5%	4.0% to 6.0%	4.5% to 6.5%

Net Loss per Share and FFO per Share Attributable to Alexandria's Common Stockholders – Diluted

	As of 8/1/2016	As of 10/31/2016 (1)
Net loss per share	$(1.19) to $(1.13)	$(1.54) to $(1.52)
Add: depreciation and amortization	4.00	4.00
Add: impairment of real estate – rental properties	1.15	1.23
Other	(0.02)	(0.02)
FFO per share	$3.94 to $4.00	$3.67 to $3.69
Less: investment income	(0.06)	(0.06) (2)
Add: impairment of real estate – land parcels and non-real estate investments	1.25	1.31
Add: loss on early extinguishment of debt	0.04	0.04
Add: preferred stock redemption charge	0.33	0.56 (3)
Other	(0.02)	(0.02)
FFO per share, as adjusted	$5.48 to $5.54	$5.50 to $5.52

(1) Excludes severance and other costs that may be incurred related to our exit of our investment in Asia. Refer to "Assets Located in Asia" in Note 14 – "Assets Classified as Held for Sale" to our unaudited consolidated financial statements under Item 1 of this report for additional information on impairments of real estate in Asia.

(2) Represents non-real estate investment gains of $4.4 million during the three months ended June 30, 2016 related to one investment.

(3) Includes the repurchase of 1.5 million shares of our 7.00% Series D cumulative preferred stock in October 2016.

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Key Assumptions (Dollars in millions)	Low		High	
Occupancy percentage for operating properties in North America as of December 31, 2016	96.5%		97.1%	
Lease renewals and re-leasing of space:				
Rental rate increases	21.0%		24.0%	
Rental rate increases (cash basis)	8.0%		11.0%	
Same property performance:				
Net operating income increase	3.0%		5.0%	
Net operating income increase (cash basis)	4.5%		6.5%	
Straight-line rent revenue	$	51	$	56
General and administrative expenses	$	59	$	64
Capitalization of interest	$	45	$	55
Interest expense	$	100	$	110

Key Credit Metrics	As of 8/1/16	As of 10/31/16
Net debt to Adjusted EBITDA – fourth quarter annualized	6.2x to 6.6x	5.9x to 6.3x
Fixed-charge coverage ratio – fourth quarter annualized	3.0x to 3.5x	3.5x to 4.0x
Value-creation pipeline as a percentage of gross investments in real estate as of December 31, 2016	10% to 13%	10% to 12%

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Net Debt to Adjusted EBITDA [1] Liquidity

$1.9B

(In millions)	
Availability under our $1.65 billion unsecured senior line of credit	$1,234
Remaining construction loan commitments	416
Available-for-sale equity securities, at fair value	69
Cash and cash equivalents	158
	$1,877

Fixed-Charge Coverage Ratio [1] Unencumbered Net Operating Income [2]

87%

(1) Quarter annualized.
(2) For the three months ended September 30, 2016.

As of September 30, 2016, we had CIP related to our nine development projects and two redevelopment projects. The completion of these projects, along with projects recently placed into service, certain future projects, and operations from Same Properties, is expected to contribute significant increases in rental income, net operating income, and cash flows. Operating performance assumptions related to the completion of our development and redevelopment projects, including the timing of initial occupancy, stabilization dates, and initial stabilized yield, are included in "Value-Creation Projects and External Growth" within this Item 2. Certain key assumptions regarding our projections, including the impact of various development and redevelopment projects, are included in the "Projected Construction Spending" table in "Summary of Capital Expenditures" of the "Value-Creation Projects and External Growth" section within this Item 2.

The completion of our development and redevelopment projects will result in an increase in interest expense and other project costs because these project costs will no longer qualify for capitalization and will, therefore, be expensed as incurred. Our projection assumptions for Same Properties' net operating income growth, rental rate growth, straight-line rent, general and administrative expenses, capitalization of interest, and interest expense are included in the tables above and 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, 2015. 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.

Liquidity and capital resources

Overview

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, and dividends through net cash provided by operating activities, periodic asset sales, strategic real estate joint venture capital, and long-term secured and unsecured indebtedness, including borrowings under our $1.65 billion unsecured senior line of credit, unsecured senior bank term loans, and the issuance of additional debt and/or equity securities.

We expect to continue to meet 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.

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

- Retain positive 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 liquidity from net cash provided by operating activities, cash and cash equivalents, available-for-sale equity securities, available borrowing capacity under our $1.65 billion unsecured senior line of credit, and available commitments under our secured construction loans;
- Reduce the aggregate amount of outstanding unsecured bank debt under our unsecured senior bank term loans;
- Maintain a well-laddered debt maturity profile by limiting the amount of debt maturing in any particular year;
- Maintain diverse sources of capital, including sources from net cash provided by operating activities, unsecured debt, secured debt, selective asset sales, joint venture capital, preferred stock, and common stock;
- Mitigate unhedged variable-rate debt exposure through the reduction of short-term and medium-term variable-rate bank debt;
- Maintain a large unencumbered asset pool to provide financial flexibility;
- Fund preferred stock and common stock dividends from net cash provided by operating activities;
- Manage a disciplined level of value-creation projects as a percentage of our gross investments in real estate;
- Maintain high levels of pre-leasing and percentage leased in value-creation projects; and
- Decrease the ratio of net debt to Adjusted EBITDA, with some variation from quarter to quarter.

$1.65 billion unsecured senior line of credit and unsecured senior bank term loans

The table below reflects the outstanding balances, maturity dates, applicable rates, and facility fees for each of these facilities (dollars in thousands):

	As of September 30, 2016			
Facility	Balance	Maturity Date [1]	Applicable Margin	Facility Fee
$1.65 billion unsecured senior line of credit	$ 416,000	October 2021	L+1.00%	0.20%
2019 Unsecured Senior Bank Term Loan	$ 398,355 [2]	January 2019	L+1.20%	N/A
2021 Unsecured Senior Bank Term Loan	$ 347,807 [2]	January 2021	L+1.10%	N/A

(1) Includes any extension options that we control.
(2) Amounts are net of unamortized deferred financing costs.

On July 29, 2016, we amended our unsecured senior line of credit and recognized a loss on early extinguishment of debt of
$2.4 million related to the write-off of unamortized loan fees. The following table summarizes key terms amended:

	Total Commitment		Applicable Rate		Maturity Date		Facility Fee	
	Prior	Amended	Prior	Amended	Prior	Amended	Prior	Amended
Unsecured senior line of credit	$1.5 billion	$1.65 billion	L+1.10%	L+1.00%	January 2019	October 2021	0.20%	0.20%

Borrowings under the $1.65 billion unsecured senior line of credit bear interest at LIBOR or the base rate specified in the amended $1.65 billion unsecured senior line of credit agreement plus, in either case, a specified margin (the "Applicable Margin"). The Applicable Margin for LIBOR borrowings under the $1.65 billion unsecured senior line of credit is based on our existing credit rating as set by certain rating agencies. Our $1.65 billion unsecured senior line of credit contains a feature that allows lenders to competitively bid on the interest rate for borrowings under the facility. This may result in an interest rate that is below the stated rate. In addition to the Applicable Margin, our $1.65 billion unsecured senior line of credit is subject to an annual facility fee of 0.20% based on the aggregate commitments.

The requirements of, and our actual performance with respect to, the key financial covenants under our $1.65 billion unsecured senior line of credit and unsecured senior bank term loans as of September 30, 2016, were as follows:

Covenant Ratios [1]	Requirement	Actual
Leverage Ratio	Less than or equal to 60.0%	34.1%
Secured Debt Ratio	Less than or equal to 45.0%	6.4%
Fixed-Charge Coverage Ratio	Greater than or equal to 1.50x	3.29x
Unsecured Leverage Ratio	Less than or equal to 60.0%	38.4%
Unsecured Interest Coverage Ratio	Greater than or equal to 1.50x	6.35x

(1) For definitions of the ratios, refer to the amended unsecured senior line of credit and unsecured senior bank term loan agreements filed as exhibits 10.1, 10.2 and 10.3 to this quarterly report on Form 10-Q.

Unsecured senior notes payable

The requirements of, and our actual performance with respect to, the key financial covenants under our 2.75% unsecured senior notes payable (“2.75% Unsecured Senior Notes”), 4.60% unsecured senior notes payable (“4.60% Unsecured Senior Notes”), 3.90% unsecured senior notes payable (“3.90% Unsecured Senior Notes”), 4.30% unsecured senior notes payable (“4.30% Unsecured Senior Notes”), 3.95% unsecured senior notes payable (“3.95% Unsecured Senior Notes”), and 4.50% unsecured senior notes payable (“4.50% Unsecured Senior Notes”) as of September 30, 2016, were as follows:

Covenant Ratios (1)	Requirement	Actual
Total Debt to Total Assets	Less than or equal to 60%	41%
Secured Debt to Total Assets	Less than or equal to 40%	7%
Consolidated EBITDA(2) to Interest Expense	Greater than or equal to 1.5x	6.0x
Unencumbered Total Asset Value to Unsecured Debt	Greater than or equal to 150%	237%

(1) For definitions of the ratios, refer to the indenture at Exhibits 4.3 and 4.13 hereto and the related supplemental indentures at Exhibits 4.4, 4.7, 4.9, 4.11, 4.14, and 4.16 hereto, which are each listed under Item 6 of this report.

(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.

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Sources and uses of capital

We expect that our principal liquidity needs for the year ending December 31, 2016, 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)	Low	High	Mid-Point		Key Items Remaining After 10/31/2016
Sources of capital:					
Net cash provided by operating activities after dividends	$115	$135	$ 125		
Incremental debt	424	304	364		
Dispositions [1]	300	400	350		$ 142
Common equity/sales of available-for-sale equity securities	1,358	1,458	1,408	[2]	$ 168
Total sources of capital	$2,197	$2,297	$ 2,247		
Uses of capital:					
Acquisitions	$1,085	$1,135	$ 1,110	[3]	$ 140
Improvement in leverage	175	175	175	[4]	
Construction	785	835	810		
7.00% Series D preferred stock repurchases	152	152	152	[5]	
Total uses of capital	$2,197	$2,297	$ 2,247		
Incremental debt (included above):					
Issuance of unsecured senior notes payable	$350	$350	$ 350		
Assumption of secured note payable	203	203	203	[3]	
Borrowings – secured construction loans	250	300	275		
Repayments of secured notes payable	(266)	(366)	(316)		$ (76)
Repayment of unsecured senior term loan	(200)	(200)	(200)		
$1.65 billion unsecured senior line of credit/other	87	17	52		
Incremental debt	$424	$304	$ 364		

(1) Refer to “Real Estate Asset Sales” of the “Value-Creation Projects and External Growth” section within this Item 2.

(2) Includes net proceeds of $724.0 million upon future settlement of forward equity sales agreements executed in July 2016 to sell an aggregate of 7.5 million shares of our common stock, and net proceeds of $367.8 million and $147.7 million from sales of common stock under our ATM program during the first half of 2016 and in October 2016, respectively.

(3) Includes the pending acquisition of One Kendall Square for $725.0 million, including the assumption of a $203.0 million secured note payable. The closing of the acquisition is expected shortly after obtaining approval for the assumption of the secured loan.

(4) We expect to use $175 million of the proceeds from the forward sale of common stock (see footnote 2) to reduce our projected net debt to adjusted EBITDA – fourth quarter of 2016 annualized by 0.3x.

(5) Includes the repurchase of 1.5 million shares of our 7.00% Series D cumulative preferred stock in October 2016.

The key assumptions behind the sources and uses of capital in the table above are a favorable capital market environment, 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, 2015. We expect to update our forecast of sources and uses of capital on a quarterly basis.

Sources of capital

Net cash provided by operating activities after dividends

We expect to retain $115 million to $135 million of net cash flows from operating activities after payment of common stock and preferred stock dividends during 2016. For the year ending December 31, 2016, we expect that our highly leased value-creation projects, along with recently delivered projects, certain future projects, and contributions from Same Properties, will provide for significant increases compared to the year ended December 31, 2015, in rental revenue, net operating income, and cash flows. Refer to “Cash Flows” within this Item 2 for a discussion of net cash provided by operating activities for the nine months ended September 30, 2016.

Real estate dispositions

We expect to continue the disciplined execution of select sales of non-strategic land and non-core/“core-like” operating assets. The sale of non-strategic land and non-core/“core-like” operating assets provides a significant source of capital to fund our highly leased value-creation development and redevelopment projects. We may also consider additional sales of partial interest in core Class A properties and/or development projects. For 2016, we expect to sell real estate ranging from $300 million to $400 million.

For additional information, refer to “Assets Located in Asia” in Note 14 – “Assets Classified as Held for Sale” to our unaudited consolidated financial statements under Item 1 of this report and “Real Estate Asset Sales” of “Value-Creation Projects and External Growth” within this Item 2.

Liquidity

The following table presents the availability under our $1.65 billion unsecured senior line of credit, secured construction loans, available-for-sale equity securities, and cash and cash equivalents as of September 30, 2016 (dollars in thousands):

Description	Stated Rate	Aggregate Commitments	Outstanding Balance	Remaining Commitments/Liquidity
$1.65 billion unsecured senior line of credit	L+1.00%	$ 1,650,000	$ 416,000	$ 1,234,000
75/125 Binney Street/Greater Boston	L+1.35%	250,400	210,464	39,936
50/60 Binney Street/Greater Boston	L+1.50%	350,000	213,969	136,031
100 Binney Street/Greater Boston	L+2.00%	304,281	64,256	240,025
		$ 2,554,681	$ 904,689	1,649,992
Available-for-sale equity securities, at fair value				69,007
Cash and cash equivalents				157,928
Total liquidity				$ 1,876,927

Refer to Note 8 – “Secured and Unsecured Senior Debt” to our unaudited consolidated financial statements under Item 1 of this report for a discussion of our secured construction loans.

We use our $1.65 billion unsecured senior line of credit to fund working capital, construction activities, and, from time to time, acquisition of properties. Borrowings under the $1.65 billion unsecured senior line of credit will bear interest at a “Eurocurrency Rate” or a “Base Rate” specified in the amended $1.65 billion unsecured line of credit agreement plus, in either case, the Applicable Margin. The Eurocurrency Rate specified in the amended $1.65 billion unsecured line of credit agreement is, as applicable, the rate per annum equal to (i) the LIBOR or a successor rate thereto as approved by the administrative agent for loans denominated in a LIBOR quoted currency (i.e., U.S. dollars, euro, sterling, or yen), (ii) the average annual yield rates applicable to Canadian dollar bankers' acceptances for loans denominated in Canadian dollars, (iii) the Bank Bill Swap Reference Bid rate for loans denominated in Australian dollars, or (iv) the rate designated with respect to the applicable alternative currency for loans denominated in a non-LIBOR quoted currency (other than Canadian or Australian dollars). The Base Rate means, for any day, a fluctuating rate per annum, equal to the highest of (i) the federal funds rate plus 1/2 of 1.00%, (ii) the rate of interest in effect for such day as publicly announced from time to time, by Bank of America as its "prime rate," and (iii) the Eurocurrency Rate plus 1.00%. Our $1.65 billion unsecured senior line of credit contains a feature that allows lenders to competitively bid on the interest rate for borrowings under the facility. This may result in an interest rate that is below the stated rate. In addition to the cost of borrowing, the facility is subject to an annual facility fee of 0.20% based on the aggregate commitments outstanding.

Debt

We expect to fund a significant portion of our capital needs in 2016 from the issuance of unsecured senior notes payable, borrowings available under existing secured construction loans, borrowings available under our $1.65 billion unsecured senior line of credit, and assumed secured notes payable.

During the nine months ended September 30, 2016, we repaid five secured notes payable aggregating $231.0 million with a weighted-average effective interest rate of 5.29%.

In June 2016, we entered into a definitive agreement to acquire One Kendall Square, with seven-buildings aggregating 644,771 RSF that is 98.5% occupied, and a 1,530-space parking garage. In connection with the acquisition, the purchase price of $725.0 million includes the assumption of a $203.0 million secured note payable. The secured note payable has a maturity date of February 2024 and an interest rate of 4.82%. We expect to obtain approval by the lender for the loan assumption and complete this acquisition in the fourth quarter of 2016.

In June 2016, we completed a $350 million public offering of our unsecured senior notes payable due on January 15, 2027, at a stated interest rate of 3.95%. The unsecured senior notes payable are unsecured obligations of the Company and are fully and unconditionally guaranteed by Alexandria Real Estate Equities, L.P., a 100% owned subsidiary of the Company. The unsecured senior notes payable rank equally in right of payment with all other unsecured senior indebtedness. However, the unsecured senior notes payable are subordinate to existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Company's subsidiaries, other than Alexandria Real Estate Equities, L.P. We used the net proceeds, after discounts and issuance costs, of $344.7 million to repay outstanding principal borrowings under our unsecured senior line of credit.

On July 29, 2016, we amended our unsecured senior line of credit and increased aggregate commitments available for borrowing by $150 million to an aggregate of $1.65 billion, extended the maturity date to October 29, 2021, which includes two, six-months options to extend, reduced the interest rate on outstanding borrowings to LIBOR+1.00% from LIBOR+1.10%, and modified certain financial covenant computations and other non-financial covenants. In addition, we amended our 2019 and 2021 Unsecured Senior Bank Term Loans to conform the financial covenant computations and other non-financial covenants to our unsecured senior line of credit and completed a partial principal repayment of $200.0 million of our 2019 Unsecured Senior Bank Term Loan, reducing the total outstanding balance from $600 million to $400 million. Refer to Note 8 – "Secured and Unsecured Senior Debt" to our unaudited consolidated financial statements under Item 1 of this report for additional information.

Cash and cash equivalents

As of September 30, 2016, and December 31, 2015, we had $157.9 million and $125.1 million, respectively, of cash and cash equivalents. We expect existing cash and cash equivalents, cash flows from operating activities, proceeds from asset sales, borrowings under our $1.65 billion unsecured senior line of credit, secured construction loan borrowings, issuances of unsecured notes payable, 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, distribution to noncontrolling interests, scheduled debt repayments, and certain capital expenditures, including expenditures related to construction activities.

Restricted cash

Restricted cash consisted of the following as of September 30, 2016, and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Funds held in trust under the terms of certain secured notes payable	$ 6,664	$ 15,906
Funds held in escrow related to construction projects and investing activities	6,041	10,040
Other	3,701	2,926
Total	$ 16,406	$ 28,872

"At the market" common stock offering program

During the six months ended June 30, 2016, we completed our "at the market" common stock offering program that was established in December 2015, which allowed us to sell up to an aggregate of $450.0 million of our common stock. During the three months ended December 31, 2015, we sold an aggregate of 832,982 shares of common stock for gross proceeds of $75.0 million, or $90.04 per share, and net proceeds of approximately $73.4 million. During the six months ended June 30, 2016, we sold an aggregate of 3.9 million shares of common stock for gross proceeds of $374.3 million, or $94.80 per share, and net proceeds of approximately $367.8 million. We used the proceeds from the sales to reduce amounts outstanding under our unsecured senior line of credit. As of September 30, 2016, there was no remaining availability under our "at the market" program. There were no shares sold under our ATM program during the three months ended September 30, 2016.

In October 2016, we established another "at the market" common stock offering program, which allows us to sell up to an aggregate of $600.0 million of our common stock. In October 2016, we sold an aggregate of 1.4 million shares of common stock for gross proceeds of $150.0 million, or $104.28 per share, and net proceeds of approximately $147.7 million.

Forward equity sales agreements

In July 2016, we executed an offering, subject to forward equity sales agreements, to sell an aggregate of 7.5 million shares of common stock, including 975,000 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares of our common stock, at a public offering price of $101.00 per share, subject to customary contractual price adjustments. Net proceeds, after issuance costs and underwriters' discount, of $724.0 million, will be further adjusted as provided in the forward equity sales agreements. The forward equity sales agreements permitted us to lock in the price of the shares (subject to certain adjustments) to fund the pending acquisition of One Kendall Square, located in East Cambridge, to lower net debt to adjusted EBITDA by 0.3x, and to fund construction. We expect to settle the forward equity sales agreements by issuing the common stock after obtaining approval by the lender to assume the One Kendall Square loan and completing the acquisition of One Kendall Square.

Other sources

Under our current shelf registration statement filed with the SEC, we may offer common stock, preferred stock, debt, and other securities. These securities may be issued, from time to time, at our discretion based on our needs and market conditions, including, as necessary, the balancing of our use of incremental debt capital.

We hold interests, with certain third parties, in companies that we consolidate in our financial statements. These third parties may contribute equity into these entities primarily related to their share of funds for construction and financing-related activities.

We also hold interests, together with certain third parties, in real estate joint ventures that are not consolidated in our financial statements. The following table presents information related to debt held by one of our unconsolidated real estate joint ventures (dollars in thousands):

Tranche	Maturity Date	Stated Rate	Outstanding Balance	Remaining Commitments	Total
Fixed rate	April 1, 2017 (1)	5.25 %	$ 173,226	$ 2,015	$ 175,241
Floating rate (2)	April 1, 2017 (1)	L+3.75 %	8,081	29,878	37,959
			181,307	$ 31,893	$ 213,200

Unamortized deferred financing costs	235
	$ 181,072

(1) We have two, one-year options to extend the stated maturity date to April 1, 2019, subject to certain conditions.

(2) Borrowings under the floating rate tranche have an interest rate floor equal to 5.25% and are subject to an interest rate cap on LIBOR of 3.50%.

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Uses of capital

One Kendall Square acquisition

One of our uses of capital relates to the pending acquisition of One Kendall Square, a 644,771 RSF, seven-building collaborative science and technology campus in the east of our key Cambridge urban innovation cluster submarket located in Greater Boston. The purchase price is $725 million, which includes the assumption of a $203.0 million secured note payable. We expect to obtain approval by the lender for the loan assumption in the coming months and complete the acquisition soon thereafter. Refer to “Forward Equity Sales Agreements” under “Sources of Capital” immediately above, and “Acquisitions” in Note 3 – “Investments in Real Estate” to our unaudited consolidated financial statements under Item 1 of this report.

Torrey Ridge Science Center acquisition

In October 2016, we acquired the Torrey Ridge Science Center, a 294,993 RSF, three-building collaborative life science campus located in the heart of our Torrey Pines submarket of San Diego, for a purchase price of $182.5 million. The campus is 87.1% occupied, and we expect to achieve an initial stabilized cash yield of 6.8% at stabilization in the first half of 2018 upon completion of near-term renewals/re-leasing of acquired below-market leases and the conversion of 75,953 RSF existing shell and office space into office/laboratory space.

88 Bluxome Street acquisition

We have an executed agreement for the acquisition of 88 Bluxome Street in our Mission Bay/SoMa submarket of San Francisco for a purchase price of $140.0 million. We are pursuing entitlements for the ground-up development of 1,070,925 RSF, which represents estimated total anticipated RSF upon completion of entitlements for construction of two office buildings in separate phases. The closing date of this acquisition may be deferred to the first quarter of 2017. Upon completion of the acquisition, the seller may lease the property for a term of one year or more depending on certain factors.

Summary of capital expenditures

Our primary use of capital relates to the development, redevelopment, predevelopment, and construction of properties. We currently have projects in our external growth pipeline aggregating 2.5 million RSF of office/laboratory and tech office space, including two unconsolidated real estate joint venture development projects. We incur capitalized construction costs related to development, redevelopment, predevelopment, 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 or construction of a project, during periods when activities necessary to prepare an asset for its intended use are in progress. Refer to “Summary of Capital Expenditures” of “Value-Creation Projects and External Growth” within this Item 2 for more information on our capital expenditures.

We capitalize interest cost as a cost of the project only during the period for 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 nine months ended September 30, 2016 and 2015, of $40.8 million and $27.8 million, respectively, is classified in investments in real estate. Indirect project costs, including 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 project costs related to development, redevelopment, and construction projects, aggregating $10.5 million and $9.8 million for the nine months ended September 30, 2016 and 2015, respectively. Additionally, should we cease activities necessary to prepare an asset for its intended use, the interest, taxes, insurance, and certain other direct project costs related to this asset would be expensed as incurred. When construction activities cease, the asset is transferred out of CIP and classified as rental property. Also, if vertical aboveground construction is not initiated at completion of predevelopment activities, the land parcel is classified as land held for future development. 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 $5.1 million for the nine months ended September 30, 2016.

We also capitalize and defer initial direct costs to originate leases with independent third parties related to evaluating a prospective lessee's financial condition, negotiating lease terms, preparing the lease agreement, and closing the lease transaction. Costs that we capitalized and deferred relate to successful leasing transactions, result directly from and are essential to the lease transaction, and would not have been incurred had that lease transaction not occurred. The initial direct costs capitalized and deferred also include the portion of our employees' total compensation and payroll-related benefits directly related to time spent performing activities previously described and related to the respective lease that would not have been performed but for that lease. Total initial direct leasing costs capitalized during the nine months ended September 30, 2016 and 2015, were $23.9 million and $50.5 million, respectively, of which $9.4 million and $9.7 million, respectively, represented capitalized and deferred payroll costs directly related and essential to our leasing activities during such periods.

7.00% Series D cumulative convertible preferred stock redemption

During the nine months ended September 30, 2016, we repurchased 3.0 million shares of our 7.00% Series D cumulative convertible preferred stock at an aggregate price of $98.6 million, or $32.72 per share. We recognized a preferred stock redemption charge of $25.6 million during the nine months ended September 30, 2016, including the write-off of original issuance costs of approximately $2.4 million.

In October 2016, we repurchased 1.5 million shares of our 7.00% Series D cumulative convertible preferred stock at an aggregate price of $52.8 million, or $36.07 per shares. As of October 31, 2016, the par value of 7.00% Series D stock outstanding was $125.2 million.

Contractual obligations and commitments

Contractual obligations as of September 30, 2016, consisted of the following (in thousands):

		Payments by Period			
	Total	2016	2017-2018	2019-2020	Thereafter
Secured and unsecured debt (1) (2)	$4,361,113	$807	$294,563	$1,191,297	$2,874,446
Estimated interest payments on fixed-rate and hedged variable-rate debt (3)	886,448	31,500	260,943	216,534	377,471
Estimated interest payments on variable-rate debt (4)	12,698	1,985	10,560	153	—
Ground lease obligations	607,257	2,788	26,592	22,586	555,291
Other obligations	6,137	402	3,431	1,926	378
Total	$5,873,653	$37,482	$596,089	$1,432,496	$3,807,586

(1) Amounts represent principal amounts due and exclude unamortized premiums, discounts, and deferred financing costs reflected on the consolidated balance sheets.
(2) Payment dates reflect any extension options that we control.
(3) Estimated interest payments on our fixed-rate and hedged variable-rate debt are based upon contractual interest rates, including the impact of interest rate hedge agreements, interest payment dates, and scheduled maturity dates.
(4) The interest payments on variable-rate debt are based on the interest rates in effect as of September 30, 2016.

Secured notes payable

Secured notes payable as of September 30, 2016, consisted of nine notes secured by 17 properties. Our secured notes payable typically require monthly payments of principal and interest and had a weighted-average interest rate of approximately 3.34% as of September 30, 2016. As of September 30, 2016, the total book values of rental properties, land held for future development, and CIP securing debt were approximately $1.7 billion. As of September 30, 2016, our secured notes payable, including unamortized discounts and deferred financing cost, were composed of approximately $419.3 million and $370.2 million of fixed-rate/hedged variable-rate debt and variable-rate debt, respectively.

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Estimated interest payments

Estimated interest payments on our fixed-rate debt and hedged variable-rate debt were calculated based upon contractual interest rates, including the impact of interest rate hedge agreements, interest payment dates, and scheduled maturity dates. As of September 30, 2016, approximately 86% of our debt was fixed-rate debt or variable-rate debt subject to interest rate hedge agreements. Refer to Note 9 – “Interest Rate Hedge Agreements” under Item 1 of this report for further information. The remaining 14% of our debt as of September 30, 2016, was unhedged variable-rate debt based primarily on LIBOR. Interest payments on our unhedged variable-rate debt have been calculated based on interest rates in effect as of September 30, 2016. Refer to Note 8 – “Secured and Unsecured Senior Debt” under Item 1 of this report for additional information regarding our debt.

Interest rate hedge agreements

We utilize interest rate derivatives to hedge a portion of our exposure to volatility in variable interest rates primarily associated with our $1.65 billion unsecured senior line of credit, unsecured senior bank term loans, and variable-rate secured construction loans. Our derivative instruments include interest rate swaps and interest rate caps.

On June 30, 2016, we executed two interest rate cap agreements to hedge the cash flows and manage our exposure to interest rate movements related to our variable-rate construction loan secured by our property located at 100 Binney Street. The agreements are effective from July 29, 2016, through April 20, 2019, and will cap LIBOR at 2.00% for two notional amounts, based on scheduled increases over the term of the cap, aggregating $40 million as of September 30, 2016, and up to $150 million of the initial loan commitment total.

Our interest rate swap agreements involve the receipt of variable-rate amounts from a counterparty in exchange for our payment of fixed-rate amounts to the counterparty over the life of the agreement without the exchange of the underlying notional amount. Interest received under all of our interest rate swap agreements is based on one-month LIBOR. The net difference between the interest paid and the interest received is reflected as an adjustment to interest expense in our consolidated statements of income.

We have entered into master derivative agreements with each respective counterparty. These master derivative agreements (all of which are adapted from the standard International Swaps and Derivatives Association, Inc. form) define certain terms between us and each of our counterparties to address and minimize certain risks associated with our interest rate swap agreements. In order to limit our risk of non-performance by an individual counterparty under our interest rate swap agreements, these agreements are spread among various counterparties. As of September 30, 2016, the largest aggregate notional amount in effect at any single point in time with an individual counterparty under our interest rate swap agreements was $200 million. If one or more of our counterparties fail to perform under our interest rate swap agreements, we may incur higher costs associated with our variable-rate LIBOR-based debt than the interest costs we originally anticipated. We have not posted any collateral related to our interest rate swap agreements.

Ground lease obligations

Ground lease obligations as of September 30, 2016, included leases for 29 of our properties, which accounted for approximately 15% of our total number of properties and three land development parcels. Excluding one ground lease related to one operating property that expires in 2036 with a net book value of $10.0 million as of September 30, 2016, our ground lease obligations have remaining lease terms ranging from approximately 40 to 100 years, including extension options.

Commitments

As of September 30, 2016, remaining aggregate costs under contract for the construction of properties undergoing development, redevelopment, and improvements under the terms of leases approximated $636.5 million. 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 properties, which would result in the reduction of our commitments. We have a commitment to contribute our share of equity into one of our unconsolidated real estate joint ventures to complete the development of buildings aggregating approximately 422,980 RSF by 2018. Our share of estimated costs to complete this project is approximately $240 to $280 per RSF as of September 30, 2016. Our obligation to provide additional funding to our other unconsolidated real estate joint venture is currently minimal. We are also committed to funding approximately $99.7 million for certain non-real estate investments over the next several years.

In addition, we have letters of credit and performance obligations aggregating $18.6 million primarily related to our construction management requirements in North America.

As of September 30, 2016, two of our tenants in our Greater Boston and San Diego markets hold options to purchase from us property leased by each tenant, pursuant to fixed-price options under their respective lease agreements. The purchase options are exercisable no later than December 29, 2017.

Our property subject to a fixed-price purchase option in Greater Boston had a net book value of $52.7 million as of September 30, 2016, and the purchase price of $65.7 million, excluding any customary and ordinary closing costs. The purchase price falls into a range from fair market value to below fair market value, which may result in a tenant acquisition of the property under the option.

Our property subject to a purchase option in San Diego is one of our older properties and had a net book value of $8.3 million as of September 30, 2016. The option is exercisable at the purchase price of $20.8 million, excluding any customary and ordinary closing costs. The purchase price exceeds the property fair market value.

As of September 30, 2016, these properties did not meet the criteria for classification as held for sale.

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.

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 (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Change
Net cash provided by operating activities	$291,851	$246,411	$45,440
Net cash used in investing activities	$(715,301)	$(557,490)	$(157,811)
Net cash provided by financing activities	$457,720	$301,638	$156,082

Operating activities

Cash flows provided by operating activities for the nine months ended September 30, 2016 and 2015, consisted of the following amounts (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Change
Net cash provided by operating activities	$291,851	$246,411	$45,440
Add: changes in operating assets and liabilities	29,706	29,619	87
Net cash provided by operating activities before changes in operating assets and liabilities	$321,557	$276,030	$45,527

Cash flows provided by operating activities are primarily dependent upon the occupancy level of our asset base, the rental rates of our leases, the collectability of rent and recovery of operating expenses from our tenants, the timing of completion of development projects, the timing of completion of redevelopment projects, and the timing of acquisitions of operating properties. Net cash provided by operating activities before changes in operating assets and liabilities for the nine months ended September 30, 2016, increased by $45.5 million, or 16.5%, to $321.6 million, compared to $276.0 million for the nine months ended September 30, 2015. This increase was primarily attributable to an increase in total net operating income, on a cash basis, of $46.4 million, or 12.0%, to $433.8 million for the nine months ended September 30, 2016, compared to $387.4 million for the nine months ended September 30, 2015, as a result of our highly leased development and redevelopment projects placed into service subsequent to January 1, 2015 and increases in our same property average occupancy and rental rates on lease renewals and re-leasing of space since January 1, 2015.

Investing activities

Cash flows used in investing activities for the nine months ended September 30, 2016 and 2015, consisted of the following (in thousands):

	Nine Months Ended September 30, 2016	2015	Change
Proceeds from sales of real estate	$27,332 [1]	$92,455	$(65,123)
Additions to real estate	(638,568)	(362,215)	(276,353)
Purchase of real estate	(18,108)	(248,933)	230,825
Deposits for investing activities	(54,998)	(6,707)	(48,291)
Additions to investments	(68,384)	(67,965)	(419)
Sales of investments	35,295	39,590	(4,295)
Repayment of notes receivable	9,054	4,264	4,790
Other	(6,924)	(7,979)	1,055
Net cash used in investing activities	$(715,301)	$(557,490)	$(157,811)

[1] Refer to Note 3 – "Investments in Real Estate" to our unaudited consolidated financial statements under Item 1 of this report for additional information.

Value-creation opportunities and external growth

For information on our key development and redevelopment projects for the nine months ended September 30, 2016, refer to "Development, Redevelopment, and Future Value-Creation Projects" located earlier within this Item 2.

Financing activities

Cash flows provided by financing activities for the nine months ended September 30, 2016 and 2015, consisted of the following (in thousands):

	Nine Months Ended September 30, 2016	2015	Change
Borrowings from secured notes payable	$ 215,330	$ 47,375	$ 167,955
Repayments of borrowings from secured notes payable	(234,096)	(12,217)	(221,879)
Proceeds from issuance of unsecured senior notes payable	348,604	—	348,604
Borrowings from $1.65 billion unsecured senior line of credit	2,349,000	1,432,000	917,000

Repayments of borrowings from $1.65 billion unsecured senior line of credit	(2,084,000)	(893,000)	(1,191,000)
Repayments of borrowings from unsecured senior bank term loans	(200,000)	(25,000)	(175,000)
Changes related to debt	394,838	549,158	(154,320)
Repurchase of 7.00% Series D cumulative convertible preferred stock	(98,633)	—	(98,633)
Proceeds from the issuance of common stock	367,802	5,052	362,750
Dividend payments	(195,453)	(181,020)	(14,433)
Contributions from and sale of noncontrolling interests	68,621 [1]	340	68,281
Distributions to and purchase of noncontrolling interests	(62,605)	(62,973)	368
Other	(16,850)	(8,919)	(7,931)
Net cash provided by financing activities	$ 457,720	$ 301,638	$ 156,082

[1] Refer to “Investments in Consolidated Real Estate Joint Ventures” in Note 3 – “Investments in Real Estate” to our unaudited consolidated financial statements under Item 1 of this report for additional information.

Dividends

During the nine months ended September 30, 2016 and 2015, we paid the following dividends (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Change
Common stock dividends	$177,966	$162,280	$15,686
7.00% Series D convertible preferred stock dividends	11,198	12,451	(1,253)
6.45% Series E redeemable preferred stock dividends	6,289	6,289	—
	$195,453	$181,020	$14,433

The increase in dividends paid on our common stock was primarily due to an increase in the related dividends to $2.37 per common share paid during the nine months ended September 30, 2016, from $2.25 per common share paid during the nine months ended September 30, 2015, and partially due to the increase in number of common shares outstanding for comparative periods. The decrease in dividends paid on our 7.00% Series D convertible preferred stock was primarily due to the decrease in number of shares outstanding for the comparative periods.

Inflation

As of September 30, 2016, approximately 97% of our leases (on an RSF basis) were triple net leases, requiring tenants to pay substantially all real estate taxes, insurance, utilities, common area expenses, and other operating expenses (including increases thereto) in addition to base rent. Approximately 95% of our leases (on an RSF 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. An increase in inflation, however, could result in an increase in the cost of our variable-rate borrowings, including borrowings related to our $1.65 billion unsecured senior line of credit, unsecured senior bank term loans, and secured construction loans.

Critical accounting policies

Refer to our annual report on Form 10-K for the year ended December 31, 2015, for a discussion of our critical accounting policies, which include rental properties, land held for future development, CIP, impairment of long-lived assets, capitalization of costs, accounting for investments, interest rate hedge agreements, recognition of rental income and tenant recoveries, and monitoring of tenant credit quality. There were no significant changes to these policies during the nine months ended September 30, 2016.

Non-GAAP measures and definitions

This section contains additional information of certain non-GAAP financial measures and the reasons why we use these supplemental measures of performance, as well as the definitions of other terms used in this report.

FFO and FFO, 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 the measurement tool of FFO. Since its introduction, FFO has become a widely used non-GAAP financial measure among equity REITs. We believe that FFO is helpful to investors as an additional measure of the performance of an equity REIT. Moreover, we believe that FFO, 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 investment and disposition decisions, financing decisions, capital structures, and capital market transactions. We compute FFO in accordance with standards established by the NAREIT Board of Governors in its April 2002 White Paper and related implementation guidance (the "NAREIT White Paper"). The NAREIT White Paper defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciable real estate and land parcels and impairments of depreciable real estate (excluding land parcels) plus real estate-related depreciation and amortization, 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 which do not necessarily reflect the operating performance of the properties during the corresponding period.

We compute FFO, as adjusted, as FFO calculated in accordance with the NAREIT White Paper less/plus significant gains/losses on the sale of investments, plus losses on early extinguishment of debt, preferred stock redemption charges, impairments of non-depreciable real estate and land parcels, impairments of non-real estate investments, deal costs, and the amount of such items that is allocable to our unvested restricted stock awards. Neither FFO nor FFO, as adjusted, should be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity, nor are they indicative of the availability of funds for our cash needs, including our ability to make distributions.

The following table presents a reconciliation of net income (loss) attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic, the most directly comparable financial measure calculated and presented in accordance with GAAP, including our share of amounts from consolidated and unconsolidated real estate joint ventures, to FFO attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, and FFO attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted, for the periods below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$5,452	$32,659	$(126,014)	$81,736
Depreciation and amortization	77,133	67,953	218,168	189,044
Noncontrolling share of depreciation and amortization from consolidated JVs	(2,224)	—	(6,751)	—
Our share of depreciation and amortization from unconsolidated JVs	658	445	2,052	1,079
Impairment of real estate – rental properties	6,293	—	94,688	14,510
Gain on sales of real estate – land parcels	(90)	—	(90)	—
Allocation to unvested restricted stock awards	(438)	(698)	(14)	(1,231)
FFO attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted[1]	86,784	100,359	182,039	285,138
Non-real estate investment income	—	(5,378)	(4,361)	(5,378)
Impairments of real estate – land parcels and non-real estate investments	4,886	—	101,028	—
Loss on early extinguishment of debt	3,230	—	3,230	189
Preferred stock redemption charge	13,095	—	25,614	—
Allocation to unvested restricted stock awards	(359)	67	(1,736)	53
FFO attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted	$107,636	$95,048	$305,814	$280,002

(1) Calculated in accordance with standards established by the NAREIT Board of Governors in its April 2002 White Paper and related implementation guidance.

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The following table presents a reconciliation of net income (loss) per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic, 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 FFO per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, and FFO per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted, for the periods below. Amounts allocable to unvested restricted stock awards are not material and are not presented separately within the table below. Per share amounts may not add due to rounding.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$0.07	$0.46	$(1.69)	$1.14
Depreciation and amortization	0.97	0.95	2.85	2.65
Impairment of real estate – rental properties	0.08	—	1.27	0.20
FFO per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted[1]	1.12	1.40	2.43	3.99
Non-real estate investment income	—	(0.08)	(0.06)	(0.08)
Impairments of real estate – land parcels and non-real estate investments	0.06	—	1.34	—
Loss on early extinguishment of debt	0.04	—	0.04	—
Preferred stock redemption charge	0.17	—	0.34	—
FFO per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – diluted, as adjusted	$1.39	$1.33	$4.09	$3.92
Weighted average shares of common stock outstanding for calculating FFO per share and FFO, as adjusted, per share – diluted	77,402 (2)	71,500	74,778 (2)	71,426

See footnotes in the preceding table.

(1) Calculated in accordance with standards established by the NAREIT Board of Governors in its April 2002 White Paper and related implementation guidance.

(2) Shares reflect the dilutive impact of our forward equity sales agreements. Refer to Note 12 – "Stockholders' Equity" to our unaudited consolidated financial statements under Item 1 of this report for additional information on forward equity sales agreements and the definition of weighted-average shares – diluted within this section.

Adjusted EBITDA and Adjusted EBITDA margins

We use Adjusted EBITDA as a supplemental performance measure of our core operations for financial and operational decision making, and as a supplemental or additional 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, and impairments. We believe Adjusted EBITDA provides investors relevant and useful information because it allows investors to view income from our operations on an unleveraged basis before the effects of taxes, depreciation and amortization, stock compensation expense, gains or losses on early extinguishment of debt, and sales of real estate, and impairments.

By excluding interest expense and gains or losses on early extinguishment of debt, Adjusted EBITDA allows investors to measure our performance independent of our capital structure and indebtedness. We believe that excluding charges related to share-based compensation facilitates a comparison of our operations across periods without the variances caused by the volatility of the expense (which depends on market forces outside our control). We believe that adjusting for the effects of impairments and gains/losses on sales of real estate allows investors to evaluate performance period-to-period on a consistent basis without having to account for differences recognized because of investment and disposition decisions. Adjusted EBITDA has limitations as measures of our performance. Adjusted EBITDA does not reflect our historical cash expenditures or future cash requirements for capital expenditures or contractual commitments. While Adjusted EBITDA is a relevant measure of performance, it does not represent net income or cash flows from operations as defined by GAAP, and it should not be considered as an alternative to those indicators in evaluating performance or liquidity.

The following table reconciles net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$28,559	$39,699	$(69,591)	$103,137
Interest expense	25,850	27,679	75,730	77,583
Income taxes	355	1,392	2,374	3,838
Depreciation and amortization	77,133	67,953	218,168	189,044
Stock compensation expense	7,451	5,178	19,007	12,922
Loss on early extinguishment of debt	3,230	—	3,230	189
Gain on sales of real estate – land parcels	(90)	—	(90)	—
Impairment of real estate and non-real estate investments	11,179	—	196,302	14,510
Adjusted EBITDA	$153,667	$141,901	$445,130	$401,223
Revenues	$230,379	$218,610	$672,544	$619,519
Adjusted EBITDA Margins	67%	65%	66%	65%

Annualized base rent

Annualized base rent means the annualized fixed base rental amount in effect as of the end of the period, related to our operating RSF (using rental revenue in accordance with GAAP). Annualized base rent and measures computed using annualized base rent are presented at 100% for all properties under our management, including properties held by our consolidated and unconsolidated real estate joint ventures.

Average cash yield

See definition of initial stabilized yield (unlevered).

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. See definition of fixed-charge coverage ratio for a reconciliation of interest expense, the most directly comparable financial measure calculated and presented in accordance with GAAP, to cash interest.

Class A properties and AAA locations

Class A properties are properties clustered in AAA locations that provide innovative tenants with high-quality, dynamic, and collaborative ecosystems that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. Class A properties generally command higher annualized base rent 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.

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Fixed-charge coverage ratio

Fixed-charge coverage ratio is a non-GAAP financial measure representing the ratio of Adjusted EBITDA to fixed charges. 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 amortization of debt (premiums) discounts. The fixed-charge coverage ratio calculation below is not directly comparable to the computation of ratio of earnings to fixed charges as defined in Item 503(d) of Regulation S-K and to the computation of "Consolidated Ratio of Earnings to Fixed Charges and Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends" included in Exhibit 12.1 to our annual report on Form 10-K.

The following table presents a reconciliation of interest expense, the most directly comparable GAAP financial measure to cash interest and fixed charges (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	$153,667	$141,901	$445,130	$401,223
Interest expense	25,850	27,679	75,730	77,583
Capitalized interest	14,903	8,436	40,790	27,844
Amortization of loan fees	(3,080)	(2,625)	(8,792)	(8,348)
Amortization of debt premium	5	100	117	282
Cash interest	37,678	33,590	107,845	97,361
Dividends on preferred stock	5,007	6,247	16,388	18,740
Fixed charges	$42,685	$39,837	$124,233	$116,101
Fixed-charge coverage ratio:				
– period annualized	3.6x	3.6x	3.6x	3.5x
– trailing 12 months	3.6x	3.4x	3.6x	3.4x

Initial stabilized yield (unlevered)

Initial stabilized yield is calculated as the quotient of the estimated amounts of net operating income at stabilization and our investment in the property. Our initial stabilized yield excludes the impact of leverage. Our cash rents related to our value-creation projects are expected to increase over time due to contractual annual rent escalations, and our average cash yields are expected, in general, to be greater than our initial stabilized yields (cash basis). 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.

Average cash yield reflects cash rents, including contractual rent escalations after initial rental concessions have elapsed, calculated on a straight-line basis, and our total cash investment in the property.

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Joint venture financial information

We present components of operating results and balance sheet information related to our joint ventures, which are not in accordance with or intended to be presentations 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, 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 noncontrolling interest share of each component presented; and (ii) for each real estate joint venture that we do not control, and do not consolidate, we apply our economic ownership percentage to each financial item to arrive at our proportionate share of each component presented.

The components of operating results and balance sheet information related to joint ventures do not represent our legal claim to those items. The joint venture agreement for each entity that we do not wholly own 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 this information can help investors estimate the impact of partially owned entities. Presenting this information provides a perspective not immediately available from consolidated results and one that can supplement consolidated financial statements for the potential impact of joint ventures on assets and liabilities, or revenues and expenses.

The components of operating results and balance sheet information related to 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 unconsolidated real estate joint ventures that we do not control. We believe that in order to facilitate 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 income and balance sheets. Joint venture financial information should not be considered an alternative to our consolidated financial statements, which are prepared in accordance with GAAP.

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 to Adjusted EBITDA

Net debt to Adjusted EBITDA is a non-GAAP financial measure that we believe is useful to investors as a supplemental measure in evaluating our balance sheet leverage. Net debt is equal to the sum of total consolidated debt less cash, cash equivalents, and restricted cash. Refer to "Adjusted EBITDA" for further information on the calculation of Adjusted EBITDA.

The following table reconciles debt to net debt and computes net debt to Adjusted EBITDA as of September 30, 2016, and December 31, 2015 (dollars in thousands):

	September 30, 2016	December 31, 2015
Secured notes payable	$789,450	$809,818
Unsecured senior notes payable [(1)]	2,377,482	2,030,631
$1.65 billion unsecured senior line of credit	416,000	151,000
Unsecured senior bank term loans [(1)]	746,162	944,243
Unamortized deferred financing costs	31,420	30,103
Cash and cash equivalents	(157,928)	(125,098)
Restricted cash	(16,406)	(28,872)
Net debt	$4,186,180	$3,811,825
Adjusted EBITDA:		
– quarter annualized	$614,668	$586,064
– trailing 12 months	$591,646	$547,739
Net debt to Adjusted EBITDA:		
– quarter annualized	6.8 x	6.5 x
– trailing 12 months	7.1 x	7.0 x

(1) Presented in accordance with the ASU adopted in January 2016 as discussed in Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies" to our unaudited consolidated financial statements under item 1 of this report.

Previously disclosed ratios included the impact of pro rata adjustments for our consolidated and unconsolidated joint ventures. Beginning with the three months ended September 30, 2016, these ratios are calculated based on our consolidated results. When compared to currently disclosed ratios, previously disclosed net debt to Adjusted EBITDA, quarter annualized and trailing 12 months, were generally between 0.0x to 0.1x higher.

Net operating income

The following table reconciles income (loss) from continuing operations to total net operating income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (loss) from continuing operations	$28,469	$39,699	$(69,681)	$103,180
Equity in (earnings) losses of unconsolidated joint ventures	(273)	(710)	270	(1,825)
General and administrative	15,854	15,143	46,426	44,519

Interest expense	25,850	27,679	75,730	77,583
Depreciation and amortization	77,133	67,953	218,168	189,044
Impairment of real estate	8,114	—	193,237	14,510
Loss on early extinguishment of debt	3,230	—	3,230	189
Total net operating income	$158,377	$149,764	$467,380	$427,200

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Net operating income is a non-GAAP financial measure calculated as income (loss) from continuing operations, the most directly comparable financial measure calculated and presented in accordance with GAAP, excluding general and administrative expense, interest, depreciation and amortization, impairment of real estate, and gain/loss on early extinguishment of debt. 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 evaluating the operating performance of our 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 the timing differences between the recognition of revenue in accordance with GAAP and the receipt of payments reflected in our consolidated results.

Further, we believe net operating income is useful to investors as a performance measure because, when compared across periods, net operating income reflects the impact on operations from trends in occupancy rates, rental rates, and operating costs, which provides a perspective not immediately apparent from income from continuing operations. Net operating income can be used to measure the initial stabilized yields of our properties by calculating the quotient of net operating income generated by a property on a straight-line basis, and our investment in the property, excluding the impact of leverage. Net operating income excludes certain components from income from continuing operations 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 and the deterioration in market conditions that adversely impact underlying real estate values. 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 that are 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, office rent, and office supplies that are incurred as part of corporate office management. We believe that in order to facilitate a clear understanding of our operating results, net operating income should be examined in conjunction with income from continuing operations as presented in our consolidated statements of income. Net operating income should not be considered as an alternative to income from continuing operations as an indication of our performance, or as an alternative to cash flows as a measure of liquidity, or our ability to make distributions.

Operating statistics

We present certain operating statistics related to our properties, including number of properties, annualized base rent, annualized base rent per occupied RSF, occupancy, RSF, leasing activity, rental rates, and contractual lease expirations. We believe these measures are useful to investors because they facilitate an understanding of certain trends for our properties. We compute operating statistics at 100% for all properties managed by us, including properties owned by our consolidated and unconsolidated real estate joint ventures.

Stabilized occupancy date

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

Same Property comparisons

Refer to the discussion of Same Properties in “Results of Operations” earlier within this Item 2.

Total market capitalization

Total market capitalization is equal to the sum of total equity market capitalization and total debt, as calculated in accordance with GAAP. Total equity market capitalization is equal to the sum of outstanding shares of 7.00% Series D cumulative convertible preferred stock, 6.45% Series E cumulative redeemable preferred stock, and common stock multiplied by the related closing price of each class of security at the end of each period presented.

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 primarily those income and expense items that are incurred at the unencumbered property level. We use unencumbered net operating income as a percentage of total net operating income in order to assess our compliance with our financial covenants under our debt obligations because the measure serves as a proxy for a financial measure under such debt obligations. 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 and nine months ended September 30, 2016 and 2015 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Unencumbered net operating income	$137,943	$118,856	$400,027	$341,398
Encumbered net operating income	20,434	30,908	67,353	85,802
Total net operating income	$158,377	$149,764	$467,380	$427,200
Unencumbered net operating income as a percentage of total net operating income	87%	79%	86%	80%

Weighted-average shares – diluted

In July 2016, we executed forward equity sales agreements for an aggregate of 7.5 million shares of common stock at a public offering price of $101.00 per share less issuance costs and underwriters' discount. The impact of the forward equity sales agreements was included in the computation of diluted EPS for the three months ended September 30, 2016 and diluted FFO per share for the three and nine months ended September 30, 2016, as the effect of these agreements was dilutive. The impact of the forward equity sales agreements was excluded from the calculation of diluted EPS for the nine months ended September 30, 2016 as the Company had a net loss during that period and, therefore, the effect of the forward equity sales agreements on EPS was antidilutive. Weighted average shares outstanding – diluted for the three months ended September 30, 2016 used in computation of EPS and for the three and nine months ended September 30, 2016 used in computation of diluted FFO per share, include shares from the dilutive impact of the forward equity sales agreements using the treasury method of accounting for these 7.5 million shares (assumed issuance of 7.5 million shares at the contractual price, less assumed repurchase of common shares at the average market price using the net proceeds of $724.0 million from the forward equity sales agreements). The impact to our weighted average shares – diluted for the three months ended September 30, 2016 (EPS and FFO per share) and nine months ended September 30, 2016 (FFO per share only) was 751 thousand and 252 thousand weighted average incremental shares, respectively.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control.

In order to modify and manage the interest rate characteristics of our outstanding debt and to limit the effects of interest rate risks on our operations, we may utilize a variety of financial instruments, including interest rate swap 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 carries additional risks, such as counterparty credit risk and the legal enforceability of hedging contracts.

Our future earnings and fair values relating to financial instruments are primarily dependent upon prevalent market rates of interest, such as LIBOR. However, our interest rate hedge agreements are intended to reduce the effects of interest rate fluctuations. The following table illustrates the effect of a 1% change in interest rates, assuming a LIBOR floor of 0%, on our variable-rate debt, including our $1.65 billion unsecured senior line of credit, unsecured senior bank term loans and secured construction loans, after considering the effect of our interest rate hedge agreements, secured debt, and unsecured senior notes payable as of September 30, 2016 (in thousands):

Annualized impact to future earnings due to variable-rate debt:	
Rate increase of 1%	$(4,460)
Rate decrease of 1%	$2,369
Effect on fair value of total consolidated debt and interest rate hedge agreements:	
Rate increase of 1%	$(185,564)
Rate decrease of 1%	$190,439

These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost and our interest rate hedge agreements in existence on September 30, 2016. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. 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 of our equity investments in certain publicly traded companies and privately held entities. We classify investments in publicly traded companies as available-for-sale and consequently recognize them in the accompanying consolidated balance sheets at fair value, with unrealized gains or losses reported as a component of accumulated other comprehensive income. Investments in privately held entities are generally accounted for under the cost method because we do not influence any of the operating or financial policies of the entities in which we invest. For all investments, we recognize other-than-temporary declines in value against earnings in the same period during which the decline in value was deemed to have occurred. There is no assurance that future declines in value will not have a material adverse impact on our future results of operations. The following table illustrates the effect that a 10% change in the fair value of our equity investments would have on earnings as of

September 30, 2016 (in thousands):

Equity price risk:	
Fair value increase of 10%	$32,099
Fair value decrease of 10%	$(32,099)

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Foreign currency exchange rate risk

We have exposure to foreign currency exchange rate risk related to our subsidiaries operating in Canada and Asia. The functional currencies of our foreign subsidiaries are the respective local currencies. Gains or losses resulting from the translation of our foreign subsidiaries' balance sheets and statements of income are classified in accumulated other comprehensive income as a separate component of total equity. Gains or losses will be reflected in our statements of income 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 table illustrates the effect that a 10% change in foreign currency rates relative to the U.S. dollar would have on our potential future earnings, and the fair value of our net investment in foreign subsidiaries based on our current operating assets outside the U.S. as of September 30, 2016 (in thousands):

Impact of potential future earnings due to foreign currency exchange rate:	
Rate increase of 10%	$154
Rate decrease of 10%	$(154)
Effect on the fair value of net investment in foreign subsidiaries due to foreign currency exchange rate:	
Rate increase of 10%	$11,835
Rate decrease of 10%	$(11,835)

This sensitivity analysis assumes 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 nine months ended September 30, 2016, 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 September 30, 2016, we had performed an evaluation, under the supervision of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. 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 CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2016.

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 September 30, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest expense related to outstanding debt.

We hold certain instruments in our debt profile in which interest rates move in direct relation to LIBOR, depending on our selection of borrowing options. Beginning in 2008, concerns have been raised that some of the member banks surveyed by the BBA in connection with the calculation of daily LIBOR across a range of maturities and currencies may have underreported, overreported, or otherwise manipulated the interbank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that might have resulted from reporting interbank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with a number of their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations have been instigated by regulators and government authorities in various jurisdictions. Other member banks may also enter into such settlements with, or have proceedings brought by, their regulators or law enforcement agencies in the future.
If manipulation of LIBOR occurred, it may have resulted in LIBOR having been artificially lower (or higher) than it would otherwise have been. Any such manipulation could have occurred over a substantial period of time.

On September 28, 2012, British regulators published a report on the review of LIBOR. The report concluded that LIBOR should be retained as a benchmark but recommended a comprehensive reform of LIBOR, including replacing the BBA with a new independent administrator of LIBOR. Based on this report, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (“FCA”) were published and came into effect on April 2, 2013 (the “FCA Rules”). In particular, the FCA Rules include requirements that (i) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior and (ii) firms submitting data to LIBOR establish and maintain a clear conflicts-of-interest policy and appropriate systems and controls. In response, ICE Benchmark Administration Limited (“IBA”) was appointed as the independent LIBOR administrator, effective in early 2014. It is not possible to predict the effect of the FCA Rules, any changes in the methods pursuant to which LIBOR is determined, the administration of LIBOR by IBA, and any other reforms to LIBOR that will be enacted in the United Kingdom and elsewhere. In addition, any changes announced by the FCA, the BBA, IBA, or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which LIBOR is determined, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the level of the index. Fluctuation or discontinuation of LIBOR would affect our interest expense and earnings and the fair value of certain of our financial instruments. We rely on interest rate swaps to mitigate our exposure to such interest rate risk on a portion of our debt obligations. However, there is no assurance these arrangements will be effective in reducing our exposure to changes in interest rates.

In addition, in November 2014, the Federal Reserve established a working group, the Alternative Reference Rates Committee (“ARRC”), to identify a set of alternative interest reference rates to LIBOR. In a May 2016 interim report, the ARRC narrowed its choice to two LIBOR alternatives. The first choice is the Overnight Bank Funding Rate (“OBFR”), which consists of domestic and foreign unsecured borrowing in U.S. dollars. The Federal Reserve has been calculating the OBFR and publishing it since March 2016. The second alternative rate to LIBOR is the Treasury General Collateral (“GC”) rate, which is composed of repo transactions secured by treasuries or other assets accepted as collateral by the majority of intermediaries in the repo market. No specific rate for the GC alternative has yet been specified to serve as a replacement for LIBOR, and it remains undefined. The transition to any alternative rate will require careful and deliberate consideration and implementation, so as to not disrupt the stability of financial markets. Regulators, financial institutions, benchmark administrators, and borrowers will need to strategize and implement these changes in a manner that is least disruptive. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers.

New rules from the Securities and Exchange Commission that govern money market funds may significantly impact the volatility of LIBOR interest rates.

On July 23, 2014, the SEC adopted rules to make structural and operational reforms to address risks of investor runs in money market funds. These changes affect prime money market funds, which invest in corporate debt securities, differently than they do government money market funds, which invest in securities that are collateralized solely by government securities. The rules require a floating net asset value for institutional prime money market funds and also allow the funds to impose liquidity fees and redemption gates to further prevent large-scale investor runs. The rules provided for a two-year transition period that expired on October 15, 2016. In anticipation of this change, a substantial amount of assets across the broader market previously invested in prime money market funds had been moved to government money market funds, causing a reduction in the availability of bank unsecured funding for European and non-U.S. banks. Government money market funds are not available to foreign banks for their dollar-funding needs. As a result, in recent weeks, as the transition deadline neared and passed, a supply-and-demand mismatch for dollar funds has emerged from foreign banks, causing LIBOR to increase significantly. There can be no assurance that LIBOR will stabilize subsequent to the transition period for these new regulations or whether there will be continued pressure on LIBOR or significant volatility in LIBOR. Any volatility in LIBOR would affect our interest expense and earnings and the fair value of certain of our financial instruments. We rely on interest rate hedge agreements to mitigate our exposure to such interest rate risk on a portion of our debt obligations. However, there is no assurance these arrangements will be effective in reducing our exposure to fluctuations in interest rates.

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 our 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, 2015. 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.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Title	Incorporated by Reference to:	Date Filed
3.1*	Articles of Amendment and Restatement of the Company	Form 10-Q	August 14, 1997
3.2*	Certificate of Correction of the Company	Form 10-Q	August 14, 1997
3.3*	Bylaws of the Company (as amended May 7, 2015)	Form 8-K	May 11, 2015
3.4*	Articles Supplementary, dated June 9, 1999, relating to the 9.50% Series A Cumulative Redeemable Preferred Stock	Form 10-Q	August 13, 1999
3.5*	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
3.6*	Articles Supplementary, dated February 10, 2000, relating to the Series A Junior Participating Preferred Stock	Form 8-K	February 10, 2000
3.7*	Articles Supplementary, dated January 18, 2002, relating to the 9.10% Series B Cumulative Redeemable Preferred Stock	Form 8-A	January 18, 2002
3.8*		Form 8-A	June 28, 2004

	Articles Supplementary, dated June 22, 2004, relating to the 8.375% Series C Cumulative Redeemable Preferred Stock		
3.9*	Articles Supplementary, dated March 25, 2008, relating to the 7.00% Series D Cumulative Convertible Preferred Stock	Form 8-K	March 25, 2008
3.10*	Articles Supplementary, dated March 12, 2012, relating to the 6.45% Series E Cumulative Redeemable Preferred Stock	Form 8-K	March 14, 2012
4.1*	Specimen certificate representing shares of common stock	Form 10-Q	May 5, 2011
4.2*	Specimen certificate representing shares of 7.00% Series D Cumulative Convertible Preferred Stock	Form 8-K	March 25, 2008
4.3*	Indenture, dated as of February 29, 2012, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee	Form 8-K	February 29, 2012

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Exhibit Number	Exhibit Title	Incorporated by Reference to:	Date Filed
4.4*	Supplemental Indenture No. 1, dated as of February 29, 2012, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee	Form 8-K	February 29, 2012
4.5*	Form of 4.60% Senior Note due 2022 (included in Exhibit 4.4 above)	Form 8-K	February 29, 2012
4.6*	Specimen certificate representing shares of 6.45% Series E Cumulative Redeemable Preferred Stock	Form 8-A	March 12, 2012
4.7*	Supplemental Indenture No. 2, dated as of June 7, 2013, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee	Form 8-K	June 7, 2013
4.8*	Form of 3.90% Senior Note due 2023 (included in Exhibit 4.7 above)	Form 8-K	June 7, 2013
4.9*	Supplemental Indenture No. 3, dated as of July 18, 2014, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee	Form 8-K	July 18, 2014
4.10*	Form of 2.750% Senior Note due 2020 (included in Exhibit 4.9 above)	Form 8-K	July 18, 2014
4.11*	Supplemental Indenture No. 4, dated as of July 18, 2014, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee	Form 8-K	July 18, 2014
4.12*	Form of 4.500% Senior Note due 2029 (included in Exhibit 4.11 above)	Form 8-K	July 18, 2014
4.13*	Indenture, dated as of November 17, 2015, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and Wilmington Trust, National Association, as Trustee	Form 8-K	November 17, 2015
4.14*	Supplemental Indenture No. 1, dated as of November 17, 2015, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and Wilmington Trust, National Association, as Trustee	Form 8-K	November 17, 2015
4.15*	Form of 4.30% Senior Note due 2026 (included in Exhibit 4.14 above)	Form 8-K	November 17, 2015
4.16*	Supplemental Indenture No. 2, dated as of June 10, 2016, among the Company, as Issuer, Alexandria Real Estate Equities, L.P., as Guarantor, and Wilmington Trust, National Association, as Trustee	Form 8-K	June 10, 2016
4.17*	Form of 3.95% Senior Note due 2027 (included in Exhibit 4.16 above)	Form 8-K	June 10, 2016
10.1	Fifth Amended and Restated Credit Agreement, dated as of July 29, 2016, among the Company, as Borrower, Alexandria Real Estate Equities, L.P., as Guarantor, Bank of America, N.A., as Administrative Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Chase Bank, N.A., and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Runners, JPMorgan Chase Bank, N.A. and Citigroup Global Markets Inc., as Co-Syndication Agents, Barclays Bank PLC, BBVA Compass, Capital One, National Association, Goldman Sachs Bank USA, Mizuho Bank, Ltd., Regions Bank, Royal Bank of Canada, Sumitomo Mitsui Banking Corporation, TD Bank, N.A., The Bank of Nova Scotia, and The Bank of Tokyo-Mitsubishi UFJ,		Filed herewith

	Ltd., as Co-Documentation Agents	
10.2	First Amendment to Amended and Restated Term Loan Agreement, dated as of July 29, 2016, among the Company, as Borrower, Alexandria Real Estate Equities, L.P., as Guarantor, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and Citigroup Global Markets Inc., as Co-Syndication Agents, Barclays Bank PLC, Capital One, N.A., Compass Bank, Credit Agricole Corporate and Investment Bank, Goldman Sachs Bank USA, HSBC Bank USA, National Association, Royal Bank of Canada, The Bank of Nova Scotia, and The Royal Bank of Scotland PLC, as Co-Documentation Agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Lead Book Runners	Filed herewith

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Exhibit Number	Exhibit Title	Incorporated by Reference to:	Date Filed
10.3	First Amendment to Third Amended and Restated Term Loan Agreement, dated as of July 29, 2016, among the Company, as Borrower, Alexandria Real Estate Equities, L.P., as Guarantor, Citibank, N.A., as Administrative Agent, Royal Bank of Canada and The Bank of Nova Scotia, as Co-Syndication Agents, Compass Bank, Regions Bank, MUFG Union Bank, N.A., SunTrust Bank, TD Bank, N.A., Mizuho Bank (USA), and PNC Bank National Association, as Co-Documentation Agents, and Citigroup Global Markets Inc., RBC Capital Markets, and The Bank of Nova Scotia, as Joint Lead Arrangers and Joint Book Running Managers		Filed herewith
12.1	Computation of Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividends		Filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith
32.0	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		Filed herewith
101	The following materials from the Company’s quarterly report on Form 10-Q for the nine months ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2016, and December 31, 2015 (unaudited), (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2016 and 2015 (unaudited), (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015 (unaudited), (iv) Consolidated Statement of Changes in Stockholders’ Equity and Noncontrolling Interests for the nine months ended September 30, 2016 (unaudited), (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited)		Filed herewith

(*) 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 November 2, 2016.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

/s/ Joel S. Marcus
Joel S. Marcus
Chairman/Chief Executive Officer
(Principal Executive Officer)

/s/ Dean A. Shigenaga
Dean A. Shigenaga
Chief Financial Officer
(Principal Financial Officer)

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