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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

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)	(IRS Employer I.D. Number)

385 East Colorado Boulevard
Suite 299
Pasadena, California 91101

(Address of principal executive offices) (Zip code)

Registrant s telephone number, including area code: **(626) 578-0777**

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value per share	New York Stock Exchange
6.45% Series E Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act).

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

The aggregate market value of the shares of Common Stock held by non-affiliates of registrant was approximately $4.5 billion based on the closing price for such shares on the New York Stock Exchange on June 29, 2012.

As of February 22, 2013, the registrant had outstanding 63,741,387 shares of Common Stock.

Documents Incorporated By Reference

Part III of this annual report on Form 10-K incorporates certain information by reference from the registrant s definitive proxy statement to be filed within 120 days of the end of the fiscal year covered by this annual report on Form 10-K in connection with the registrant s annual meeting of stockholders to be held on or about May 20, 2013.

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PART I

Certain information and statements included in this annual report on Form 10-K, including, without limitation, statements containing the words believes, expects, may, will, should, seeks, approximately, intends, plans, estimates, or anticipates, or the negative of these words, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, results of operations, and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by the forward-looking statements, including, but not limited to, the following:

- Negative worldwide economic, financial, and banking conditions, and the recent slowdown of the United States (U.S.) economy;
- Worldwide economic recession, lack of confidence, and/or high structural unemployment;
- Potential defaults on national debt by certain countries;
- Potential and further downgrade of the U.S. credit rating;
- The continuation of the ongoing economic crisis in Europe;
- Failure of the U.S. government to agree on a debt ceiling or deficit reduction plan;
- Inability of the U.S. government to avoid the fiscal cliff or sequestration;
- Potential and further downgrades of the credit ratings of major financial institutions, or their perceived creditworthiness;
- Financial, banking, and credit market conditions;
- The seizure or illiquidity of credit markets;
- Failure to meet market expectations for our financial performance;
- Our inability to obtain capital (debt, construction financing, and/or equity) or refinance debt maturities;
- Potential negative impact of capital plan objectives to reduce our balance sheet leverage;
- Our inability to comply with financial covenants in our debt agreements;
- Inflation or deflation;
- Prolonged period of stagnant growth;
- Increased interest rates and operating costs;

- Adverse economic or real estate developments in our markets;

- Our failure to successfully complete and lease our existing space held for redevelopment and new properties acquired for that purpose and any properties undergoing development;

- Significant decreases in our active development, active redevelopment, or preconstruction activities, resulting in significant increases in our interest, operating, and payroll expenses;

- Our failure to successfully operate or lease acquired properties;

- The financial condition of our insurance carriers;

- General and local economic conditions;

- Government changes to the healthcare system and its negative impact on our client tenants;

- Adverse developments concerning the life science industry and/or our life science client tenants;

- Client tenant base concentration within life science industry;

- Potential decreases in US National Institute of Health (NIH) funding;

- U.S. government client tenants may not receive government funding;

- Government driven changes to the healthcare system may reduce pricing of drugs, negatively impact healthcare coverage, and negatively impact reimbursement of healthcare services and products;

- The nature and extent of future competition;

- Lower rental rates, and/or higher vacancy rates;

- Failure to renew or replace expiring leases;

- Defaults on or non-renewal of leases by client tenants;

- Availability of and our ability to attract and retain qualified personnel;

- Our failure to comply with laws or changes in law;

- Compliance with environmental laws;

- Extreme weather conditions or climate change;

- Our failure to maintain our status as a real estate investment trust (REIT) for federal tax purposes;

- Changes in laws, regulations, and financial accounting standards;

- Certain ownership interests outside the U.S. that may subject us to different or greater risks than those associated with our domestic operations;

- Fluctuations in foreign currency exchange rates;

- Security breaches through cyber-attacks or cyber-intrusions;
- Changes in the method of determining the London Interbank Offered Rate (LIBOR); and
- Negative impact on economic growth resulting from the combination of federal income tax increases and government spending restrictions.

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This list of risks and uncertainties is not exhaustive. Additional information regarding risk factors that may affect us is included under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in this annual report on Form 10-K. Readers of our annual report on Form 10-K should also read our Securities and Exchange Commission (SEC) and other publicly filed documents for further discussion regarding such factors.

As used in this annual report on Form 10-K, references to the Company, we, our, and us refer to Alexandria Real Estate Equities, Inc. and its subsidiaries. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes appearing elsewhere in this annual report on Form 10-K. References to GAAP used herein refer to U.S. generally accepted accounting principles.

ITEM 1. BUSINESS

Overview

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for federal income tax purposes. We are the largest owner, preeminent REIT, and leading life science real estate company focused principally on science-driven cluster development through the ownership, operation, management, selective acquisition, development, and redevelopment of properties containing life science laboratory space. We are the leading provider of high-quality environmentally sustainable real estate, technical infrastructure, and services to the broad and diverse life science industry. Client tenants include leading multinational pharmaceutical companies, academic and medical institutions, public and private biotechnology entities, U.S. government research agencies, medical device companies, industrial biotech companies, venture capital firms, and life science product and service companies. Our primary business objective is to maximize stakeholder value by providing our debt and equity stakeholders with the greatest possible total return based on a multifaceted platform of internal and external growth. Our operating platform is based on the principle of clustering, with assets and operations located adjacent to life science entities, and in close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses, driving growth and technological advances within each cluster.

As of December 31, 2012, we had 178 properties aggregating approximately 17.1 million rentable square feet, composed of approximately 15.0 million rentable square feet of operating properties, approximately 1.6 million rentable square feet undergoing active development, and approximately 0.5 million rentable square feet undergoing active redevelopment. Our operating properties were approximately 93.4% leased as of December 31, 2012. Our primary sources of revenues are rental income and tenant recoveries from leases of our properties. Investment-grade client tenants represented 47% of our total annualized base rent as of December 31, 2012. The comparability of financial data from period to period is affected by the timing of our property acquisition, development, and redevelopment activities.

2012 highlights

Core operating metrics

- Total revenues for the year ended December 31, 2012, were $586.1 million, compared to total revenues for the year ended December 31, 2011, of $548.2 million;

- Net operating income (NOI) for the year ended December 31, 2012, was $411.6 million, or up 6%, compared to NOI for the year ended December 31, 2011, of $388.7 million;

- 47% of total annualized base rent (ABR) was from investment-grade client tenants;

- Investment-grade client tenants represented 72% of top 10 client tenants ABR;

- Operating margins were at 70% for the year ended December 31, 2012;

- Cash and GAAP same property NOI increased 3.5% and decreased 0.5%, respectively, for the year ended December 31, 2012;

- Leasing activity for the year ended December 31, 2012, represented the second-highest in the Company s history;

- During the year ended December 31, 2012, we executed 187 leases for 3,281,000 rentable square feet, including 1,135,000 rentable square feet of development and redevelopment space; rental rates decreased 2.0% and increased 5.2% on a cash and GAAP basis, respectively, on renewed/re-leased space; excluding one lease for 48,000 rentable square feet in the Research Triangle Park market, and two leases for 141,000 rentable square feet in the Suburban Washington, D.C., market, rental rates for renewed/re-leased space were, on average, 0.4% higher and 7.1% higher than rental rates for expiring leases on a cash and GAAP basis, respectively; and

- The occupancy percentage for operating properties in North America was 94.6%, and the occupancy percentage for operating and redevelopment properties in North America was 91.6%; the occupancy percentage for all operating properties was 93.4%, including properties in Asia, and the occupancy percentage for all operating and redevelopment properties was 89.8%, including properties in Asia.

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Value-added opportunities and external growth

Key commencements development

- In November 2012, we commenced development of 430 East 29th Street, the West Tower of the Alexandria Center for Life Science New York City, located in the Greater NYC market, a building with 419,806 rentable square feet; 14% pre-leased with an additional 40% at the letter of intent stage; and
- In April 2012, we commenced development of 360 Longwood Avenue, located in the Greater Boston market, a 37% pre-leased unconsolidated joint venture project with 414,000 rentable square feet.

Key commencements redevelopment

- In October 2012, we commenced conversion of manufacturing space into laboratory space through redevelopment of 4757 Nexus Center Drive, located in the San Diego market, a 100% pre-leased project with 68,423 rentable square feet; and
- In October 2012, we commenced conversion of office space into laboratory space through redevelopment of 1616 Eastlake Avenue, located in the Seattle market, a 61% pre-leased project with 66,776 rentable square feet.

Key deliveries development

- In November 2012, we completed development of 259 East Grand Avenue, located in the San Francisco Bay Area market, a 100% leased building with 170,618 rentable square feet;
- In October 2012, we completed development of 400/450 East Jamie Court, located in the San Francisco Bay Area market, an 80% leased project with 163,036 total rentable square feet;
- In October 2012, we completed development of 5200 Illumina Way, located in the San Diego market, a 100% leased project with 127,373 rentable square feet;
- In September 2012, we completed development of 4755 Nexus Center Drive, located in the San Diego market, a 100% leased project with 45,255 rentable square feet; and
- In April 2012, we completed development located in the Canadian market, a 100% leased project with 26,426 rentable square feet.

Key deliveries redevelopment

- In November and December 2012, we partially completed redevelopment of 100% leased 140,532 rentable square feet at 400 Technology Square, located in the Greater Boston market, a building with 212,124 total rentable square feet;

- From November 2011 to September 2012, we completed redevelopment of 10300 Campus Point Drive, located in the San Diego market, a 96% leased project with 279,138 rentable square feet, including 189,562 rentable square feet completed in September 2012; and

- In June 2012, we completed redevelopment of 3530/3550 John Hopkins Court, located in the San Diego market, a 100% leased project with 98,320 rentable square feet.

Balance sheet strategy and significant milestones

- Our balance sheet strategy continues to focus on reaching our leverage target of net debt to adjusted EBITDA of approximately 6.5x by December 31, 2013, by funding our significant development and redevelopment projects in 2013 with leverage-neutral sources of capital and by continuing to execute our asset recycling program;

- In 2012, we executed our capital strategy and proved our access to diverse sources of capital strategically important to our long-term capital structure, and successfully accessed every long-term component of our targeted sources of capital, including proceeds from our asset recycling program, unsecured senior line of credit, 4.60% unsecured senior notes payable offering, secured construction loan, 6.45% series E preferred stock (Series E Preferred Stock) offering, and our at the market common stock offering program;

- We completed $75.1 million of asset sales in 2012, and completed an additional $84.0 million of asset sales from January 1, 2013, through February 21, 2013;

- In December 2012, we repaid two secured notes payable with an aggregate balance of $15.5 million;

- In June 2012, we established an at the market common stock offering program, and raised $97.9 million in net proceeds from sales under this program during the year ended December 31, 2012;

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- In June 2012, we closed a secured construction loan with aggregate commitments of $55.0 million;

- In April 2012, we amended our $1.5 billion unsecured senior line of credit to reduce its interest rate and extend its maturity date to April 2017, assuming we exercise our sole right to extend the maturity date twice;

- In April 2012, we redeemed all $129.6 million of our outstanding 8.375% series C preferred stock (Series C Preferred Stock);

- In March 2012, we completed the Series E Preferred Stock offering with net proceeds of $124.9 million;

- In February 2012, we completed our 4.60% unsecured senior notes payable offering with net proceeds of $544.6 million; net proceeds from the offering were used to repay certain outstanding variable rate bank debt, including all $250.0 million of our 2012 unsecured senior bank term loan; and

- In January and April 2012, we retired all $84.8 million of our 3.70% unsecured senior convertible notes.

Events subsequent to year end

- In January 2013, we executed a lease for 244,123 rentable square feet at 75/125 Binney Street, located in the Greater Boston market and during the three months ended March 31, 2013, we expect to commence development of this 386,275 rentable square feet, 63% pre-leased project;

- In January 2013, we completed the sale of 1124 Columbia Street and two land parcels, located in the Seattle market, a building with 203,817 rentable square feet, for a sales price of approximately $42.6 million, to a buyer expected to renovate and reposition the property for medical office use. No gain or loss was recognized upon sale; and

- In February 2013, we completed the sale of 25/35/45 West Watkins Mill Road, 1201 Clopper Road, and a land parcel located in the Suburban Washington D.C., market, two buildings with an aggregate of 282,523 rentable square feet, for a sales price of approximately $41.4 million, to a buyer expected to renovate and reposition these properties. We recognized a gain upon sale of approximately $0.1 million.

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Business objectives and strategies

Our primary business objective is to maximize stakeholder value by providing our debt and equity stakeholders with the greatest possible total return based on a multifaceted platform of internal and external growth. The key elements to our strategy include our consistent focus on high-quality assets and operations in the top life science cluster locations with our properties located adjacent to life science entities, driving growth and technological advances within each cluster. These adjacency locations are characterized by high barriers to entry for new landlords, high barriers to exit for client tenants, limited supply of available space, and represent highly desirable locations for tenancy by life science entities because of the close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Our strategy also includes drawing upon our deep and broad life science and real estate relationships in order to attract new and leading life science client tenants and value-added real estate.

We focus our property operations and investment activities principally in the following life science markets:

- Greater Boston;
- San Francisco Bay Area;
- San Diego;
- Greater NYC;
- Suburban Washington, D.C.;
- Seattle;
- Research Triangle Park;
- Canada;
- India; and
- China.

The following chart summarizes the growth of the annualized base rent of our assets in our key cluster submarkets:

Our client tenant base is broad and diverse within the life science industry and reflects our focus on regional, national, and international client tenants with substantial financial and operational resources. Investment-grade client tenants represented 47% of our total annualized base rent as of December 31, 2012. For a more detailed description of our properties and client tenants, see Item 2. Properties. We have an experienced board of directors and are led by a senior management team with extensive experience in both the real estate and life science industries.

Growth and core operating strategies

We continue to demonstrate the strength and durability of our core operations, providing life science laboratory space to the broad and diverse life science industry. Our internal growth has been consistent, as demonstrated by our same property NOI performance, high and relatively stable occupancy, and continuing improvement of cash flows from the leasing activity of our core operating assets. In addition, we continue to focus on our external growth through the conversion of non-income-producing assets into income-producing assets, which results in cash flow contribution from ground-up development and from redevelopment of non-laboratory space into laboratory space. We intend to selectively acquire properties that we believe provide long-term value to our stockholders. Our strategy for acquisitions will focus on the quality of the submarket locations, improvements, tenancy, and overall return. We believe the life science industry will remain keenly focused on locations adjacent to key innovation drivers in each major life science submarket. Owning and operating the best assets in the best adjacency locations provides the best upside potential and provides the most downside risk mitigation. This being the case, we will also focus on adjacency locations that will deliver high cash flows, stability, and returns as we work to deliver the highest value to our stockholders.

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We also intend to continue to focus on the completion and delivery of our existing active development projects, aggregating approximately 1,566,774 rentable square feet, and our existing active redevelopment projects, aggregating approximately 547,092 rentable square feet. Additionally, we intend to continue with preconstruction activities for certain land parcels for future ground-up development in order to preserve and create value for these projects. These important preconstruction activities add significant value to our land for future ground-up development and are required for the ultimate vertical construction of the buildings. We also continue to be very prudent with any future decisions to add new projects to our active ground-up developments. Future ground-up development projects will likely require significant pre-leasing from high-quality and/or creditworthy entities.

We intend to continue to transition our balance sheet debt from short-term and medium-term unsecured variable rate bank debt to long-term unsecured fixed rate debt. We are focused on the recycling of sale proceeds from non-core suburban assets for investment into higher-value urban or central business district (CBD) assets and teaming with high-quality capital partners, as appropriate. We expect sources of funds for construction activities and repayment of outstanding debt to be provided by opportunistic sales of real estate, joint ventures, cash flows from operations, new secured or unsecured debt, and the issuance of additional equity securities, as appropriate. We intend to combine these sources of capital in a leverage-neutral manner in order to maintain our overall balance sheet leverage target.

We seek to maximize balance sheet liquidity and flexibility, cash flows, and cash available for distribution to our stockholders through the ownership, operation, management, and selective acquisition, development, and redevelopment of life science properties, as well as management of our balance sheet. In particular, we seek to maximize balance sheet liquidity and flexibility, cash flows, and cash available for distribution by:

- Maintaining significant liquidity through borrowing capacity under our unsecured senior line of credit and cash and cash equivalents;
- Minimizing the amount of near-term debt maturities in a single year;
- Maintaining low to modest leverage;
- Minimizing variable interest rate risk;
- Maintaining strong and stable operating cash flows;
- Re-tenanting and re-leasing space at higher rental rates to the extent possible, while minimizing tenant improvement costs;
- Maintaining solid occupancy while also maintaining high lease rental rates;
- Realizing contractual rental rate escalations, which are currently provided for in approximately 96% of our leases (on a rentable square footage basis);
- Implementing effective cost control measures, including negotiating pass-through provisions in client tenant leases for operating expenses and certain capital expenditures;
- Improving investment returns through leasing of vacant space and replacement of existing client tenants with new client tenants at higher rental rates;
- Achieving higher rental rates from existing client tenants as existing leases expire;

- Selectively selling properties, including land parcels, to reduce outstanding debt;
- Selectively acquiring high-quality life science properties in our target life science cluster markets at prices that enable us to realize attractive returns;
- Selectively redeveloping existing office, warehouse, or shell space, or newly acquired properties, into generic life science laboratory space that can be leased at higher rental rates in our target life science cluster markets;
- Selectively developing properties in our target life science cluster markets; and
- Recycling non-core assets for capital deployment in key brain trust clusters for future value.

Acquisitions

We seek to identify and acquire high-quality life science properties in our target life science cluster markets. Critical evaluation of prospective property acquisitions is an essential component of our acquisition strategy. When evaluating acquisition opportunities, we assess a full range of matters relating to the prospective property or properties, including:

- Adjacency to centers of innovation and technological advances;
- Location of the property and our strategy in the relevant market;

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- Quality of existing and prospective client tenants;
- Condition and capacity of the building infrastructure;
- Quality and generic characteristics of the laboratory facilities;
- Physical condition of the structure and common area improvements;
- Opportunities available for leasing vacant space and for re-tenanting occupied space;
- Availability of land for future ground-up development of new life science laboratory space; and
- Opportunities to redevelop existing space into higher-rent, generic life science laboratory space.

Development

A key component of our long-term business model is ground-up development projects. Our development strategy is primarily to pursue selective projects with significant pre-leasing where we expect to achieve appropriate investment returns and generally match a source of funds for this use. Our ground-up development projects focus primarily on investment in generic and reusable life science laboratory improvements, rather than tenant-specific improvements. As of December 31, 2012, we had six projects undergoing ground-up development approximating 1,566,774 rentable square feet of life science laboratory space. We also have an embedded pipeline for future ground-up development approximating 4.7 million developable square feet.

Redevelopment

Another key component of our long-term business model is the redevelopment of existing office, warehouse, or shell space into generic life science laboratory space that can be leased at higher rates. Our redevelopment strategy includes significant pre-leasing of certain projects prior to the commencement of redevelopment. As of December 31, 2012, we had 10 projects aggregating 547,092 rentable square feet undergoing active redevelopment. In addition to properties undergoing redevelopment, as of December 31, 2012, our asset base contained embedded opportunities for a future permanent change of use to life science laboratory space through redevelopment aggregating approximately 1.0 million rentable square feet.

Client tenants

Investment-grade client tenants represented 47% of our total annualized base rent as of December 31, 2012. As of December 31, 2012, we had 494 leases with a total of 396 client tenants, and 74, or 42%, of our 178 properties were single-tenant properties. Our three largest client tenants accounted for approximately 14.7% of our aggregate annualized base rent, or approximately 6.9%, 4.2%, and 3.6%, respectively. As of December 31, 2011, we had 474 leases with a total of 388 client tenants and 69, or 40%, of our 173 properties, were each leased to a single client tenant. As of December 31, 2011, our three largest client tenants accounted for approximately 13.6% of our aggregate annualized base rent, or 6.4%, 3.6%, and 3.6%, respectively.

Competition

In general, other life science properties are located in close proximity to our properties. The amount of rentable space available in any market could have a material effect on our ability to rent space and on the rents that we can earn. In addition, we compete for investment opportunities with insurance companies, pension and investment funds, private equity entities, partnerships, developers, investment companies, other REITs, and owner/occupants. Many of these entities have substantially greater financial resources than we do and may be able to invest more than we can or accept more risk than we are willing to accept. These entities may be less sensitive to risks with respect to the creditworthiness of a client tenant or the geographic concentration of their investments. Competition may also reduce the number of suitable investment opportunities available to us or may increase the bargaining power of property owners seeking to sell. Competition in acquiring existing properties and land, both from institutional capital sources and from other REITs, has been very strong over the past several years. However, we believe we have differentiated ourselves from our competitors, as we are the first publicly traded REIT to focus primarily on the life science real estate niche, as well as the largest owner, manager, and developer of life science properties, in key life science markets and have the most important relationships in the life science industry.

Financial information about our operating segment

See Note 2, Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements for information about our operating segment.

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Regulation

General

Properties in our markets are subject to various laws, ordinances, and regulations, including regulations relating to common areas. We believe we have the necessary permits and approvals to operate each of our properties.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 (the ADA), to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to incur substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect. See Item 1A. Risk Factors We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Environmental matters

Under various environmental protection laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up contamination located on or emanating from that property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. Previous owners used some of our properties for industrial and other purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or may materially adversely affect our ability to sell, lease, or develop the real estate or to borrow using the real estate as collateral.

Some of our properties may have asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. These laws may also allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

In addition, some of our client tenants routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our client tenants, and potentially us, to liability resulting from these activities or from previous uses of those properties. Environmental liabilities could also affect a client tenant s ability to make rental payments to us. We require our client tenants to comply with these environmental laws and regulations. See Item 1A. Risk Factors We could be held liable for damages resulting from our client tenants use of hazardous materials.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties, and do not generally include soil samplings, subsurface investigations, or an asbestos survey. To date, these assessments have not revealed any material environmental liability that we believe would have a material adverse effect on our business, assets, or results of operations. Nevertheless, it is possible that the assessments on our properties have not revealed all environmental conditions, liabilities, or compliance concerns. Material environmental conditions, liabilities, or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances, or regulations may impose material additional environmental liability. See Item 1A. Risk Factors We may incur significant costs complying with environmental laws.

Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance with respect to our properties. We select policy specifications and insured limits that we believe to be appropriate given the relative risk of loss, the cost of the coverage, and industry practice. In the opinion of management, the properties in our portfolio are currently adequately insured. In addition, we have obtained earthquake insurance for certain properties located in the vicinity of active earthquake faults. We also carry environmental remediation insurance and title insurance on our properties. We obtain our title insurance policies generally when we acquire the property, with each policy covering an amount equal to the initial purchase price of each property. Accordingly, any of our title insurance policies may be in an amount less than the current value of the related property. See Item 1A. Risk Factors Our insurance may not adequately cover all potential losses.

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Available information

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, including any amendments to the foregoing reports, are available, free of charge, through our corporate website at www.are.com as soon as is reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The current charters of our Board of Directors Audit, Compensation, and Nominating & Governance Committees, along with the Company s corporate governance guidelines and Business Integrity Policy and Procedures for Reporting Non-compliance (the Business Integrity Policy) are available on our corporate website. Additionally, any amendments to, and waivers of, our Business Integrity Policy that apply to our Chief Executive Officer and Chief Financial Officer will be available free of charge on our corporate website in accordance with applicable SEC and New York Stock Exchange (NYSE) requirements. Written requests should be sent to Alexandria Real Estate Equities, Inc., 385 East Colorado Boulevard, Suite 299, Pasadena, California 91101, Attention: Investor Relations. Further, a copy of this annual report on Form 10-K is located at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The public may also download these materials from the SEC s website at www.sec.gov.

Employees

As of December 31, 2012, we had 217 full-time employees. We believe that we have good relations with our employees. We have adopted a Business Integrity Policy that applies to all of our employees. Its receipt and review by each employee is documented and verified annually.

ITEM 1A. RISK FACTORS

The following risks factors may adversely affect our overall business, financial condition, results of operations, cash flow, ability to make distributions to our stockholders, access to capital, or the market price of our common stock, as further described in each risk factor below. Additional risks and uncertainties not presently known to us, or which we currently consider immaterial, also may materially adversely affect our business, financial condition, and results of operations. In addition to the information set forth in this annual report on Form 10-K, one should carefully review and consider the information contained in our other reports and periodic filings that we make with the SEC. Those risk factors could materially affect our overall business, financial condition, results of operations, cash flow, ability to make distributions to our stockholders, access to capital, or the market price of our common stock. The risks that we describe in our public filings are not the only risks that we face.

The global financial crisis, high structural unemployment, and other events or circumstances beyond the control of the Company may adversely affect its industry, business, results of operations, contractual commitments, and access to capital.

What began initially in 2007 and 2008 as a subprime mortgage crisis turned into an extraordinary U.S. and worldwide structural economic and financial crisis coupled with the rapid decline of the consumer economy. From 2008 through 2010, significant concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and a declining real estate market in the U.S. contributed to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. These factors, combined with volatile oil prices and fluctuating business and consumer confidence, precipitated a steep economic decline. In 2011 and 2012, the economy showed signs of improvement, but recovery has been slow and volatile. Further, severe financial and structural strains on the banking and financial systems have led to significant lack of trust and confidence in the global credit and financial system. Consumers and money managers have liquidated and may liquidate equity investments, and consumers and banks have held and may hold cash and other lower-risk investments, resulting in significant and, in some cases, catastrophic declines in the equity capitalization of companies and failures of financial institutions. Although U.S. bank earnings and liquidity are on the rebound, the potential of significant future bank credit losses creates uncertainty for the lending outlook. Additionally, job growth remains sluggish, and sustained high unemployment can further hinder economic growth.

Negative impact on economic growth resulting from the combination of federal income tax increases, debt policy, and government spending restrictions may adversely affect our results of operations.

Global macroeconomic conditions affect our client tenants businesses. Developments such as the recent recessions and instability in the banking and governmental sectors of the U.S. and Europe, and/or the negative impact on economic growth resulting from the combination of government tax increases, debt policy, and spending restrictions may have an adverse effect on our revenue growth and profitability. Volatile, negative, or uncertain economic conditions could undermine business confidence in our significant markets or in other markets and cause our client tenants to reduce or defer their spending, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographic regions in which we operate and the industries we serve may in the future affect demand for our services. A material portion of our revenues and profitability is derived from our client tenants in North America. Ongoing economic volatility and uncertainty affects our business in a number of other ways, including making it more difficult to accurately forecast client demand beyond the short term and effectively build our revenue and spending plans. Economic volatility and uncertainty are particularly challenging because it may take some time for the effects and resulting changes in demand patterns to manifest themselves in our business and results of operations. Changing demand patterns from economic volatility and uncertainty could have a significant negative impact on our results of operations. These risks may impact our overall liquidity, borrowing costs, or the market price of our common stock.

Failure of the U.S. federal government to enact a fiscal budget, raise or further suspend the debt ceiling, and changes in the amount of federal debt may negatively impact the economic environment and adversely impact our results of operations.

The Budget Control Act of 2011 provides for a reduction of U.S. federal government discretionary spending in fiscal year 2013 by roughly $110 billion through a series of automatic across-the-board spending cuts known as sequestration. Sequestration is expected to go into effect unless the U.S. Congress passes sweeping legislation to reduce budget deficits by $1.2 trillion over the next decade. Although the deadline for such Congressional action was originally January 2, 2013, the American Taxpayer Relief Act of 2012, which was enacted on January 2, 2013, delayed the effective date of sequestration to March 1, 2013 to provide an additional opportunity for the U.S. Congress and the President to agree on alternative deficit reduction options.

The U.S. federal government has established a limit on the level of federal debt that the U.S. federal government can have outstanding, often referred to as the debt ceiling. U.S. federal debt is expected to reach the current debt ceiling of $16.4 trillion in the coming months. The U.S. Congress has authority to raise the debt ceiling, and has done so in the past. For example, in 2011, the U.S. Congress raised the debt ceiling by enacting the Budget Control Act of 2011, resulting in sequestration and the lowering of the credit rating of the U.S. federal government. Absent an increase in, or suspensions to, the debt ceiling in 2013, the U.S. federal government may partially shut down and/or default on its existing loans as a result of reaching the debt ceiling.

An inability of the U.S. federal government to manage its fiscal matters, avoid sequestration, or manage its debt may result in the loss of economic confidence domestically and globally, reduce investment spending, increase borrowing costs, impact availability and cost of capital, and significantly reduce economic activity. Furthermore, a failure by the U.S. federal government to enact appropriate fiscal legislation may significantly impact the national and global economic and financial environment and affect our business and the businesses of our client tenants. If economic conditions severely deteriorate as a result of government fiscal gridlock, our ability to lease space to our client tenants may be significantly impacted.

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The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact our liquidity, financial condition, and earnings.

Recent U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor s Ratings Services lowered its long-term sovereign credit rating on the U.S. from AAA to AA+ in August 2011. The impact of this or any further downgrades to the U.S. government s sovereign credit rating, or its perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. In addition, certain European nations continue to experience varying degrees of financial stress, and yields on government-issued bonds in Greece, Ireland, Italy, Portugal, and Spain have risen recently and remain volatile. Despite assistance packages to Greece, Ireland, and Portugal, the creation of the European Financial Stability Facility and the European Financial Stabilisation Mechanism, and a recently announced plan to expand financial assistance to Greece, uncertainty over the outcome of the European Union governments financial support programs and worries about sovereign finances persist. Market concerns over the direct and indirect exposure of European banks and insurers to these European Union peripheral nations has resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. There can be no assurance that government or other measures to aid economic recovery will be effective. These developments, and the U.S. government s credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, the lowered credit rating could create broader financial turmoil and uncertainty, which may exert downward pressure on the market price of our common stock. Continued adverse economic conditions could have a material adverse effect on our business, financial condition, and results of operations.

Changes in laws, regulations, and financial accounting standards may adversely affect our reported results of operations.

As a response, in large part, to perceived abuses and deficiencies in current regulations believed to have caused or exacerbated the recent global financial crisis, legislative, regulatory, and accounting standard-setting bodies around the world are engaged in an intensive, wide-ranging examination and rewriting of the laws, regulations, and accounting standards that have constituted the basic playing field of global and domestic business for several decades. In many jurisdictions, including the U.S., the legislative and regulatory response has included the extensive reorganization of existing regulatory and rule-making agencies and organizations, and the establishment of new agencies with broad powers. This reorganization has disturbed longstanding regulatory and industry relationships and established procedures.

The rule-making and administrative efforts have focused principally on the areas perceived as having contributed to the financial crisis, including banking, investment banking, securities regulation, and real estate finance, with spillover impacts on many other areas. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses that is unprecedented in the U.S. at least since the wave of lawmaking, regulatory reform, and governmental reorganization that followed the Great Depression.

The global financial crisis and the aggressive government and accounting profession reaction thereto have occurred against a backdrop of increasing globalization and internationalization of financial and securities regulation that began prior to the recent financial crisis. As a result of this ongoing trend, financial and investment activities previously regulated almost exclusively at a local or national level are increasingly being regulated, or at least coordinated, on an international basis, with national rule-making and standard-setting groups relinquishing varying degrees of local and national control to achieve more uniform regulation and reduce the ability of market participants to engage in regulatory arbitrage between jurisdictions. This globalization trend has continued, arguably with an increased sense of urgency and importance, since the financial crisis.

This high degree of regulatory uncertainty, coupled with considerable additional uncertainty regarding the underlying condition and prospects of global, domestic, and local economies, has created an unclear business environment that makes business planning and projections even more uncertain than is ordinarily the case for businesses in the financial and real estate sectors.

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In the commercial real estate sector in which we operate, the uncertainties posed by various initiatives of accounting standard-setting authorities to fundamentally rewrite major bodies of accounting literature constitute a significant source of uncertainty as to the basic rules of business engagement. Changes in accounting standards and requirements, including the potential requirement that U.S. public companies prepare financial statements in accordance with international standards, proposed lease and investment property accounting standards, and the adoption of accounting standards likely to require the increased use of fair value measures may have a significant effect on our financial results and on the results of our client tenants, which would have a secondary impact on us. New accounting pronouncements and interpretations of existing pronouncements are likely to continue to occur at an accelerated pace as a result of recent Congressional and regulatory actions and continuing efforts by the accounting profession itself to reform and modernize its principles and procedures.

Although we have not been as directly affected by the wave of new legislation and regulation as banks and investment banks, we may also be adversely affected by new or amended laws or regulations, by changes in federal, state, or foreign tax laws and regulations, and by changes in the interpretation or enforcement of existing laws and regulations. In the U.S., the financial crisis and continuing economic slowdown prompted a variety of legislative, regulatory, and accounting profession responses.

The federal legislative response culminated in the enactment on July 21, 2010, of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act contains far-reaching provisions that substantially revise, or provide for the revision of, longstanding, fundamental rules governing the banking and investment banking industries, and provide for the broad restructuring of the regulatory authorities in these areas. The Dodd-Frank Act is expected to result in profound changes in the ground rules for financial business activities in the U.S.

To a large degree, the impacts of the legislative, regulatory, and accounting reforms to date are still not clear. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rule-making by regulatory authorities. While we do not currently expect the Dodd-Frank Act to have a significant direct effect on us, the Dodd-Frank Act s impact on us may not be known for an extended period of time. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial or real estate industries or affecting taxation that are proposed or pending in the U.S. Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework within which we operate in ways that are not currently identifiable. The Dodd-Frank Act is also expected to result in substantial changes and dislocations in the banking industry and the financial services sector in ways that could have significant effects on, for example, the availability and pricing of unsecured credit, commercial mortgage credit, and derivatives, such as interest rate swaps, which are important aspects of our business. Accordingly, new laws, regulations, and accounting standards, as well as changes to, or new interpretations of, currently accepted accounting practices in the real estate industry may adversely affect our results of operations.

The enactment of the Dodd-Frank Act will subject us to substantial additional federal regulation, and we cannot predict the effect of such regulation on our business, results of operations, cash flows, or financial condition.

There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas. For example, the Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management s time from other business activities. In addition, provisions of the Dodd-Frank Act that directly affect other participants in the real estate and capital markets, such as banks, investment funds, and interest rate swap providers, could have indirect, but material, impacts on our business that cannot now be predicted. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of business activities, require changes to certain business practices, or otherwise adversely affect our business.

Changes in the system for establishing U.S. accounting standards may result in adverse fluctuations in our asset and liability values and earnings, and may materially and adversely affect our reported results of operations.

Accounting for public companies in the U.S. has historically been conducted in accordance with GAAP as established by the Financial Accounting Standards Board (FASB), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board (IASB) is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards (IFRS). IFRS generally reflects accounting practices that prevail in Europe and in developed nations around the world.

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IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on fair value models of accounting for assets and liabilities than GAAP. Fair value models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

The SEC released a final report on its IFRS workplan, which indicates the SEC still needs to analyze and consider whether IFRS should be incorporated into the U.S. financial reporting system. It is unclear at this time how and when the SEC will propose that GAAP and IFRS be harmonized if the decision to incorporate is adopted. In addition, incorporating a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion is uncertain.

We are currently evaluating the impact of the adoption of IFRS on our financial position and results of operations. Such evaluation cannot be completed, however, without more clarity regarding the specific proposed standards that will be adopted. Until there is more certainty with respect to the standards to be adopted, prospective investors should consider that our conversion to IFRS could have a material adverse impact on our reported results of operations.

Changes in financial accounting standards related to accounting for leases and investments in real estate may adversely impact us.

The regulatory boards and government agencies which determine financial accounting standards and disclosures in the U.S., including the FASB and the IASB (collectively, the Boards) and the SEC, continually change and update the financial accounting standards we must follow. Currently, the boards are considering, among other items, proposed changes to the following:

- The accounting standards for leases for both lessees and lessors; and
- The accounting standards for investments in real estate.

These proposals may or may not ultimately be implemented by the Boards. If some or all of the current proposals were to become final standards, our balance sheet, results of operations, or market price of common stock could be significantly impacted. Such potential impacts include, without limitation:

- Significant changes to our balance sheet relating to the recognition of operating leases as assets or liabilities based on existing lease terms and whether we are the lessor or lessee;
- Significant fluctuations in our reported results of operations, including fluctuations in our expenses related to amortization of new lease-related assets and/or liabilities and assumed interest costs with leases; and
- The recognition of gains and losses from mark-to-market valuation changes in investments in real estate.

Changes in lease accounting standards could also potentially impact the structure and terms of future leases since our client tenants may seek to limit lease terms to avoid recognizing lease obligations on their financial statements.

Changes in financial accounting standards may adversely impact our financial debt covenants.

Certain debt agreements, including those related to unsecured senior line of credit and unsecured senior bank term loans, contain financial covenants which are calculated based on current GAAP. Our 4.60% unsecured senior notes payable (4.60% Unsecured Senior Notes Payable) contain financial covenants which are calculated based on GAAP at the date the bonds were issued in 2012. Our unsecured senior line of credit and unsecured senior bank term loan agreements provide that our financial debt covenants be renegotiated in good faith to preserve the original intent of the existing financial covenant when such covenant is affected by an accounting standard change. For those debt agreements that require the renegotiation of financial covenants upon changes in accounting standards, there is no assurance that we will be successful in such negotiations or that the renegotiated covenants will not be more restrictive to us.

Current levels of market volatility are unprecedented.

The capital and credit markets have experienced volatility and disruption for several years. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers underlying financial and/or operating strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our business, financial condition, and results of operations. Disruptions, uncertainty, or volatility in the capital markets may also limit our access to capital from financial institutions on favorable terms, or altogether, and our ability to raise capital through the issuance of equity securities could be adversely affected by causes beyond our control through ongoing extraordinary disruptions in the global economy and financial systems or other events.

We may not be able to obtain additional capital to further our business objectives.

Our ability to acquire, develop, or redevelop properties depends upon our ability to obtain capital. The real estate industry has recently experienced volatile debt and equity capital markets with periods of extreme illiquidity. A prolonged period in which we cannot effectively access the public equity or debt markets may result in heavier reliance on alternative financing sources to undertake new investments. An inability to obtain equity or debt capital on acceptable terms could delay or prevent us from acquiring, financing, and completing desirable investments, and could otherwise adversely affect our business. Also, the issuance of additional shares of capital stock or interests in subsidiaries to fund future operations could dilute the ownership of our then-existing stockholders. Even as liquidity returns to the market, debt and equity capital may be more expensive than in prior years.

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Our capital plan objectives to reduce our balance sheet leverage in 2013 may negatively impact us.

A key objective of our capital plan in 2013 is to reduce our ratio of net debt to adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA). Each of the key aspects of our capital strategy contains risks that may negatively impact our operating results, operating cash flow, and market price of our common stock. The key aspects of this plan include:

- Funding our estimated construction spend;
- The sale of operating and non-income producing assets and recycling of the resulting net proceeds into our development and redevelopment projects or reduce the amount of outstanding debt;
- The increase in our cash flows from operating activities after the payment of dividends from the scheduled completion of our development and redevelopment projects; and
- Minimizing the issuance of common stock.

Our capital plan for the year ended December 31, 2013, includes significant construction spending related to our active development, active redevelopment, pre-construction, future construction, and other construction projects aggregating a range from $545 million to $595 million. Our estimated construction spend is subject to various assumptions, including among others, estimate of the cost to complete projects, a forecast of certain additional projects, estimate of investment into these projects by our client tenants, and final lease negotiations.

Our projected sources of capital for 2013 include sales of operating and non-income-producing assets ranging from $325 million to $425 million. Real estate sales are highly contingent on our ability to locate buyers, execute transactions at reasonably attractive sales terms, and other market conditions beyond our control. There is no assurance that we will be able to achieve our asset recycling targets. In addition, sales of operating assets will reduce our operating earnings and cash flows in the near term until the sales proceeds are re-invested into new projects and those projects are fully leased and generate cash flows in excess of the cash flows from assets sold. We may also sell operating assets in excess of our targeted amounts in 2013 which may increase the temporary decline in operating earnings and cash flows until those proceeds are fully reinvested.

Our cash flows from operating activities after the payment of dividends are expected to increase largely from our projected 2013 deliveries of our current development and redevelopment projects. There is no assurance that our current projects will be delivered as scheduled or that their contributions to earnings and cash flows will be consistent with our projections.

If our construction spending exceeds our current forecast or if we do not achieve our capital recycling targets or operating cash flow forecasts for 2013 from our scheduled development and redevelopments deliveries, we may issue common stock in excess of our current year projections of $125 million to $175 million or we may have to access other forms of equity capital. Issuance of common stock or other forms of equity capital may negatively impact the price of our common stock and our operating cash flow after the payment of dividends.

We believe that our capital plan objectives for 2013, including asset sales, will generate long-term value for our debt and equity holders, however, the implementation of our balance sheet strategy may negatively impact our results of operations, cash flow from operations, and market price of our common stock in the short or medium term.

Possible future sales of shares of our common stock could adversely affect its market price.

We cannot predict the effect, if any, of future sales of shares of our common stock on the market price of our common stock from time to time. Sales of substantial amounts of capital stock (including common stock issued upon the conversion of convertible debt securities, or the conversion or redemption of preferred stock), or the perception that such sales may occur, could adversely affect prevailing market prices for our common stock.

We have reserved a number of shares of common stock for issuance to our directors, officers, and employees pursuant to our Amended and Restated 1997 Stock Award and Incentive Plan (sometimes referred to herein as our equity incentive plan). As of December 31, 2012, a total of 1,706,142 shares of our common stock were reserved for issuance under our Amended and Restated 1997 Stock Award and Incentive Plan. We have filed a registration statement with respect to the issuance of shares of our common stock pursuant to grants under our equity incentive plan. In addition, any shares issued under our equity incentive plan will be available for sale in the public market from time to time without restriction by persons who are not our affiliates (as defined in Rule 144 adopted under the Securities Act). Affiliates will be able to sell shares of our common stock subject to restrictions under Rule 144.

The price per share of our stock may fluctuate significantly.

The market price per share of our common stock may fluctuate significantly in response to many factors, including, but not limited to:

- The availability and cost of debt and/or equity capital;
- The condition of our balance sheet;
- Actual or anticipated capital requirements;
- The condition of the financial and banking industries;
- Actual or anticipated variations in our quarterly operating results or dividends;
- The amount and timing of debt maturities and other contractual obligations;
- Changes in our funds from operations (FFO), adjusted funds from operations (AFFO), or earnings estimates;
- The publication of research reports about us, the real estate industry, or the life science industry;
- The general reputation of REITs and the attractiveness of their equity securities in comparison to other debt or equity securities (including securities issued by other real estate-based companies);

- General stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends;
- Changes in our analyst ratings;
- Changes in our corporate credit rating or credit ratings of our debt or other securities;
- Changes in market valuations of similar companies;
- Adverse market reaction to any additional debt we incur in the future;
- Additions or departures of key management personnel;
- Actions by institutional stockholders;
- Speculation in the press or investment community;
- Terrorist activity adversely affecting the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending;
- Government regulatory action and changes in tax laws;
- The realization of any of the other risk factors included in this annual report on Form 10-K; and
- General market and economic conditions.

Many of the factors listed above are beyond our control. These factors may cause the market price of shares of our common stock to decline, regardless of our financial condition, results of operations, business, or our prospects.

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Failure to meet market expectations for our financial performance will likely adversely affect the market price and volatility of our stock.

Our expected results may not be achieved, and actual results may differ materially from our expectations. This may be a result of various factors, including, but not limited to, the following:

- The status of the economy;
- The status of capital markets, including availability and cost of capital;
- Changes in financing terms available to us;
- Negative developments in the operating results or financial condition of client tenants, including, but not limited to, their ability to pay rent;
- Our ability to re-lease space at similar rates as vacancies occur;
- Our ability to reinvest sale proceeds in a timely manner at rates similar to those of assets sold;
- Regulatory approval and market acceptance of the products and technologies of life science client tenants;
- Liability or contract claims by or against client tenants;
- Unanticipated difficulties and/or expenditures relating to future acquisitions;
- Environmental laws affecting our properties;
- Changes in rules or practices governing our financial reporting; and
- Other legal and operational matters, including REIT qualification and key management personnel recruitment and retention.

Failure to meet market expectations, particularly with respect to FFO per share, AFFO per share, earnings estimates, operating cash flows, and revenues, will likely result in a decline and/or increased volatility in the market price of our common stock or other outstanding securities.

Our debt service obligations may have adverse consequences on our business operations.

We use debt to finance our operations, including the acquisition, development, and redevelopment of properties. Our use of debt may have adverse consequences, including the following:

- Our cash flow from operations may not be sufficient to meet required payments of principal and interest;

- We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt;

- We may default on our debt obligations, and the lenders or mortgagees may foreclose on our properties that secure those loans;

- A foreclosure on one of our properties could create taxable income without any accompanying cash proceeds to pay the tax;

- A default under a mortgage loan that has cross-default provisions may cause us to automatically default on another loan;

- We may not be able to refinance or extend our existing debt;

- The terms of any refinancing or extension may not be as favorable as the terms of our existing debt;

- We may be subject to a significant increase in the variable interest rates on our unsecured senior line of credit and unsecured senior bank term loans and certain other borrowings, which could adversely impact our operations; and

- The terms of our debt obligations may require a reduction in our distributions to stockholders.

As of December 31, 2012, we had outstanding mortgage indebtedness of approximately $716.1 million (net of $0.4 million discount), secured by 38 properties, and outstanding debt under our unsecured senior notes payable, unsecured senior line of credit, and unsecured senior bank term loans of approximately $2.5 billion. During 2012, our unconsolidated joint venture obtained construction financing with aggregate commitments of $213 million. This joint venture owns a ground-up development project aggregating 414,000 rentable square feet in the Longwood Medical Area of the Greater Boston market. Our ownership interest in the joint venture is 27.5%. The total outstanding balance of the secured note payable related to the construction financing for the joint venture was $61.0 million as of December 31, 2012. Our pro-rata share of the secured note payable related to the construction financing was $16.8 million as of December 31, 2012.

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We may not be able to refinance our debt and/or our debt may not be assumable.

Due to the high volume of real estate debt financing in recent years, the real estate industry may require more funds to refinance debt maturities than the potential funds available from lenders. This potential shortage of available funds from lenders and stricter credit underwriting guidelines may limit our ability to refinance our debt as it matures, our cash flows, or our ability to make distributions to our stockholders, or may adversely affect our financial condition, our results of operations, and the market price of our common stock. As of December 31, 2012, we had approximately $3.2 billion in outstanding debt.

Adverse changes in our credit ratings could negatively affect our financing ability.

In July 2011, we received investment-grade ratings from two major rating agencies. Our credit ratings may affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit ratings. In the event that our current credit ratings are downgraded or removed, we would most likely incur higher borrowing costs and experience greater difficulty in obtaining additional financing, which would in turn have a material adverse impact on our financial condition, results of operations, and liquidity.

We may not be able to borrow additional amounts through the issuance of unsecured bonds.

There is no assurance that we will be able to access the investment-grade unsecured bond market on favorable terms while we maintain our investment-grade ratings. Our ability to borrow additional amounts through the issuance of unsecured bonds may be negatively impacted by periods of illiquidity in the bond market. Our inability to borrow additional amounts through the issuance of unsecured bonds will require us to borrow under other arrangements and could delay or prevent us from acquiring, financing, and completing desirable investments, which could adversely affect our business, cash flows, ability to make distributions to our stockholders, financial condition, and results of operations.

We may not be able to borrow additional amounts under our unsecured senior line of credit and unsecured senior bank term loans.

Aggregate unsecured borrowings under our unsecured senior line of credit and unsecured senior bank term loans are limited to an amount based primarily on the net operating income derived from a pool of unencumbered properties and the cost basis of certain of our land and construction projects and compliance with certain financial and non-financial covenants. Borrowings under our unsecured senior line of credit and unsecured senior bank term loans are funded by a group of 37 banks. Our ability to borrow additional amounts under our unsecured senior line of credit and unsecured senior bank term loans may be negatively impacted by a decrease in cash flows from our properties, a default or cross default under our unsecured senior line of credit and unsecured senior bank term loans, non-compliance with one or more loan covenants, and non-performance or failure of one or more lenders under our unsecured senior line of credit and unsecured senior bank term loans. In addition, we may not be able to refinance or repay outstanding borrowings on our unsecured senior line of credit or unsecured senior bank term loans. Our inability to borrow additional amounts could delay or prevent us from acquiring, financing, and completing desirable investments, which could adversely affect our business; and our inability to refinance or repay amounts under our unsecured senior line of credit or unsecured senior bank term loans may adversely affect our cash flows, ability to make distributions to our stockholders, financial condition, and results of operations.

Our unsecured senior line of credit and unsecured senior bank term loans restrict our ability to engage in some business activities.

Our unsecured senior line of credit and unsecured senior bank term loans contain customary negative covenants and other financial and operating covenants that, among other things:

- Restrict our ability to incur additional indebtedness;
- Restrict our ability to make certain investments;
- Restrict our ability to merge with another company;
- Restrict our ability to make distributions to stockholders;
- Require us to maintain financial coverage ratios; and
- Require us to maintain a pool of unencumbered assets approved by the lenders.

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These restrictions could cause us to default on our unsecured senior line of credit and unsecured senior bank term loans or could negatively affect our operations and our ability to make distributions to our stockholders.

We could become highly leveraged, and our debt service obligations could increase.

Our organizational documents do not limit the amount of debt that we may incur. Therefore, we could become highly leveraged. This would result in an increase in our debt service obligations that could adversely affect our cash flow and our ability to make distributions to our stockholders. Higher leverage could also increase the risk of default on our debt obligations.

If interest rates rise, our debt service costs will increase and the value of our properties may decrease.

Our unsecured senior line of credit, unsecured senior bank term loans, and certain other borrowings bear interest at variable rates, and we may incur additional debt in the future. Increases in market interest rates would increase our interest expense under these debt instruments and would increase the costs of refinancing existing indebtedness or obtaining new debt. Additionally, increases in market interest rates may result in a decrease in the value of our real estate and decrease the market price of our common stock. Accordingly, these increases could adversely affect our financial position and our ability to make distributions to our stockholders. As of December 31, 2012, approximately 30% of our debt was unhedged variable rate debt.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

The interest rate hedge agreements we use to manage some of our exposure to interest rate volatility involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to changes in interest rates. These risk factors may lead to failure to hedge effectively against changes in interest rates and therefore may adversely affect our results of operations.

The adoption of derivatives legislation by the U.S. Congress could have an adverse impact on our ability to hedge risks associated with our business.

The Dodd-Frank Act regulates derivative transactions, which include certain instruments used in our risk management activities. The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we may ultimately be eligible for such exceptions, the scope of these exceptions is currently uncertain, pending further definition through rule-making proceedings. Among the other provisions of the Dodd-Frank Act that may affect derivative transactions are those relating to establishment of capital and margin requirements for certain derivative participants; establishment of business conduct standards, recordkeeping requirements, and reporting requirements; and imposition of position limits. Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitively until regulations have been adopted by the SEC and the Commodity Futures Trading Commission. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of hedge counterparties available to us.

The conversion rights of our convertible preferred stock may be detrimental to holders of common stock.

As of December 31, 2012, we had approximately $250 million outstanding of our 7.00% series D cumulative convertible preferred stock (Series D Convertible Preferred Stock). Shares of Series D Convertible Preferred Stock may be converted into shares of our common stock subject to certain conditions. As of December 31, 2012, the conversion rate for the Series D Convertible Preferred Stock was 0.2480 shares of our common stock per $25.00 liquidation preference, which was equivalent to a conversion price of approximately $100.81 per share of common stock. The conversion rate for the Series D Convertible Preferred Stock is subject to adjustments for certain events, including, but not limited to, certain dividends on our common stock in excess of $0.78 per share per quarter and dividends on our common stock payable in shares of our common stock. In addition, on or after April 20, 2013, we may, at our option, be able to cause some or all of our Series D Convertible Preferred Stock to be automatically converted if the closing sale price per share of our common stock equals or exceeds 150% of the then-applicable conversion price of the Series D Convertible Preferred Stock for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to our issuance of a press release announcing the exercise of our conversion option. Holders of our Series D Convertible Preferred Stock, at their option, may, at any time and from time to time, convert some or all of their outstanding shares.

The conversion of the Series D Convertible Preferred Stock **into** our common stock would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock or impair our ability to raise capital through the sale of additional equity securities. Any adjustments that increase the conversion rate of the Series D Convertible Preferred Stock would increase their dilutive effect. Further, the conversion rights by the holders of the Series D Convertible Preferred Stock might be triggered in situations in which we need to conserve our cash reserves, in which event, our election, under certain conditions, to repurchase such Series D Convertible Preferred Stock in lieu of converting it into common stock might adversely affect us and our stockholders.

We are subject to risks and liabilities in connection with properties owned through partnerships, limited liability companies, and joint ventures.

Our organizational documents do not limit the amount of funds that we may invest in non-wholly owned partnerships, limited liability companies, or joint ventures. Partnership, limited liability company, or joint venture investments involve certain risks, including:

- Upon bankruptcy of non-wholly owned partnerships, limited liability companies, or joint venture entities, we may become liable for the liabilities of the partnership, limited liability company, or joint venture;
- We may share certain approval rights over major decisions with third parties;
- We may be required to contribute additional capital if our partners fail to fund their share of any required capital contributions;
- Our partners, co-members, or joint ventures might have economic or other business interests or goals that are inconsistent with our business interests or goals and that could affect our ability to operate the property or our ability to maintain our qualification as a REIT;
- Our ability to sell the interest on advantageous terms when we so desire may be limited or restricted under the terms of our agreements with our partners; and
- We may not continue to own or operate the interests or assets underlying such relationships or may need to purchase such interests or assets at an above market price to continue ownership.

We generally seek to maintain sufficient control of our partnerships, limited liability companies, and joint ventures to permit us to achieve our business objectives. However, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow, or ability to make distributions to our stockholders, or the market price of our common stock.

We may not be able to sell our properties quickly to raise money.

Investments in real estate are relatively illiquid compared to other investments. Accordingly, we may not be able to sell our properties when we desire or at prices acceptable to us in response to changes in economic or other conditions. In addition, the Internal Revenue Code of 1986, as amended (the Internal Revenue Code) limits our ability to sell properties held for less than two years. These limitations on our ability to sell our properties may adversely affect our cash flows, our ability to repay debt, and our ability to make distributions to our stockholders.

If our revenues are less than our expenses, we may have to borrow additional funds, and we may not be able to make distributions to our stockholders.

If our properties do not generate revenues sufficient to meet our operating expenses, including our debt service obligations and capital expenditures, we may have to borrow additional amounts to cover fixed costs and cash flow needs. This could adversely affect our ability to make distributions to our stockholders. Factors that could adversely affect the revenues we generate from, and the values of, our properties include:

- National, local, and worldwide economic conditions;
- Competition from other life science properties;
- Changes in the life science industry;
- Real estate conditions in our target markets;
- Our ability to collect rent payments;
- The availability of financing;
- Changes to the financial and banking industries;
- Changes in interest rate levels;
- Vacancies at our properties and our ability to re-lease space;

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- Changes in tax or other regulatory laws;
- The costs of compliance with government regulation;
- The lack of liquidity of real estate investments; and
- Increases in operating costs.

In addition, if a lease at a property is not a triple net lease, we will have greater expenses associated with that property and greater exposure to increases in such expenses. Significant expenditures, such as mortgage payments, real estate taxes and insurance, and maintenance costs are generally fixed and do not decrease when revenues at the related property decrease.

Our distributions to stockholders may decline at any time.

We may not continue our current level of distributions to our stockholders. Our Board of Directors will determine future distributions based on a number of factors, including:

- Our amount of cash available for distribution;
- Our financial condition and capital requirements;
- Any decision to reinvest funds rather than to distribute such funds;
- Our capital expenditures;
- The annual distribution requirements under the REIT provisions of the Internal Revenue Code;
- Restrictions under Maryland law; and
- Other factors our Board of Directors deems relevant.

A reduction in distributions to stockholders may negatively impact our stock price.

Distributions on our common stock may be made in the form of cash, stock, or a combination of both.

As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders. Typically, we generate cash for distributions through our operations, the disposition of assets, or the incurrence of additional debt. Our Board of Directors may determine in the future to pay dividends on our common stock in cash, shares of our common stock, or a combination of cash and shares of our common stock. For example, we may determine to declare dividends payable in cash or stock at the election of each stockholder, subject to a limit on the aggregate cash that could be paid. Any such dividend would be distributed in a manner intended to count in full toward satisfaction of our annual distribution requirements and to qualify for the dividends paid deduction. While the IRS privately has ruled such a dividend would so qualify if certain requirements are met, no assurances can be provided the IRS would not assert a contrary position in the future. Moreover, a reduction in the cash yield on our common stock may negatively impact our stock price.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market of available properties and may acquire properties when opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be exposed to the following significant risks:

- We may be unable to acquire a desired property because of competition from other real estate investors with significant capital, including both publicly traded REITs and institutional investment funds;
- Even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price or result in other less favorable terms;
- Even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- We may be unable to finance acquisitions on favorable terms or at all;
- We may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- We may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of operating properties or portfolios of properties, into our existing operations, and our results of operations and financial condition could be adversely affected;
- Acquired properties may be subject to reassessment, which may result in higher than expected property tax payments;
- Market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

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- We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for cleanup of undisclosed environmental contamination; claims by client tenants, vendors, or other persons dealing with the former owners of the properties; and claims for indemnification by general partners, directors, officers, and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flows, ability to make distributions to our stockholders, market price of our common stock, and ability to satisfy our debt service obligations could be materially adversely affected.

We may suffer economic harm as a result of making unsuccessful acquisitions in new markets.

We may pursue selective acquisitions of properties in markets where we have not previously owned properties. These acquisitions may entail risks in addition to those we face in other acquisitions where we are familiar with the markets, such as the risk of not correctly anticipating conditions or trends in a new market and therefore not being able to generate profit from the acquired property. If this occurs, it could adversely affect our financial position, results of operations, cash flows, or ability to make distributions to our stockholders, the market price of our common stock, and our ability to satisfy our debt service obligations.

The acquisition of new properties or the development of new properties may give rise to difficulties in predicting revenue potential.

We may continue to acquire additional properties and may seek to develop our existing land holdings strategically as warranted by market conditions. These acquisitions and developments could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, operating costs, or costs of improvements to bring an acquired property or a development property up to the standards established for our intended market position, the performance of the property may be below expectations. Acquired properties may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure our stockholders that the performance of properties acquired or developed by us will increase or be maintained under our management.

We may be unsuccessful with our real estate development and redevelopment activities.

A key component of our long-term business model consists of the ground-up development and redevelopment of space for lease. Our success with our development and redevelopment projects depends on many risks that may adversely affect our business, including those associated with:

- Negative worldwide economic, financial, and banking conditions;
- Worldwide economic recession, lack of confidence, and/or high structural unemployment;

- Financial, banking, and credit market conditions;
- The seizure or illiquidity of credit markets;
- National, local, and worldwide economic conditions;
- Delays in construction;
- Budget overruns;
- Lack of availability and/or increasing costs of materials;
- Commodity pricing of building materials and supplies;
- Financing availability;
- Changes in the life sciences, financial, and banking industries;
- Volatility in interest rates;
- Labor availability and/or strikes;
- Uncertainty of leasing;
- Timing of the commencement of rental payments;
- Changes in local submarket conditions;
- Delays or denials of entitlements or permits; and
- Other property development uncertainties.

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In addition, development and redevelopment activities, regardless of whether they are ultimately successful, typically require a substantial portion of management s time and attention. This may distract management from focusing on other operational activities. If we are unable to complete development and/or redevelopment projects successfully, our business may be adversely affected.

Improvements to life science properties are significantly more costly than improvements to traditional office space.

Our properties contain infrastructure improvements that are significantly more costly than improvements to other property types. Although we have historically been able to recover the additional investment in infrastructure improvements through higher rental rates, there is the risk that we will not be able to continue to do so in the future. Typical improvements include:

- Reinforced concrete floors;
- Upgraded roof loading capacity;
- Increased floor-to-ceiling heights;
- Heavy-duty heating, ventilation, and air conditioning (HVAC) systems;
- Enhanced environmental control technology;
- Significantly upgraded electrical, gas, and plumbing infrastructure; and
- Laboratory benches.

We could default on leases for land on which some of our properties are located or held for future development.

As of December 31, 2012, we held ground lease obligations that included leases for 25 of our properties and four land development parcels. Excluding one ground lease related to one operating property that expires in 2036 with a net book value of approximately $8.4 million at December 31, 2012, our ground lease obligations have remaining lease terms ranging from 41 to 196 years, including extension options. If we default under the terms of any particular ground lease, we may lose the ownership rights to the property subject to the lease. Upon expiration of a ground lease and all of its options, we may not be able to renegotiate a new lease on favorable terms, if at all. The loss of the ownership rights to these properties or an increase of rental expense could have a material adverse effect on our financial condition, results of operations, cash flow, market price of our common stock, and ability to satisfy our debt service obligations and pay distributions to our stockholders.

We may not be able to operate properties successfully.

Our success depends in large part upon our ability to operate our properties successfully. If we are unable to do so, our business could be adversely affected. The ownership and operation of real estate is subject to many risks that may adversely affect our business and our ability to make payments to our stockholders, including the risks that:

- Our properties may not perform as we expect;
- We may have to lease space at rates below our expectations;
- We may not be able to obtain financing on acceptable terms; and
- We may underestimate the cost of improvements required to maintain or improve space to meet standards established for the market position intended for that property.

If we encounter any of these risks, our business and our ability to make distributions to our stockholders could be adversely affected.

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We may experience increased operating costs, which may reduce profitability.

Our properties are subject to increases in operating expenses including insurance, property taxes, utilities, administrative costs, and other costs associated with security, landscaping, and repairs and maintenance of our properties. As of December 31, 2012, approximately 94% of our leases (on a rentable square footage basis) were triple net leases, requiring client tenants to pay substantially all real estate taxes and insurance, common area, and other operating expenses (including increases thereto) in addition to base rent. However, we cannot be certain that our client tenants will be able to bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective client tenants, to seek space elsewhere. If operating expenses increase, the availability of other comparable space in the markets we operate in may hinder or limit our ability to increase our rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to our stockholders.

In order to maintain the quality of our properties and successfully compete against other properties, we must periodically spend money to maintain, repair, and renovate our properties, which reduces our cash flows.

If our properties are not as attractive to current and prospective client tenants in terms of rent, services, condition, or location as properties owned by our competitors, we could lose client tenants or suffer lower rental rates. As a result, we may from time to time be required to make significant capital expenditures to maintain the competitiveness of our properties. However, there can be no assurances that any such expenditures would result in higher occupancy or higher rental rates, or deter existing client tenants from relocating to properties owned by our competitors.

We face substantial competition in our target markets.

The significant competition for business in our target markets could have an adverse effect on our operations. We compete for investment opportunities with:

- Other REITs;
- Insurance companies;
- Pension and investment funds;
- Private equity entities;
- Partnerships;
- Developers;
- Investment companies; and

- Owners/occupants.

Many of these entities have substantially greater financial resources than we do and may be able to pay more than we can or accept more risk than we are willing to accept. These entities may be less sensitive to risks with respect to the creditworthiness of a client tenant or the geographic concentration of their investments. Competition may also reduce the number of suitable investment opportunities available to us or may increase the bargaining power of property owners seeking to sell.

Poor economic conditions in our markets could adversely affect our business.

Our properties are located in the following markets:

- Greater Boston;
- San Francisco Bay Area;
- San Diego;
- Greater NYC;
- Suburban Washington, D.C.;
- Seattle;
- Research Triangle Park;
- Canada;
- India; and
- China.

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As a result of our geographic concentration, we depend upon the local economic and real estate conditions in these markets. We are, therefore, subject to increased exposure (positive or negative) to economic, tax, and other competitive factors specific to markets in confined geographic areas. Our operations may also be affected if too many competing properties are built in any of these markets. An economic downturn in any of these markets could adversely affect our operations and our ability to make distributions to stockholders. We cannot assure our stockholders that these markets will continue to grow or remain favorable to the life science industry.

We are dependent on the life science industry, and changes within the industry may adversely impact our revenues from lease payments and results of operations.

In general, our business and strategy is to invest primarily in properties used by client tenants in the life science industry. Our business could be adversely affected if the life science industry is impacted by the current economic, financial, and banking crisis or if the life science industry migrates from the U.S. to other countries. Because of our industry focus, events within the life science industry may have a more pronounced effect on our ability to make distributions to our stockholders than if we had more diversified investments. Also, some of our properties may be better suited for a particular life science industry client tenant and could require modification before we are able to re-lease vacant space to another life science industry client tenant. Generally, our properties may not be suitable for lease to traditional office client tenants without significant expenditures on renovations.

Our ability to negotiate contractual rent escalations on future leases and to achieve increases in rental rates will depend upon market conditions and the demand for life science properties at the time the leases are negotiated and the increases are proposed.

Many life science entities have completed mergers or consolidations. Mergers or consolidations of life science entities in the future could reduce the amount of rentable square footage requirements of our client tenants and prospective client tenants, which may adversely impact our revenues from lease payments and results of operations.

Our inability to renew leases or re-lease space on favorable terms as leases expire may significantly affect our business.

Our revenues are derived primarily from rental payments and reimbursement of operating expenses under our leases. If a client tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely payments under its lease. Also, when our client tenants terminate early or decide not to renew their leases, we may not be able to re-lease the space. Even if client tenants decide to renew or lease space, the terms of renewals or new leases, including the cost of any tenant improvements, concessions, and lease commissions, may be less favorable to us than current lease terms. Consequently, we could generate less cash flow from the affected properties than expected, which could negatively impact our business. We may have to divert cash flow generated by other properties to meet our debt service payments, if any, or to pay other expenses related to owning the affected properties. As of December 31, 2012, leases at our properties representing approximately 7.9% and 8.4% of the aggregate total rentable square footage of our properties, excluding month-to-month leases, were scheduled to expire in 2013 and 2014, respectively.

High levels of regulation, expense, and uncertainty may adversely affect the life science industry as well as our client tenants business, results of operations, and financial condition, which may adversely affect their ability to make rental payments to us, and consequently, may materially adversely affect our business, results of operations, and financial condition.

Our life science industry client tenants are subject to a number of risks unique to the life science industry, including the following, any one or more of which may adversely affect their ability to make rental payments to us, and consequently, may materially adversely affect our business, results of operations, and financial condition:

- Our client tenants sell products and services in an industry that is characterized by rapid and significant technological changes, frequent new product and service introductions and enhancements, evolving industry standards, and uncertainty over the implementation of new healthcare reform legislation, which may cause them to lose competitive positions and adversely affect their operations;

- Some of our client tenants developing potential drugs may find that their drugs are not effective, or may even be harmful, when tested in humans;

- Some of our client tenants depend on reimbursements from various government entities or private insurance plans, and reimbursements may decrease in the future;

- Some of our client tenants may not be able to manufacture their drugs economically, even if such drugs are proven through human clinical trials to be safe and effective in humans;

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- Drugs that are developed and manufactured by some of our client tenants require regulatory approval, including the approval of the U.S. Food and Drug Administration, prior to being made, marketed, sold, and used. The regulatory approval process to manufacture and market drugs is costly, typically takes several years, requires the use of substantial resources, and is often unpredictable. A client tenant may fail to obtain or experience significant delays in obtaining these approvals;

- Some of our client tenants and their licensors require patent, copyright, or trade secret protection to develop, make, market, and sell their products and technologies. A client tenant may be unable to commercialize its products or technologies if patents covering such products or technologies are not issued, or are successfully challenged, narrowed, invalidated, or circumvented by third parties, or if the client tenant fails to obtain licenses to the discoveries of third parties necessary to commercialize its products or technologies;

- A drug made by a client tenant may not be well accepted by doctors and patients, may be less effective or accepted than a competitor s drug, or may be subsequently recalled from the market, even if it is successfully developed, proven safe and effective in human clinical trials, and manufactured, and the requisite regulatory approvals are obtained;

- Some of our client tenants require significant funding to develop and commercialize their products and technologies, which funding must be obtained from venture capital firms; private investors; the public markets; companies in the life science industry; or federal, state, and local governments. Such funding may become unavailable or difficult to obtain. The ability of each client tenant to raise capital will depend on its financial and operating condition and the overall condition of the financial, banking, and economic environment; and

- Even with sufficient funding, some of our client tenants may not be able to discover or identify potential drug targets in humans, or potential drugs for use in humans, or to create tools or technologies that are commercially useful in the discovery or identification of potential drug targets or drugs.

We cannot assure our stockholders that our client tenants will be able to develop, make, market, or sell their products and technologies due to the risks inherent in the life science industry. Any client tenant that is unable to avoid, or sufficiently mitigate, the risks described above may have difficulty making rental payments to us.

Government changes to the healthcare system may have a negative impact on the pricing of drugs, cost of healthcare coverage, and reimbursement of healthcare services and products.

Life science entities are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. The Food and Drug Administration (FDA) and comparable agencies in other jurisdictions directly regulate many critical activities of life science and healthcare industries, including the conduct of preclinical and clinical studies, product manufacturing, advertising and promotion, product distribution, adverse event reporting, and product risk management. In both domestic and foreign markets, sales of life science industry products depend, in part, on the availability and amount of reimbursement by third-party payers, including governments and private health plans. Governments may regulate coverage, reimbursement, and pricing of products to control cost or affect utilization of products. Private health plans may also seek to manage cost and utilization by implementing coverage and reimbursement limitations. Substantial uncertainty exists regarding the reimbursement by third-party payers of newly approved healthcare products. The U.S. and foreign governments regularly consider reform measures that affect healthcare coverage and costs. Such reforms may include changes to the coverage and reimbursement of healthcare service and products. Government and other regulatory oversight and future regulatory and government interference with the healthcare systems may adversely impact our client tenants businesses and our business.

Our results of operations depend on our client tenants research and development efforts and their ability to obtain funding for these efforts.

Our client tenant base includes entities in the pharmaceutical, biotechnology, medical device, life science, and related industries; academic institutions; government institutions; and private foundations. Our client tenants base their research and development budgets on several factors, including the need to develop new products, the availability of government and other funding, competition, and the general availability of resources.

Research and development budgets fluctuate due to changes in available resources, research priorities, general economic conditions, institutional and government budgetary limitations, and mergers and consolidations of entities in the life science industry. Our business could be adversely impacted by a significant decrease in life science research and development expenditures by either our client tenants or the life science industry.

Additionally, our client tenants include research institutions whose funding is largely dependent on grants from government agencies such as the NIH, the National Science Foundation, and similar agencies or organizations. Government funding of research and development is subject to the political process, which is often unpredictable. Other programs, such as Homeland Security or defense, could be viewed by the government as higher priorities. Additionally, proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. Any shift away from funding of life science research and development or delays surrounding the approval of government budget proposals may adversely impact our client tenants   operations, which in turn may impact their ability to make lease payments to us, and thus adversely impact our results of operations.

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The inability of a client tenant to pay us rent could adversely affect our business.

Our revenues are derived primarily from rental payments and reimbursement of operating expenses under our leases. If our client tenants, especially significant client tenants, fail to make rental payments under their leases, our financial condition, cash flows, and ability to make distributions to our stockholders could be adversely affected.

As of December 31, 2012, we had 494 leases with a total of 396 client tenants, and 74, or 42%, of our 178 properties were single-tenant properties. Our three largest client tenants accounted for approximately 14.7% of our aggregate annualized base rent, or approximately 6.9%, 4.2%, and 3.6%, respectively. Annualized base rent means the annualized fixed base rental amount in effect as of December 31, 2012, using rental revenues calculated on a straight-line basis in accordance with GAAP. Annualized base rent does not include reimbursements for real estate taxes, insurance, utilities, common area, and other operating expenses, substantially all of which are borne by the client tenants in the case of triple net leases.

The bankruptcy or insolvency of a major client tenant may also adversely affect the income produced by a property. If any of our client tenants becomes a debtor in a case under the U.S. Bankruptcy Code, as amended, we cannot evict that client tenant solely because of its bankruptcy. The bankruptcy court may authorize the client tenant to reject and terminate its lease with us. Our claim against such a client tenant for uncollectible future rent would be subject to a statutory limitation that might be substantially less than the remaining rent actually owed to us under the client tenant s lease. Any shortfall in rent payments could adversely affect our cash flow and our ability to make distributions to our stockholders.

U.S. government client tenants may not receive government funding, which could adversely affect their ability to pay us.

U.S. government tenants are subject to government funding. If one of our U.S. government tenants fails to receive its government funding, we may not be able to collect rental amounts due to us. In addition, current budgetary pressures may result in reduced allocations to government agencies that fund research and development activities, such as the NIH. For instance, the significance and timing of anticipated reductions to the NIH budget may be significantly impacted by the sequestration provisions of the Budget Control Act of 2011 that are scheduled to become effective on March 1, 2013, and whether these sequestration provisions remain in effect due to a failure by the U.S. federal government to enact a federal budget for 2013. Past proposals to reduce budget deficits have included reduced NIH and other research and development budgets. Any shift away from the funding of life sciences research and development, or delays surrounding the approval of government budget proposals, may cause our client tenants to default on rental payments, or delay or forego leasing our rental space, which could adversely affect our business, financial condition, or results of operations. In addition, defaults under leases with U.S. federal government tenants are governed by federal statute and not by state eviction or rent deficiency laws. As of December 31, 2012, leases with U.S. government tenants at our properties accounted for approximately 2.9% of our aggregate annualized base rent.

Some of our client tenants may be subject to increasing government price controls and other healthcare cost-containment measures.

Government healthcare cost-containment measures can significantly affect our client tenants revenue and profitability. In many countries outside the U.S., government agencies strictly control, directly or indirectly, the prices at which our pharmaceutical industry client tenants products are sold. In the U.S., our pharmaceutical industry client tenants are subject to substantial pricing pressures from state Medicaid programs and private insurance programs and pharmacy benefit managers, and implementation of the recently-enacted U.S. healthcare reform legislation is increasing these pricing pressures. In addition, many state legislative proposals could further negatively affect their pricing and/or reimbursement for our pharmaceutical industry client tenants products. We anticipate pricing pressures from both governments and private payers inside and outside the U.S. to become more severe over time.

We could be held liable for damages resulting from our client tenants use of hazardous materials.

Many of our life science industry client tenants engage in research and development activities that involve controlled use of hazardous materials, chemicals, and biological and radioactive compounds. In the event of contamination or injury from the use of these hazardous materials, we could be held liable for damages that result. This liability could exceed our resources and any recovery available through any applicable insurance coverage, which could adversely affect our ability to make distributions to our stockholders.

Together with our client tenants, we must comply with federal, state, and local laws and regulations governing the use, manufacture, storage, handling, and disposal of hazardous materials and waste products. Failure to comply with these laws and regulations, or changes in them, could adversely affect our business or our client tenants businesses and their ability to make rental payments to us.

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Our properties may have defects that are unknown to us.

Although we review the physical condition of our properties before they are acquired, from time to time, as they are developed and redeveloped, any of our properties may have characteristics or deficiencies unknown to us that could adversely affect the property s value or revenue potential.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the ADA, places of public accommodation and/or commercial facilities must meet federal requirements related to access and use by disabled persons. We may be required to make substantial capital expenditures at our properties to comply with this law. In addition, non-compliance could result in the imposition of fines or an award of damages to private litigants.

A number of additional federal, state, and local laws and regulations exist regarding access by disabled persons. These regulations may require modifications to our properties or may affect future renovations. These expenditures may have an adverse impact on overall returns on our investments.

We may incur significant costs if we fail to comply with laws or if laws change.

Our properties are subject to many federal, state, and local regulatory requirements and to state and local fire, life-safety, and other requirements. If we do not comply with all of these requirements, we may have to pay fines to government authorities or damage awards to private litigants. We do not know whether these requirements will change or whether new requirements will be imposed. Changes in these regulatory requirements could require us to make significant unanticipated expenditures. These expenditures could have an adverse effect on us and our ability to make distributions to our stockholders.

We may incur significant costs complying with environmental laws.

Federal, state, and local environmental laws and regulations may require us, as a current or prior owner or operator of real estate, to investigate and clean up hazardous or toxic substances or petroleum products released at or from any of our properties. The cost of investigating and cleaning up contamination could be substantial and could exceed the amount of any insurance coverage available to us. In addition, the presence of contamination, or the failure to properly clean it up, may adversely affect our ability to lease or sell an affected property, or to borrow funds using that property as collateral.

Under environmental laws and regulations, we may have to pay government entities or third parties for property damage and for investigation and cleanup costs incurred by those parties relating to contaminated properties regardless of whether we knew of or caused the contamination. Even if more than one party was responsible for the contamination, we may be held responsible for all of the cleanup costs. In addition, third parties may sue us for damages and costs resulting from environmental contamination or jointly responsible parties may contest their responsibility or be financially unable to pay their share of such costs.

Environmental laws also govern the presence, maintenance, and removal of asbestos-containing materials. These laws may impose fines and penalties on us for the release of asbestos-containing materials and may allow third parties to seek recovery from us for personal injury from exposure to asbestos fibers. We have detected asbestos-containing materials at some of our properties, but we do not expect that they will result in material environmental costs or liabilities to us.

Environmental laws and regulations also require the removal or upgrading of certain underground storage tanks and regulate:

- The discharge of storm water, wastewater, and any water pollutants;
- The emission of air pollutants;
- The generation, management, and disposal of hazardous or toxic chemicals, substances, or wastes; and
- Workplace health and safety.

Many of our client tenants routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our client tenants, and potentially us, to liability resulting from these activities. Environmental liabilities could also affect a client tenant s ability to make rental payments to us. We require our client tenants to comply with these environmental laws and regulations and to indemnify us for any related liabilities.

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Independent environmental consultants have conducted Phase I or similar environmental assessments at our properties. We intend to use consultants to conduct similar environmental assessments on our future acquisitions. This type of assessment generally includes a site inspection, interviews, and a public records review, but no subsurface sampling. These assessments and certain additional investigations of our properties have not to date revealed any environmental liability that we believe would have a material adverse effect on our business, assets, or results of operations.

The additional investigations have included, as appropriate:

- Asbestos surveys;
- Radon surveys;
- Lead surveys;
- Mold surveys;
- Additional public records review;
- Subsurface sampling; and
- Other testing.

Nevertheless, it is possible that the assessments on our current properties have not revealed, and that assessments on future acquisitions will not reveal, all environmental liabilities. Consequently, there may be material environmental liabilities of which we are unaware that may result in substantial costs to us or our client tenants and that could have a material adverse effect on our business.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs to remedy the problem.

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses, and bacteria. Indoor exposure to airborne toxins or irritants above certain levels may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our client tenants, employees of our client tenants, and others if property damage or health concerns arise.

We could incur significant costs due to the financial condition of our insurance carriers.

We insure our properties with insurance companies that we believe have a good rating at the time our policies are put into effect. The financial condition of one or more of the insurance companies that we hold policies with may be negatively impacted, resulting in their inability to pay on future insurance claims. Their inability to pay future claims may have a negative impact on our financial results. In addition, the failure of one or more insurance companies may increase the cost of renewing our insurance policies or increase the cost of insuring additional properties and recently developed or redeveloped properties.

Our insurance may not adequately cover all potential losses.

If we experience a loss at any of our properties that is not covered by insurance, that exceeds our insurance policy limits, or is subject to a policy deductible, we could lose the capital invested in the affected property and, possibly, future revenues from that property. In addition, we could continue to be obligated on any mortgage indebtedness or other obligations related to the affected properties. We carry comprehensive liability, fire, extended coverage, and rental loss insurance with respect to our properties. We have obtained earthquake insurance for our properties that are located in the vicinity of active earthquake faults. We also carry environmental remediation insurance and have title insurance policies for our properties. We generally obtain our title insurance policies when we acquire the property; each policy covers an amount equal to the initial purchase price of each property. Accordingly, any of our title insurance policies may be in an amount less than the current value of the related property.

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Our client tenants are also required to maintain comprehensive insurance, including liability and casualty insurance that is customarily obtained for similar properties. There are, however, certain types of losses that we and our client tenants do not generally insure against because they are uninsurable or because it is not economical to insure against them. The availability of coverage against certain types of losses, such as from terrorism or toxic mold, has become more limited and, when available, carries a significantly higher cost. We cannot predict whether insurance coverage against terrorism or toxic mold will remain available for our properties because insurance companies may no longer offer coverage against such losses, or such coverage, if offered, may become prohibitively expensive. We have not had material problems with terrorism or toxic mold at any of our properties.

We face possible risks associated with the physical effects of climate change.

We cannot predict the rate at which climate change will progress. However, the physical effects of climate change could have a material adverse effect on our properties, operations, and business. For example, most of our properties are located along the east and west coasts of the U.S. To the extent that climate change impacts changes in weather patterns, our markets could experience increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for life science laboratory space at our properties or result in our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of, or availability of, property insurance on terms we find acceptable, increasing the cost of energy, and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations, or business.

Extreme weather or natural disasters may cause property damage or disrupt business, which could harm our business and operating results.

We have properties located in areas that may be subject to extreme weather and natural disasters, including, but not limited to, earthquakes, winds, floods, hurricanes, and fires. Such conditions may damage our properties, disrupt our operations, and adversely impact our client tenants operations. There can be no assurance that such conditions will not have a material adverse effect on our properties, operations, or business.

Terrorist attacks may have an adverse impact on our business and operating results and could decrease the value of our assets.

Terrorist attacks such as those that took place on September 11, 2001, could have a material adverse impact on our business, operating results, and market price of our common stock. Future terrorist attacks may result in declining economic activity, which could reduce the demand for and the value of our properties. To the extent that future terrorist attacks impact our client tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their lease obligations.

The loss of services of any of our senior officers could adversely affect us.

We depend upon the services of relatively few senior officers. The loss of services of any one of them may adversely affect our business, financial condition, and prospects. We use the extensive personal and business relationships that members of our management have developed over time with owners of life science properties and with major life science industry client tenants. We cannot assure our stockholders that our senior officers will remain employed with us.

Competition for skilled personnel could increase labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such additional costs by increasing the rates we charge client tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be adversely affected.

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If we fail to qualify as a REIT, we would be taxed at corporate rates and would not be able to take certain deductions when computing our taxable income.

If, in any taxable year, we fail to qualify as a REIT:

- We would be subject to federal income tax on our taxable income at regular corporate rates;
- We would not be allowed a deduction for distributions to our stockholders in computing taxable income;
- Unless we were entitled to relief under the Internal Revenue Code, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification; and
- We would no longer be required by the Internal Revenue Code to make any distributions to our stockholders.

As a result of any additional tax liability, we may need to borrow funds or liquidate certain investments in order to pay the applicable tax. Accordingly, funds available for investment or distribution to our stockholders would be reduced for each of the years involved.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and financial results, and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we believe that we have operated in a manner so as to qualify as a REIT, we cannot assure our stockholders that we are or will remain so qualified.

In addition, although we are not aware of any pending tax legislation that would adversely affect our ability to operate as a REIT, new legislation, regulations, administrative interpretations, or court decisions could change the tax laws or interpretations of the tax laws regarding qualification as a REIT, or the federal income tax consequences of that qualification, in a manner that is adverse to our stockholders.

We may change our business policies without stockholder approval.

Our Board of Directors determines all of our material business policies, with management s input, including those related to our:

- Status as a REIT;
- Incurrence of debt and debt management activities;

- Selective acquisition, development, and redevelopment activities;
- Stockholder distributions; and
- Other policies, as appropriate.

Our Board of Directors may amend or revise these policies at any time without a vote of our stockholders. A change in these policies could adversely affect our business and our ability to make distributions to our stockholders.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, results of operations, financial condition, and stock price.

Pursuant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management on internal control over financial reporting, including management s assessment of the effectiveness of internal control. Changes to our business will necessitate ongoing changes to our internal control systems and processes. Internal control over financial reporting may not prevent or detect misstatement because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, results of operations, and financial condition could be materially harmed, and we could fail to meet our reporting obligations and there could be a material adverse effect on our stock price.

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Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures, and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional significant costs to remedy damages caused by such disruptions.

There are limits on the ownership of our capital stock under which a stockholder may lose beneficial ownership of its shares and that may delay or prevent transactions that might otherwise be desired by our stockholders.

In order for a company to qualify as a REIT under the Internal Revenue Code, not more than 50% of the value of its outstanding stock may be owned, directly or constructively, by five or fewer individuals or entities (as set forth in the Internal Revenue Code) during the last half of a taxable year. Furthermore, shares of the company s outstanding stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year.

In order for us to maintain our qualification as a REIT, among other reasons, our charter provides for an ownership limit, which prohibits, with certain exceptions, direct or constructive ownership of shares of stock representing more than 9.8% of the combined total value of our outstanding shares of stock by any person, as defined in our charter. Our Board of Directors, in its sole discretion, may waive the ownership limit for any person. However, our Board of Directors may not grant such waiver if, after giving effect to such waiver, we would be closely held under section 856(h) of the Internal Revenue Code. As a condition to waiving the ownership limit, our Board of Directors may require a ruling from the Internal Revenue Service or an opinion of counsel in order to determine our status as a REIT. Notwithstanding the receipt of any such ruling or opinion, our Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting a waiver.

Our charter further prohibits transferring shares of our stock if such transfer would result in us being closely held under Section 856(h) of the Internal Revenue Code or would result in shares of our stock being owned by fewer than 100 persons.

The constructive ownership rules are complex and may cause shares of our common stock owned directly or constructively by a group of related individuals or entities to be constructively owned by one individual or entity. A transfer of shares to a person who, as a result of the transfer, violates these limits, shall be void, or the shares shall be exchanged for shares of excess stock and transferred to a trust, for the benefit of one or more qualified charitable organizations designated by us. In that case, the intended transferee will have only a right to share, to the extent of the transferee s original purchase price for such shares, in proceeds from the trust s sale of those shares and will effectively forfeit its beneficial ownership of the shares. These ownership limits could delay, defer, or prevent a transaction or a change in control that might involve a premium price for the holders of our common stock or that might otherwise be desired by such holders.

In addition to the ownership limit, certain provisions of our charter and bylaws may delay or prevent transactions that may be deemed to be desirable to our stockholders.

As authorized by Maryland law, our charter allows our Board of Directors to cause us to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of common or preferred stock without any stockholder approval. Our Board of Directors could establish a series of preferred stock that could delay, defer, or prevent a transaction that might involve a premium price for our common stock or that might, for other reasons, be desired by our common stockholders or that have a dividend preference that may adversely affect our ability to pay dividends on our common stock.

Our charter permits the removal of a director only upon a two-thirds vote of the votes entitled to be cast generally in the election of directors, and our bylaws require advance notice of a stockholder s intention to nominate directors or to present business for consideration by stockholders at an annual meeting of our stockholders. Our charter and bylaws also contain other provisions that may delay, defer, or prevent a transaction or change in control that involves a premium price for our common stock or that for other reasons may be desired by our stockholders.

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External factors may adversely impact the valuation of investments.

We hold equity investments in certain publicly traded companies and privately held entities primarily involved in the life science industry. The valuation of these investments is affected by many external factors beyond our control, including, but not limited to, market prices, market conditions, the effect of healthcare reform legislation, prospects for favorable or unfavorable clinical trial results, new product initiatives, the manufacturing and distribution of new products, product safety and efficacy issues, and new collaborative agreements. Unfavorable developments with respect to any of these factors may have an adverse impact on the valuation of our investments.

We face risks associated with short-term liquid investments.

From time to time, we may have significant cash balances that we invest in a variety of short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. These investments may include (either directly or indirectly) obligations (including certificates of deposit) of banks, money market funds, treasury bank securities, and other short-term securities. Investments in these securities and funds are not insured against loss of principal. Under certain circumstances we may be required to redeem all or part of these securities or funds at less than par value. A decline in the value of our investments or delay or suspension of our right to redeem may have a material adverse effect on our results of operations or financial condition and our ability to pay our obligations as they become due.

We have certain ownership interests outside the U.S. that may subject us to risks different from or greater than those associated with our domestic operations.

We have five operating properties in Canada as well as four operating properties and three development projects in Asia, with an aggregate investment in real estate of approximately $191.0 million and $237.8 million, respectively, as of December 31, 2012. Acquisition, development, redevelopment, ownership, and operating activities outside the U.S. involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to:

- Adverse effects of changes in exchange rates for foreign currencies;
- Challenges and/or taxation with respect to the repatriation of foreign earnings or repatriation of proceeds from the sale of one or more of our foreign investments;
- Changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally;
- Challenges in managing international operations;
- Challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment, and legal proceedings;
- Differences in lending practices;

- Differences in languages, cultures, and time zones; and
- Changes in applicable laws and regulations in the U.S. that affect foreign operations.

Investments in international markets may also subject us to risks associated with establishing effective controls and procedures to regulate the operations of new offices and to monitor compliance with U.S. laws and regulations, including the Foreign Corrupt Practices Act (FCPA) and similar foreign laws and regulations. The FCPA and similar applicable anti-corruption laws prohibit individuals and entities from corruptly offering, promising, authorizing, or providing payments or anything of value, directly or indirectly, to government officials in order to obtain, retain, or direct business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially adversely affect our results of operations or the value of our international investments. In addition, if we fail to effectively manage our international operations, our overall financial condition, results of operations, cash flow, and the market price of our common stock could be adversely affected.

Further, we may in the future enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution rules of, another country or region. In some cases, such a country or region might not have a forum which provides us an effective or efficient means for resolving disputes that may arise under these agreements.

We are subject to risks from potential fluctuations in exchange rates between the U.S. dollar and foreign currencies.

We have properties and operations in countries where the U.S. dollar is not the local currency and we thus are subject to international currency risk from the potential fluctuations in exchange rates between the U.S. dollar and the local currency. A significant decrease in the value of the Canadian dollar, Indian rupee, Chinese renminbi, or other currencies in countries where we may have an investment could materially affect our results of operations. We may attempt to mitigate such effects by borrowing in the local foreign currency in which we invest. Any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT.

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Security breaches through cyber-attacks, cyber-intrusions, or otherwise, could disrupt our information technology networks and related systems.

Risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the Internet, malware, computer viruses, attachments to e-mails, or otherwise, against persons inside our organization, persons with access to systems inside our organization, the U.S. government, financial markets or institutions, or major businesses, including client tenants, could disrupt or disable networks and related systems, other critical infrastructures, and the normal operation of business. The risk of a security breach or disruption, particularly through cyber-attack or cyber-intrusion, including by computer hackers, foreign governments, and cyber-terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Even though we may not be specifically targeted, cyber-attacks on the U.S. government, financial markets, financial institutions, or other major businesses, including client tenants, could disrupt our normal business operations and networks, which may in turn have a material adverse impact on our financial condition and results of operations.

IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations, including managing our building systems. They also may be critical to the operations of certain of our client tenants. Although we make efforts to maintain the security and integrity of these types of networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. While, to date, we have not experienced a cyber-attack or cyber-intrusion, we may be unable to anticipate or to implement adequate security barriers or other preventive measures. A security breach or other significant disruption involving our IT networks and related systems could:

- Disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our client tenants;
- Result in misstated financial reports, violations of loan covenants, missed reporting deadlines and/or missed permitting deadlines;
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