

ALEXANDRIA REAL ESTATE EQUITIES INC
Form 10-Q
October 31, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission file number 1-12993

ALEXANDRIA REAL ESTATE EQUITIES, INC.

(Exact name of registrant as specified in its charter)

Maryland 95-4502084

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer Identification Number)

385 East Colorado Boulevard, Suite 299, Pasadena, California 91101

(Address of principal executive offices) (Zip code)

(626) 578-0777

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 16, 2017, 95,717,826 shares of common stock, par value \$0.01 per share, were outstanding.

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GLOSSARY

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

ASU	Accounting Standards Update
ATM	At the Market
CIP	Construction in Progress
EPS	Earnings per Share
FASB	Financial Accounting Standards Board
FFO	Funds from Operations
GAAP	U.S. Generally Accepted Accounting Principles
HVAC	Heating, Ventilation, and Air Conditioning
JV	Joint Venture
LEED®	Leadership in Energy and Environmental Design
LIBOR	London Interbank Offered Rate
NAREIT	National Association of Real Estate Investment Trusts
NAV	Net Asset Value
NYSE	New York Stock Exchange
REIT	Real Estate Investment Trust
RSF	Rentable Square Feet/Foot
SEC	Securities and Exchange Commission
SF	Square Feet/Foot
SoMa	South of Market (submarket of the San Francisco market)
U.S.	United States
VIE	Variable Interest Entity

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc.
 Consolidated Balance Sheets
 (In thousands)
 (Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Investments in real estate	\$10,046,521	\$9,077,972
Investments in unconsolidated real estate joint ventures	33,692	50,221
Cash and cash equivalents	118,562	125,032
Restricted cash	27,713	16,334
Tenant receivables	9,899	9,744
Deferred rent	402,353	335,974
Deferred leasing costs	208,265	195,937
Investments	485,262	342,477
Other assets	213,056	201,197
Total assets	\$11,545,323	\$10,354,888
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	\$1,153,890	\$1,011,292
Unsecured senior notes payable	2,801,290	2,378,262
Unsecured senior line of credit	314,000	28,000
Unsecured senior bank term loans	547,860	746,471
Accounts payable, accrued expenses, and tenant security deposits	740,070	731,671
Dividends payable	83,402	76,914
Total liabilities	5,640,512	4,972,610
Commitments and contingencies		
Redeemable noncontrolling interests	11,418	11,307
Alexandria Real Estate Equities, Inc.'s stockholders' equity:		
7.00% Series D cumulative convertible preferred stock	74,386	86,914
6.45% Series E cumulative redeemable preferred stock	—	130,000
Common stock	943	877
Additional paid-in capital	5,287,777	4,672,650
Accumulated other comprehensive income	43,864	5,355
Alexandria Real Estate Equities, Inc.'s stockholders' equity	5,406,970	4,895,796
Noncontrolling interests	486,423	475,175
Total equity	5,893,393	5,370,971
Total liabilities, noncontrolling interests, and equity	\$11,545,323	\$10,354,888

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Rental	\$216,021	\$166,591	\$635,156	\$486,505
Tenant recoveries	67,058	58,681	188,874	165,385
Other income	2,291	5,107	5,276	20,654
Total revenues	285,370	230,379	829,306	672,544
Expenses:				
Rental operations	83,469	72,002	237,536	205,164
General and administrative	17,636			