BioMed Realty Trust Inc
Form 10-Q
October 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2014

Commission File Number: 1-32261 (BioMed Realty Trust, Inc.)
000-54089 (BioMed Realty, L.P.)
BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.
(Exact name of registrant as specified in its charter)

Maryland	20-1142292 (BioMed Realty Trust, Inc.)
(State or other jurisdiction of	20-1320636 (BioMed Realty, L.P.)
incorporation or organization)	(I.R.S. Employer Identification No.)

17190 Bernardo Center Drive	
San Diego, California	92128
(Address of Principal Executive Offices)	(Zip Code)

(858) 485-9840
(Registrant’s telephone number, including area code)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.

BioMed Realty Trust, Inc.	Yes þ No o
BioMed Realty, L.P.	Yes þ No o

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

BioMed Realty Trust, Inc.	Yes þ No o
BioMed Realty, L.P.	Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
BioMed Realty Trust, Inc.:

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
BioMed Realty, L.P.:			
Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

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

BioMed Realty Trust, Inc.	Yes o No þ
BioMed Realty, L.P.	Yes o No þ

The number of outstanding shares of BioMed Realty Trust, Inc.'s common stock, par value $0.01 per share, as of October 30, 2014 was 197,442,432.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2014 of BioMed Realty Trust, Inc., a Maryland corporation, and BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our" or "our company" refer to BioMed Realty Trust, Inc. together with its consolidated subsidiaries, including BioMed Realty, L.P. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "our operating partnership" or "the operating partnership" refer to BioMed Realty, L.P. together with its consolidated subsidiaries.

BioMed Realty Trust, Inc. operates as a real estate investment trust, or REIT, and is the general partner of BioMed Realty, L.P. As of September 30, 2014, BioMed Realty Trust, Inc. owned an approximate 97.4% partnership interest and other limited partners, including some of our directors, executive officers and their affiliates, owned the remaining 2.6% partnership interest (including long term incentive plan units) in BioMed Realty, L.P. As the sole general partner of BioMed Realty, L.P., BioMed Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership's day-to-day management and control.

There are a few differences between our company and our operating partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how BioMed Realty Trust, Inc. and BioMed Realty, L.P. operate as an interrelated consolidated company. BioMed Realty Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of BioMed Realty, L.P. As a result, BioMed Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of BioMed Realty, L.P., issuing public equity from time to time and guaranteeing certain debt of BioMed Realty, L.P. BioMed Realty Trust, Inc. itself does not hold any indebtedness but guarantees some of the secured and unsecured debt of BioMed Realty, L.P. BioMed Realty, L.P. holds substantially all the assets of the company and holds the ownership interests in the company's joint ventures. BioMed Realty, L.P. conducts the operations of the business and is structured as a partnership with no publicly-traded equity. Except for net proceeds from public equity issuances by BioMed Realty Trust, Inc., which are generally contributed to BioMed Realty, L.P. in exchange for partnership units, BioMed Realty, L.P. generates the capital required by the company's business through BioMed Realty, L.P.'s operations, by BioMed Realty, L.P.'s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests and stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of BioMed Realty Trust, Inc. and those of BioMed Realty, L.P. The operating partnership and long term incentive plan units in BioMed Realty, L.P. that are not owned by BioMed Realty Trust, Inc. are accounted for as partners' capital in BioMed Realty, L.P.'s financial statements and as noncontrolling interests in BioMed Realty Trust, Inc.'s financial statements. The noncontrolling interests in BioMed Realty, L.P.'s financial statements include the interests of joint venture partners. The noncontrolling interests in BioMed Realty Trust, Inc.'s financial statements include the same noncontrolling interests at the BioMed Realty, L.P. level as well as the limited partnership unitholders of BioMed Realty, L.P., not including BioMed Realty Trust, Inc. The differences between stockholders' equity and partners' capital result from the differences in the equity issued at the BioMed Realty Trust, Inc. and BioMed Realty, L.P. levels.

We believe combining the quarterly reports on Form 10-Q of BioMed Realty Trust, Inc. and BioMed Realty, L.P. into this single report:

- better reflects how management and the analyst community view the business as a single operating unit,
- enhances investor understanding of our company by enabling them to view the business as a whole and in the same manner as management,
- is more efficient for our company and results in savings in time, effort and expense, and
- is more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between our company and our operating partnership, this report presents the following separate sections for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P.:

- consolidated financial statements,
- the following notes to the consolidated financial statements:

- Equity / Partners’ Capital,
- Debt, and

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- Earnings Per Share / Unit,
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations, and
- Unregistered Sales of Equity Securities and Use of Proceeds.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P. in order to establish that the Chief Executive Officer and the Chief Financial Officer of BioMed Realty Trust, Inc. have made the requisite certifications and BioMed Realty Trust, Inc. and BioMed Realty, L.P. are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

BIOMED REALTY TRUST, INC. AND BIOMED REALTY, L.P.

FORM 10-Q - QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014
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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

BIOMED REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Investments in real estate, net	$5,535,115	$5,217,902
Investments in unconsolidated partnerships	36,275	32,137
Cash and cash equivalents	33,864	34,706
Accounts receivable, net	18,843	8,421
Accrued straight-line rents, net	183,904	173,779
Deferred leasing costs, net	224,824	198,067
Other assets	205,487	307,589
Total assets	$6,238,312	$5,972,601
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$478,543	$709,324
Exchangeable senior notes	95,678	180,000
Unsecured senior notes, net	1,293,572	895,083
Unsecured senior term loans	755,876	758,786
Unsecured line of credit	229,000	128,000
Accounts payable, accrued expenses and other liabilities	375,933	314,383
Total liabilities	3,228,602	2,985,576
Equity:		
Stockholders' equity:		
Common stock, $.01 par value, 250,000,000 shares authorized, 197,455,157 shares and 192,115,002 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,975	1,921
Additional paid-in capital	3,643,957	3,554,558
Accumulated other comprehensive loss, net	(20,915)	(32,923)
Dividends in excess of earnings	(675,763)	(583,569)
Total stockholders' equity	2,949,254	2,939,987
Noncontrolling interests	60,456	47,038
Total equity	3,009,710	2,987,025
Total liabilities and equity	$6,238,312	$5,972,601

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Rental	$122,838	$116,884	$363,788	$327,932
Tenant recoveries	42,626	38,907	121,641	104,037
Other revenue	3,452	3,441	23,524	47,352
Total revenues	168,916	159,232	508,953	479,321
Expenses:				
Rental operations	54,899	51,688	161,058	134,182
Depreciation and amortization	64,452	61,898	189,597	186,219
General and administrative	12,768	11,934	37,153	32,358
Acquisition-related expenses	487	907	2,871	5,263
Total expenses	132,606	126,427	390,679	358,022
Income from operations	36,310	32,805	118,274	121,299
Equity in net income / (loss) of unconsolidated partnerships	733	(112)	585	(697)
Interest expense, net	(22,215)	(27,870)	(73,356)	(79,890)
Other income / (expense)	2,148	(687)	11,338	(4,079)
Net income	16,976	4,136	56,841	36,633
Net (income) / loss attributable to noncontrolling interests	(1,016)	111	(3,412)	(268)
Net income attributable to the Company	15,960	4,247	53,429	36,365
Preferred stock dividends	—	—	—	(2,393)
Cost on redemption of preferred stock	—	—	—	(6,531)
Net income available to common stockholders	$15,960	$4,247	$53,429	$27,441
Net income per share available to common stockholders:				
Basic and diluted earnings per share	$0.08	$0.02	$0.27	$0.15
Weighted-average common shares outstanding:				
Basic	194,022,619	190,646,722	191,988,661	179,138,169
Diluted	199,574,893	196,131,643	197,651,357	183,121,240

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$16,976	$4,136	$56,841	$36,633
Other comprehensive income / (loss):				
Foreign currency translation adjustments	(1,472)	1,866	(484)	(252)
Unrealized gain / (loss) from derivative instruments, net	169	(771)	(749)	4,405
Amortization of deferred interest costs	1,677	1,705	5,052	5,134
Reclassification on sale of equity securities	—	—	(9,322)	—
Unrealized gain on equity securities	3,550	2,280	20,300	8,435
Total other comprehensive income	3,924	5,080	14,797	17,722
Comprehensive income	20,900	9,216	71,638	54,355
Comprehensive income attributable to noncontrolling interests	(1,767)	(493)	(6,201)	(1,883)
Comprehensive income attributable to the Company	$19,133	$8,723	$65,437	$52,472

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENT OF EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock			Accumulated				
	Shares	Amount	Additional Paid-In Capital	Other Comprehensive (Loss)/Income, net	Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	192,115,002	$1,921	$3,554,558	$(32,923)	$(583,569)	$2,939,987	$47,038	$2,987,025
Offering costs from sale of common stock	—	—	(49)	—	—	(49)	—	(49)
Net issuances of unvested restricted common stock	374,278	4	(4,429)	—	—	(4,425)	—	(4,425)
Exchange of Exchangeable Senior Notes	4,955,377	50	84,129	—	—	84,179	—	84,179
Conversion of OP units to common stock	10,500	—	(51)	—	—	(51)	51	—
Vesting of share-based awards	—	—	11,137	—	—	11,137	—	11,137
Reallocation of noncontrolling interests to equity	—	—	(1,338)	—	—	(1,338)	1,338	—
Common stock dividends	—	—	—	—	(145,623)	(145,623)	—	(145,623)
OP unit distributions	—	—	—	—	—	—	(4,053)	(4,053)
Contributions from noncontrolling interests, net	—	—	—	—	—	—	9,881	9,881
Net income	—	—	—	—	53,429	53,429	3,412	56,841
Foreign currency translation adjustments	—	—	—	(471)	—	(471)	(13)	(484)
Reclassification on sale of equity securities	—	—	—	(7,784)	—	(7,784)	(1,538)	(9,322)
Unrealized gain on equity securities	—	—	—	16,073	—	16,073	4,227	20,300

Amortization of deferred interest costs	—	—	—	4,918	—	4,918	134	5,052
Unrealized loss on derivative instruments, net	—	—	—	(728)	—	(728)	(21)	(749)
Balance at September 30, 2014	197,455,157	$1,975	$3,643,957	$ (20,915)	$(675,763)	$2,949,254	$ 60,456	$3,009,710

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Operating activities:		
Net income	$56,841	$36,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	189,597	186,219
Allowance for doubtful accounts	526	730
Non-cash revenue adjustments	942	9,590
Other adjustments	5,146	9,903
Compensation expense related to restricted common stock and LTIP units	11,137	9,567
Distributions representing a return on capital from unconsolidated partnerships	399	178
Changes in operating assets and liabilities:		
Accounts receivable	(10,607)	(5,573)
Accrued straight-line rents	(10,466)	(17,470)
Deferred leasing costs	(10,526)	(12,833)
Other assets	(24,478)	(14,001)
Accounts payable, accrued expenses and other liabilities	15,355	1,759
Net cash provided by operating activities	223,866	204,702
Investing activities:		
Purchases of investments in real estate and related intangible assets	(130,458)	(471,910)
Capital expenditures	(300,716)	(142,833)
Contributions from historic tax credit transactions, net	22,557	8,620
Contributions from new market tax credit transactions, net	—	4,078
Draws on construction loan receivable	(39,769)	(95,303)
Repayment of construction loan receivable	184,239	—
Contributions to unconsolidated partnerships, net	(4,760)	(983)
Purchases of debt and equity securities	(15,725)	(12,674)
Proceeds from the sale of debt and equity securities	13,952	6,103
Net cash used in investing activities	(270,680)	(704,902)
Financing activities:		
Net proceeds from common stock offering	—	668,553
Payment of offering costs	—	(27,423)
Redemption of Series A preferred stock	—	(198,000)
Payment of deferred loan costs	(3,101)	(7,172)
Unsecured line of credit proceeds	732,000	687,000
Unsecured line of credit payments	(631,000)	(785,000)
Mortgage notes proceeds	39,237	4,182
Principal payments on mortgage notes payable	(340,124)	(112,837)
Proceeds from unsecured senior term loans	—	350,000
Proceeds from unsecured senior notes	397,632	—
Release of restricted cash for repayment of debt	—	60,000

Distributions to operating partnership unit and LTIP unit holders	(4,175)	(2,648)

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	Nine Months Ended September 30, 2014	2013
Dividends paid to common stockholders	(144,289)	(121,103)
Dividends paid to preferred stockholders	—	(6,045)
Net cash provided by financing activities	46,180	509,507
Effect of exchange rate changes on cash and cash equivalents	(208)	(53)
Net (decrease) / increase in cash and cash equivalents	(842)	9,254
Cash and cash equivalents at beginning of period	34,706	19,976
Cash and cash equivalents at end of period	$33,864	$29,230
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $15,734 and $9,999, respectively)	$59,233	$67,079
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for common stock dividends declared	$49,363	$45,145
Accrual for distributions declared for operating partnership unit and LTIP unit holders	1,351	1,273
Accrued additions to real estate and related intangible assets	113,704	60,246
Equity issued in connection with Wexford merger and 320 Charles Street acquisition	—	165,114
Mortgage notes assumed (includes premiums of $3,966 and $8,671 during the nine months ended September 30, 2014 and 2013, respectively)	71,937	254,660
Exchange of Exchangeable Senior Notes to common stock	84,322	—
Noncontrolling interests in connection with 100 College Street and 300 George Street acquisitions	21,740	—

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Investments in real estate, net	$5,535,115	$5,217,902
Investments in unconsolidated partnerships	36,275	32,137
Cash and cash equivalents	33,864	34,706
Accounts receivable, net	18,843	8,421
Accrued straight-line rents, net	183,904	173,779
Deferred leasing costs, net	224,824	198,067
Other assets	205,487	307,589
Total assets	$6,238,312	$5,972,601
LIABILITIES AND CAPITAL		
Mortgage notes payable, net	$478,543	$709,324
Exchangeable senior notes	95,678	180,000
Unsecured senior notes, net	1,293,572	895,083
Unsecured senior term loans	755,876	758,786
Unsecured line of credit	229,000	128,000
Accounts payable, accrued expenses and other liabilities	375,933	314,383
Total liabilities	3,228,602	2,985,576
Capital:		
Partners’ capital:		
Limited partners' capital, 5,405,474 and 5,415,974 units issued and outstanding at September 30, 2014 and December 31, 2013, respectively	44,836	45,708
General partner's capital, 197,455,157 and 192,115,002 units issued and outstanding at September 30, 2014 and December 31, 2013, respectively	2,967,581	2,970,650
Accumulated other comprehensive loss, net	(18,327)	(30,663)
Total partners’ capital	2,994,090	2,985,695
Noncontrolling interests	15,620	1,330
Total capital	3,009,710	2,987,025
Total liabilities and capital	$6,238,312	$5,972,601

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except unit data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Rental	$122,838	$116,884	$363,788	$327,932
Tenant recoveries	42,626	38,907	121,641	104,037
Other revenue	3,452	3,441	23,524	47,352
Total revenues	168,916	159,232	508,953	479,321
Expenses:				
Rental operations	54,899	51,688	161,058	134,182
Depreciation and amortization	64,452	61,898	189,597	186,219
General and administrative	12,768	11,934	37,153	32,358
Acquisition-related expenses	487	907	2,871	5,263
Total expenses	132,606	126,427	390,679	358,022
Income from operations	36,310	32,805	118,274	121,299
Equity in net income / (loss) of unconsolidated partnerships	733	(112)	585	(697)
Interest expense, net	(22,215)	(27,870)	(73,356)	(79,890)
Other income / (expense)	2,148	(687)	11,338	(4,079)
Net income	16,976	4,136	56,841	36,633
Net (income) / loss attributable to noncontrolling interests	(587)	229	(1,948)	266
Net income attributable to the Operating Partnership	16,389	4,365	54,893	36,899
Preferred unit distributions	—	—	—	(2,393)
Cost on redemption of preferred units	—	—	—	(6,531)
Net income available to unitholders	$16,389	$4,365	$54,893	$27,975
Net income per unit available to unitholders:				
Basic and diluted earnings per unit	$0.08	$0.02	$0.27	$0.15
Weighted-average units outstanding:				
Basic	199,428,093	196,062,696	197,395,750	183,048,587
Diluted	199,574,893	196,131,643	197,651,357	183,120,286

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$16,976	$4,136	$56,841	$36,633
Other comprehensive income / (loss):				
Foreign currency translation adjustments	(1,472)	1,866	(484)	(252)
Unrealized income / (loss) from derivative instruments, net	169	(771)	(749)	4,405
Amortization of deferred interest costs	1,677	1,705	5,052	5,134
Reclassification on sale of equity securities	—	—	(9,322)	—
Unrealized gain on equity securities	3,550	2,280	20,300	8,435
Total other comprehensive income	3,924	5,080	14,797	17,722
Comprehensive income	20,900	9,216	71,638	54,355
Comprehensive (income) / loss attributable to noncontrolling interests	(1,253)	229	(4,409)	266
Comprehensive income attributable to the Operating Partnership	$19,647	$9,445	$67,229	$54,621

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENT OF CAPITAL
(In thousands, except unit data)
(Unaudited)

	Limited Partners' Capital		General Partner's Capital		Accumulated Other Comprehensive (Loss)/Income	Total Partners' Capital	Noncontrolling Interests	Total Capital
	Units	Amount	Units	Amount				
Balance at December 31, 2013	5,415,974	$45,708	192,115,002	$2,970,650	$(30,663)	$2,985,695	$1,330	$2,987,025
Offering costs from issuance of OP units	—	—	—	(49)	—	(49)	—	(49)
Net issuances of unvested restricted OP units	—	—	374,278	(4,425)	—	(4,425)	—	(4,425)
Conversion of OP units	(10,500)	51	10,500	(51)	—	—	—	—
Exchange of Exchangeable Senior Notes	—	—	4,955,377	84,179	—	84,179	—	84,179
Vesting of share-based awards	—	—	—	11,137	—	11,137	—	11,137
Reallocation of capital to limited partners	—	1,666	—	(1,666)	—	—	—	—
Distributions	—	(4,053)	—	(145,623)	—	(149,676)	—	(149,676)
Contributions from noncontrolling interests, net	—	—	—	—	—	—	9,881	9,881
Net income	—	1,464	—	53,429	—	54,893	1,948	56,841
Foreign currency translation adjustments	—	—	—	—	(484)	(484)	—	(484)
Reclassification on sale of equity securities	—	—	—	—	(7,784)	(7,784)	(1,538)	(9,322)
Unrealized gain on equity securities	—	—	—	—	16,301	16,301	3,999	20,300
Amortization of deferred interest costs	—	—	—	—	5,052	5,052	—	5,052
	—	—	—	—	(749)	(749)	—	(749)

Unrealized loss on derivative instruments, net								
Balance at September 30, 2014	5,405,474	$44,836	197,455,157	$2,967,581	$(18,327)	$2,994,090	$15,620	$3,009,710

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2014	2013
Operating activities:		
Net income	$56,841	$36,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	189,597	186,219
Allowance for doubtful accounts	526	730
Non-cash revenue adjustments	942	9,590
Other adjustments	5,146	9,903
Compensation expense related to share-based payments	11,137	9,567
Distributions representing a return on capital from unconsolidated partnerships	399	178
Changes in operating assets and liabilities:		
Accounts receivable	(10,607)	(5,573)
Accrued straight-line rents	(10,466)	(17,470)
Deferred leasing costs	(10,526)	(12,833)
Other assets	(24,478)	(14,001)
Accounts payable, accrued expenses and other liabilities	15,355	1,759
Net cash provided by operating activities	223,866	204,702
Investing activities:		
Purchases of investments in real estate and related intangible assets	(130,458)	(471,910)
Capital expenditures	(300,716)	(142,833)
Contributions from historic tax credit transactions, net	22,557	8,620
Contributions from new market tax credit transactions, net	—	4,078
Draws on construction loan receivable	(39,769)	(95,303)
Repayment of construction loan receivable	184,239	—
Contributions to unconsolidated partnerships, net	(4,760)	(983)
Purchases of debt and equity securities	(15,725)	(12,674)
Proceeds from the sale of debt and equity securities	13,952	6,103
Net cash used in investing activities	(270,680)	(704,902)
Financing activities:		
Net proceeds from issuance of OP units	—	641,130
Redemption of Series A preferred units	—	(198,000)
Payment of deferred loan costs	(3,101)	(7,172)
Unsecured line of credit proceeds	732,000	687,000
Unsecured line of credit payments	(631,000)	(785,000)
Mortgage notes proceeds	39,237	4,182
Principal payments on mortgage notes payable	(340,124)	(112,837)
Proceeds from unsecured senior term loans	—	350,000
Proceeds from unsecured senior notes	397,632	—
Release of restricted cash for repayment of debt	—	60,000

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	Nine Months Ended September 30, 2014	2013
Distributions paid to unitholders	(148,464)	(123,751)
Distributions paid to preferred unitholders	—	(6,045)
Net cash provided by financing activities	46,180	509,507
Effect of exchange rate changes on cash and cash equivalents	(208)	(53)
Net (decrease) / increase in cash and cash equivalents	(842)	9,254
Cash and cash equivalents at beginning of period	34,706	19,976
Cash and cash equivalents at end of period	$33,864	$29,230
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $15,734 and $9,999, respectively)	$59,233	$67,079
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for unit distributions declared	$50,714	$46,418
Accrued additions to real estate and related intangible assets	113,704	60,246
Equity issued in connection with Wexford merger and 320 Charles Street acquisition	—	165,114
Mortgage notes assumed (includes premiums of $3,966 and $8,671 during the nine months ended September 30, 2014 and 2013, respectively)	71,937	254,660
Exchange of Exchangeable Senior Notes to common stock	84,322	—
Noncontrolling interests in connection with 100 College Street and 300 George Street acquisitions	21,740	—

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization of the Parent Company and Description of Business

BioMed Realty Trust, Inc., a Maryland corporation (the "Parent Company"), operates as a fully integrated, self-administered and self-managed real estate investment trust ("REIT") focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry principally through its subsidiary, BioMed Realty, L.P., a Maryland limited partnership (the "Operating Partnership" and together with the Parent Company referred to as the "Company"). The Company's tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The Company's properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Francisco, San Diego, Maryland, New York/New Jersey, Pennsylvania, North Carolina, Seattle and Cambridge (United Kingdom) and, through Wexford Science & Technology, LLC and related entities (collectively, "Wexford"), with universities and their related medical systems.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2014, owned a 97.4% interest in the Operating Partnership. The remaining 2.6% interest in the Operating Partnership is held by limited partners. Each partner's percentage interest in the Operating Partnership is determined based on the number of operating partnership units and long-term incentive plan units ("LTIP units" and together with the operating partnership units, the "OP units") owned as compared to total OP units (and potentially issuable OP units, as applicable) outstanding as of each period end and is used as the basis for the allocation of net income or loss to each partner.

2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in conjunction with the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments necessary for a fair presentation of the financial statements for these interim periods have been recorded. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in the Company's annual report on Form 10-K for the year ended December 31, 2013.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, partnerships and limited liability companies it controls, and variable interest entities ("VIEs") for which the Company has determined itself to be the primary beneficiary. All material intercompany transactions and balances have been eliminated. The Company consolidates entities the Company controls and records a noncontrolling interest for the portions not owned by the Company. Control is determined, where applicable, by the sufficiency of equity invested and the rights of the equity holders, and by the ownership of a majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority stockholder. If the minority stockholder holds substantive participating rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority stockholder simply holds protective rights (such as consent rights over certain actions), it does not overcome the presumption of control by the majority voting interest holder.

Assets and liabilities of subsidiaries outside the United States with non-U.S. dollar functional currencies are translated into U.S. dollars using exchange rates as of the balance sheet dates. Income and expenses are translated using the average exchange rates for the reporting period. Foreign currency translation adjustments are recorded as a component of other comprehensive income. For the three months ended September 30, 2014 and 2013, total revenues from properties outside the United States were $6.5 million and $4.5 million, respectively, which represented 3.8% and 2.8% of the Company's total revenues during the respective periods. For the nine months ended September 30, 2014 and 2013, total revenues from properties outside the United States were $16.1 million and $13.5 million, respectively, which represented 3.2% and 2.8% of the Company's total revenues during the respective periods. The Company’s net investments in properties outside the United States were $198.2 million and $190.2 million at September 30, 2014 and December 31, 2013, respectively.

Investments in Partnerships and Limited Liability Companies

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The Company has determined that it is the primary beneficiary in six VIEs (excluding certain VIEs associated with tax credits discussed below), consisting of properties in which a tenant has a fixed-price purchase option, which are consolidated and reflected in the accompanying consolidated financial statements. Selected financial data of these VIEs at September 30, 2014 and December 31, 2013 consist of the following (in thousands):

	September 30, 2014	December 31, 2013
Investment in real estate, net	$437,927	$336,832
Total assets	498,975	375,443
Total debt	190,878	143,067
Total liabilities	204,323	154,953

Historic Tax Credits and New Market Tax Credits

The Company is a party to certain contractual arrangements with tax credit investors ("TCIs") that were established to enable the TCIs to receive the benefits of historic tax credits ("HTCs") and/or new market tax credits ("NMTCs") for certain properties owned by Wexford. At September 30, 2014, Wexford owned nine properties that had syndicated HTCs or NMTCs, or both, to TCIs.

Capital contributions are made by TCIs into special purpose entities that ultimately invest these funds in the entity that owns the subject property that generates the tax credits. The TCIs are allocated substantially all of the tax credits and hold only a noncontrolling interest in the economic risk and rewards of the special purpose entities. HTCs are delivered to the TCI upon substantial completion of the project. NMTCs are allowed for up to 39% of a qualified investment and are delivered to the TCI after the investment has been funded and spent on a qualified business. HTCs are subject to 20% recapture per year beginning one year after the completion of the historic rehabilitation of the subject property. NMTCs are subject to 100% recapture until the end of the seventh year following the qualifying investment. The Company has provided the TCIs with certain guarantees which protect the TCIs from loss should a tax credit recapture event occur. The contractual arrangements with the TCIs include a put/call provision whereby the Company may be obligated or entitled to repurchase the ownership interest of the TCIs in the special purpose entities at the end of the tax credit recapture period. The Company anticipates that either the TCIs will exercise their put rights or the Company will exercise its call rights; however, the Company believes that the put rights are more likely to be exercised.

The Company has determined that the special purpose entities are VIEs, since there is insufficient capital to finance their activities without further subordinated financial support. The Company has determined that it is the primary beneficiary of these VIEs, because it has the authority to direct the activities which most significantly impact their economic performance.

The portion of the TCI's capital contribution that is attributed to the put is recorded at fair-value at inception and is accreted to the expected put price as interest expense in the consolidated statement of income. At September 30, 2014, approximately $4.4 million of put liabilities were included in other liabilities in the consolidated balance sheets. The remaining balance of the TCI's capital contribution is initially recorded in other liabilities in the consolidated balance sheets and is reclassified, upon delivery of the tax credit to the TCI, to reduce the carrying value of the subject property, net of allocated expenses. Direct and incremental costs incurred in structuring the transaction, consisting of third-party legal, accounting and other professional fees are deferred and will be recognized as an increase in the cost basis of the subject property upon the recognition of the related tax credit as discussed above. During the nine months ended September 30, 2014, $22.6 million of tax credits, net of costs and estimated put payments, were contributed by TCIs and recorded as other liabilities in the consolidated balance sheets and $29.2 million in tax credits were delivered to the TCIs and reclassified as a reduction of the carrying value of the subject property.

The Company has determined that certain special purpose entities owning properties under development are VIEs, since there is insufficient capital to finance the remaining development activities without further subordinated financial support. The Company has determined it is the primary beneficiary of these VIEs, because it has the authority to direct the activities which most significantly impact their economic performance. Selected financial data of the VIEs at September 30, 2014 and December 31, 2013 consisted of the following (in thousands):

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	September 30, 2014	December 31, 2013
Investment in real estate, net	$200,536	$177,901
Total assets	217,889	198,968
Total liabilities	67,636	60,197

Investments in Real Estate, Net

Investments in real estate, net consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Land	$701,977	$713,955
Land under development	158,389	119,325
Buildings and improvements	5,018,091	4,854,175
Construction in progress	595,273	316,025
	6,473,730	6,003,480
Accumulated depreciation	(938,615)	(785,578)
	$5,535,115	$5,217,902

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Company is required to make subjective assessments as to whether there are impairments in the values of its investments in long-lived assets. These assessments have a direct impact on the Company's net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Company's strategy is to hold its properties over the long-term, if the Company's strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair-value, and such loss could be material. As of and for the three and nine months ended September 30, 2014, no assets have been identified as impaired and no such impairment losses have been recognized.

Deferred Leasing Costs, Net

Leasing commissions and other direct costs associated with obtaining new or renewal leases are recorded at cost and amortized on a straight-line basis over the terms of the respective leases, with remaining terms ranging from less than one year to approximately 20 years as of September 30, 2014. Deferred leasing costs also include the net carrying value of acquired in-place leases and acquired management agreements.

Deferred leasing costs, net at September 30, 2014 consisted of the following (in thousands):

	Balance at September 30, 2014	Accumulated Amortization	Net

Acquired in-place leases	$416,366	$(262,123)	$154,243
Acquired management agreements	25,801	(21,540)	4,261
Deferred leasing and other direct costs	102,848	(36,528)	66,320
	$545,015	$(320,191)	$224,824

Deferred leasing costs, net at December 31, 2013 consisted of the following (in thousands):

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	Balance at December 31, 2013	Accumulated Amortization	Net
Acquired in-place leases	$365,753	$(233,935)	$131,818
Acquired management agreements	25,801	(20,053)	5,748
Deferred leasing and other direct costs	91,142	(30,641)	60,501
	$482,696	$(284,629)	$198,067

Investments

Investments in equity securities, which are included in other assets on the accompanying consolidated balance sheets, consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Available-for-sale securities, historical cost	$7,297	$8,543
Unrealized gain, net	22,109	11,023
Available-for-sale securities, fair-value (1)	29,406	19,566
Privately-held securities, cost basis	30,929	18,485
Total equity securities	$60,335	$38,051

(1) Determination of fair-value is classified as Level 1 in the fair-value hierarchy based on the use of quoted prices in active markets.

The Company holds investments in available-for-sale securities of certain publicly-traded companies. Changes in the fair-value of investments classified as available-for-sale are recorded in comprehensive income. The fair-value of the Company's equity investments in publicly-traded companies are based upon the closing trading price of the equity security as of the balance sheet date. At September 30, 2014, none of these investments have fair-values less than the Company’s cost basis, net of previous other-than-temporary impairment. However, management will continue to periodically evaluate whether any investment, the fair-value of which is less than the Company’s cost basis, should be considered other-than-temporarily impaired. If other-than-temporary impairment is considered to exist, the related unrealized loss will be reclassified from accumulated other comprehensive loss and recorded as a reduction of net income.

The Company also holds investments in securities of certain privately-held companies and funds, which are recorded at cost basis due to the Company’s lack of control or significant influence over such companies and funds.

During the nine months ended September 30, 2014, the Company recorded a $1.3 million impairment charge, which is included in other expense in the consolidated statements of income. The impairment charge related to the Company’s investment in a privately-held company. Other than this investment there were no identified events or changes in circumstances that may have a significant adverse effect on the carrying value of the Company’s cost basis investments and therefore, no evaluation of impairment was performed during the nine months ended September 30, 2014 on the Company’s remaining cost basis investments.

Construction Loan Receivable

The Company had a $255.0 million interest in a $355.0 million construction loan secured by first priority mortgages on a 1.1 million square foot laboratory, office and retail development project located in Boston, Massachusetts, which is 95% leased to Vertex Pharmaceuticals Incorporated to serve as its new corporate headquarters (the "Construction Loan"). As of December 31, 2013, the Company had invested approximately $151.8 million in the Construction Loan, which is included in other assets on the Company's consolidated balance sheets. In May 2014, the borrower repaid the then outstanding principal and accrued interest balance prior to maturity, of which the Company's portion was approximately $191.2 million. The Company also received prepayment fees of approximately $8.1 million, resulting in other revenue of $7.5 million, net of deferred loan fees write-offs.

Lease Termination

During the three and nine months ended September 30, 2014, the Company recorded lease termination revenue, net of write-offs of lease intangibles, included in other revenue on the consolidated statements of income of approximately $3.3 million and $9.8 million, respectively. Lease termination revenue for the three months ended September 30, 2014 primarily related to the

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early termination of leases at two of the Company's properties. For the nine months ended September 30, 2014, lease termination revenue also included the early termination of leases at the Company's 4570 Executive Drive property. During the three and nine months ended September 30, 2013, the Company recorded lease termination revenue, net of write-offs of lease intangibles, included in other revenue on the consolidated statements of income of approximately $1.5 million and $42.8 million, respectively. Lease termination revenue for the nine months ended September 30, 2013 primarily related to the termination of a lease with Elan Corporation at the Company’s Science Center at Oyster Point property for which Elan paid the Company $46.5 million. The impact of the Elan lease termination was recognized through the date of the termination of the lease in April 2013.

Management’s Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with GAAP. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts of revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions.

3. Equity of the Parent Company

During the nine months ended September 30, 2014, the Parent Company issued restricted stock awards to the Company’s employees and directors totaling 565,107 and 22,555 shares of common stock, respectively (218,663 shares of common stock were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of restricted stock and 7,702 shares were forfeited during the same period), which are included in the total of common stock outstanding as of the period end.

During the three months ended September 30, 2014, at the request of the holders that exercised their exchange right pursuant to the terms of the Operating Partnership's Exchangeable Senior Notes due 2030 (the "Exchangeable Senior Notes"), the Parent Company issued 4,955,377 shares of its common stock in exchange for approximately $84.3 million in aggregate principal amount of the Exchangeable Senior Notes.

The Parent Company awarded units to certain of its executive officers (the “Performance Units”), which represent a contingent right to receive one share of the Parent Company’s common stock if vesting conditions are satisfied. Outstanding Performance Units vest ratably over two or three year periods (each, a “Performance Period”) based upon the Parent Company’s total stockholder return relative to its peer group (the "Market Conditions"). The grant date fair-value of the Performance Units was estimated using a Monte Carlo simulation which considered the likelihood of achieving the Market Conditions. The expected value of the Performance Units on the grant date was determined by simulating the total stockholder return for the Parent Company and the peer group, considering the stock price variance for each of the peer group companies compared to each other and the Parent Company. In January 2014, of the 136,296 Performance Units which were originally granted to certain executive officers in January 2012 and represent the maximum number of Performance Units that could have vested, 20,224 Performance Units vested (resulting in the issuance of 20,224 shares of the Parent Company’s common stock, 7,243 shares of which were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of the Performance Units) and the remaining 116,072 Performance Units were forfeited, based on the Parent Company’s total stockholder return relative to its peer group for the two years ended December 31, 2013. During the nine months ended September 30, 2014, the Parent Company awarded 494,410 Performance Units which represent the maximum number of Performance Units that may vest and which vest over a three-year Performance Period. The grant date fair-value of these awards of approximately $3.8 million will be recognized as compensation expense on a straight-line basis over each respective Performance Period. The total compensation remaining on the Performance Units granted during the nine months ended September 30, 2014 to be expensed in future periods over a weighted-average term of approximately 2.3 years was $2.9 million as of September 30, 2014. No dividends will be paid or accrued on the Performance Units, and shares of the Parent Company's common stock will not be issued until vesting of the Performance Units occurs.

Common Stock, Operating Partnership Units and LTIP Units

As of September 30, 2014, the Company had outstanding 197,455,157 shares of the Parent Company’s common stock and 5,083,400 and 322,074 operating partnership and LTIP units, respectively (excluding operating partnership units held by the Parent Company). A share of the Parent Company’s common stock and the operating partnership and LTIP units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership.

Dividends and Distributions

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The following table lists the dividends and distributions declared by the Parent Company and the Operating Partnership during the nine months ended September 30, 2014:

Declaration Date	Securities Class	Amount Per Share/Unit	Period Covered	Dividend and Distribution Payable Date	Dividend and Distribution Amount (In thousands)
March 17, 2014	Common stock and OP units	$0.250	January 1, 2014 to March 31, 2014	April 15, 2014	$49,479
June 16, 2014	Common stock and OP units	$0.250	April 1, 2014 to June 30, 2014	July 15, 2014	$49,483
September 15, 2014	Common stock and OP units	$0.250	July 1, 2014 to September 30, 2014	October 15, 2014	$50,714

Changes in Accumulated Other Comprehensive Loss by Component

The following table shows the changes in accumulated other comprehensive loss for the Parent Company for the nine months ended September 30, 2014, by component (in thousands):

	Foreign currency translation adjustments	Unrealized gains on available-for-sale securities	Gain / (loss) on derivative instruments	Total
Balance at December 31, 2013	$3,905	$ 8,938	$(45,766)	$(32,923)
Other comprehensive (loss) / income before reclassifications	(484)	20,300	(3,426)	16,390
Amounts reclassified from accumulated other comprehensive income (1)	—	(9,322)	7,729	(1,593)
Net other comprehensive (loss) / income	$(484)	$ 10,978	$4,303	$14,797
Net other comprehensive loss / (income) allocable to noncontrolling interests	13	(2,689)	(113)	(2,789)
Balance as of September 30, 2014	$3,434	$ 17,227	$(41,576)	$(20,915)

(1) Amounts reclassified from unrealized gain on available-for-sale securities are included in other income, net in the consolidated statements of income. Amounts reclassified from loss on derivative instruments are included in interest expense, net in the consolidated statements of income. See Note 9 for further information on derivative instruments.

Noncontrolling Interests

Noncontrolling interests on the consolidated balance sheets of the Parent Company relate primarily to the OP units in the Operating Partnership that are not owned by the Parent Company. With respect to the noncontrolling interests in the Operating Partnership, noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock at the option of the issuer are further evaluated to determine whether temporary or permanent equity classification on the balance sheet is appropriate. Because the OP units comprising the noncontrolling interests contain such a provision, the Company evaluated this guidance, including the requirement to settle in unregistered shares, and determined that the OP units meet the requirements to qualify for presentation as permanent equity.

The Company evaluates individual redeemable noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any redeemable noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount, or (2) its redemption value at the end of the period in which the determination is made.

The redemption value of the OP units not owned by the Parent Company, had such units been redeemed at September 30, 2014, was approximately $110.8 million based on the average closing price of the Parent Company's common stock of $20.50 per share for the ten consecutive trading days immediately preceding September 30, 2014.

The following table shows the vested ownership interests in the Operating Partnership:

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	September 30, 2014 Operating Partnership Units and LTIP Units	Percentage of Total	December 31, 2013 Operating Partnership Units and LTIP Units	Percentage of Total
BioMed Realty Trust	196,034,482	97.4 %	190,676,428	97.3 %
Noncontrolling interest consisting of:				
Operating partnership and LTIP units held by employees and related parties	2,645,888	1.3 %	2,656,388	1.4 %
Operating partnership and LTIP units held by third parties	2,627,145	1.3 %	2,627,145	1.3 %
Total	201,307,515	100.0 %	195,959,961	100.0 %

4. Capital of the Operating Partnership

Operating Partnership Units and LTIP Units

As of September 30, 2014, the Operating Partnership had outstanding 202,538,557 operating partnership units and 322,074 LTIP units. The Parent Company owned 97.4% of the partnership interests in the Operating Partnership at September 30, 2014, is the Operating Partnership's general partner and is responsible for the management of the Operating Partnership's business. As the general partner of the Operating Partnership, the Parent Company effectively controls the ability to issue common stock of the Parent Company upon a limited partner's notice of redemption. In addition, the Parent Company has generally acquired OP units upon a limited partner's notice of redemption in exchange for shares of its common stock. The redemption provisions of OP units owned by limited partners that permit the Parent Company to settle in either cash or common stock at the option of the Parent Company are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that these OP units meet the requirements to qualify for presentation as permanent equity.

The redemption value of the OP units owned by the limited partners, not including the Parent Company, had such units been redeemed at September 30, 2014, was approximately $110.8 million based on the average closing price of the Parent Company's common stock of $20.50 per share for the ten consecutive trading days immediately preceding September 30, 2014.

Changes in Accumulated Other Comprehensive Loss by Component

The following table shows the changes in accumulated other comprehensive loss for the Operating Partnership for the nine months ended September 30, 2014, by component (in thousands):

	Foreign currency translation adjustments	Unrealized gains on available-for-sale securities	Gain / (loss) on derivative instruments	Total
Balance at December 31, 2013	$4,006	$9,186	$(43,855)	$(30,663)
Other comprehensive (loss) / income before reclassifications	(484)	20,300	$(3,426)	16,390
	—	(9,322)	$7,729	(1,593)

Amounts reclassified from accumulated other comprehensive income (1)				
Net other comprehensive (loss) / income	$(484)	$10,978	$4,303	$14,797
Net other comprehensive income allocable to noncontrolling interest	—	(2,461)	—	(2,461)
Balance as of September 30, 2014	$3,522	$17,703	$(39,552)	$(18,327)

(1) Amounts reclassified from unrealized gain on available-for-sale securities are included in other income, net in the consolidated statements of income. Amounts reclassified from loss on derivative instruments are included in interest expense, net in the consolidated statements of income. See Note 9 for further information on derivative instruments.

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5. Debt

Debt of the Parent Company

The Parent Company does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, the Parent Company has guaranteed the Operating Partnership's Exchangeable Senior Notes, Unsecured Senior Notes due 2016 (the "Notes due 2016"), Unsecured Senior Notes due 2019 (the "Notes due 2019"), Unsecured Senior Notes due 2020 (the "Notes due 2020"), Unsecured Senior Notes due 2022 (the "Notes due 2022"), Unsecured Senior Term Loan due 2017 (the "Term Loan due 2017"), Unsecured Senior Term Loan due 2018 (the "Term Loan due 2018") and unsecured line of credit.

Debt of the Operating Partnership

The following is a summary of the Operating Partnership's outstanding consolidated debt as of September 30, 2014 and December 31, 2013 (dollars in thousands):

	Stated Interest Rate		Effective Interest Rate		Principal Balance September 30, 2014		Principal Balance December 31, 2013		Maturity Date
Mortgage Notes Payable									
9900 Belward Campus Drive	5.64	%	3.99	%	$10,523		$10,631		July 1, 2017
9901 Belward Campus Drive	5.64	%	3.99	%	12,959		13,091		July 1, 2017
Center for Life Science | Boston (1)	7.75	%	7.75	%	—		334,447		June 30, 2014
100 College Street (2)	2.40	%	2.40	%	61,224		—		August 2, 2016
4320 Forest Park Avenue	4.00	%	2.70	%	21,000		21,000		June 30, 2015
300 George Street (2)	6.20	%	4.91	%	45,481		—		July 1, 2025
Hershey Center for Applied Research	6.15	%	4.71	%	13,072		13,449		May 5, 2027
500 Kendall Street (Kendall D)	6.38	%	5.45	%	56,155		57,927		December 1, 2018
Shady Grove Road	5.97	%	5.97	%	141,631		143,067		September 1, 2016
University of Maryland BioPark I	5.93	%	4.69	%	16,237		16,752		May 15, 2025
University of Maryland BioPark II	5.20	%	4.33	%	62,170		62,946		September 5, 2021
University of Maryland BioPark Garage	5.20	%	4.33	%	4,679		4,738		September 1, 2021
University of Miami Life Science & Technology Park	4.00	%	2.89	%	20,000		20,000		February 1, 2016
					465,131		698,048		
Unamortized premiums					13,412		11,276		
Mortgage notes payable, net					478,543		709,324		
Exchangeable Senior Notes	3.75	%	3.75	%	95,678		180,000		January 15, 2030
Notes due 2016	3.85	%	3.99	%	400,000		400,000		April 15, 2016
Notes due 2019	2.63	%	2.72	%	400,000		—		May 1, 2019
Notes due 2020	6.13	%	6.27	%	250,000		250,000		April 15, 2020
Notes due 2022	4.25	%	4.36	%	250,000		250,000		July 15, 2022
					1,300,000		900,000		
Unamortized discounts					(6,428	)	(4,917	)	
Unsecured senior notes, net					1,293,572		895,083		
Term Loan due 2017 - U.S. dollar (3)	1.55	%	2.38	%	243,596		243,596		March 30, 2017
Term Loan due 2017 - GBP (3)	1.90	%	2.14	%	162,280		165,190		March 30, 2017
Term Loan due 2018	1.35	%	1.67	%	350,000		350,000		March 24, 2018

Unsecured senior term loans			755,876	758,786	
Unsecured line of credit (4)	1.25 %	1.25 %	229,000	128,000	March 24, 2018
Total consolidated debt			$2,852,669	$2,671,193	

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(1) On April 1, 2014, the Operating Partnership repaid in full the mortgage loan secured by the Company's Center for Life Science | Boston property prior to its scheduled maturity date.

(2) Mortgage notes payable assumed on April 4, 2014 in connection with the acquisition of the related properties.

(3) In August 2012, the Operating Partnership converted approximately $156.4 million of outstanding borrowings into British pounds sterling ("GBP") equal to £100.0 million, which was designated as a net investment hedge to mitigate the risk of fluctuations in foreign currency exchange rates. The principal balance represents the U.S. dollar amount based on the exchange rates of $1.62 to £1.00 and $1.65 to £1.00 at September 30, 2014 and December 31, 2013, respectively. The effective interest rate includes the impact of interest rate swap agreements (see Note 9 for further discussion of interest rate swap agreements).

(4) At September 30, 2014, the Operating Partnership had additional borrowing capacity under the unsecured line of credit of up to approximately $671.0 million.

Exchangeable Senior Notes

During the three months ended September 30, 2014, at the request of the holders that exercised their exchange right pursuant to the terms of the Operating Partnership's Exchangeable Senior Notes, the Parent Company issued 4,955,377 shares of its common stock in exchange for approximately $84.3 million in aggregate principal amount of the Exchangeable Senior Notes.

Notes due 2019

On April 23, 2014, the Operating Partnership issued $400.0 million aggregate principal amount of its Notes due 2019. The Notes due 2019 are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. However, the Notes due 2019 are effectively subordinated to the Operating Partnership's existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Operating Partnership's subsidiaries. The Notes due 2019 bear interest at 2.625% per annum, priced at 99.408% of the principal amount to yield 2.752% to maturity. Interest is payable on May 1 and November 1 of each year beginning November 1, 2014 until the maturity date of May 1, 2019. The Operating Partnership's obligations under the Notes due 2019 are fully and unconditionally guaranteed by the Parent Company.

Net Investment Hedge

The Operating Partnership designated the GBP denominated debt under the Term Loan due 2017 as a net investment hedge. The Operating Partnership entered into this net investment hedge to protect a designated amount of the Operating Partnership's net investment in a GBP functional currency subsidiary against the risk of adverse changes in the GBP/U.S. dollar exchange rate (foreign exchange risk). Variability in the GBP/U.S. dollar exchange rate impacts the Operating Partnership (a U.S. dollar functional currency entity) as the financial statements of the GBP functional currency subsidiary are translated each period, with the effect of changes in the GBP/U.S. dollar exchange rate being recorded in accumulated other comprehensive income. When the net investment is sold or substantially liquidated, the balance of the translation adjustment accumulated in other comprehensive income will be reclassified into earnings. The Operating Partnership is hedging the risk of changes in the U.S. dollar equivalent value of a portion of its net investment in its GBP subsidiary attributable to changes in the GBP/U.S. dollar exchange rate during the period of investment during which the hedging instrument is outstanding.

Maturities of Long-Term Debt

As of September 30, 2014, principal payments due for the Operating Partnership’s consolidated indebtedness (excluding debt premiums and discounts) were as follows (in thousands):

2014	$2,080
2015	31,784
2016	629,632
2017	438,182
2018	626,804
Thereafter (1)	1,117,203
	$2,845,685

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(1) Includes approximately $95.7 million in remaining principal payments of the Exchangeable Senior Notes based on a contractual maturity date of January 15, 2030.

6. Earnings Per Share of the Parent Company

Through September 30, 2014 all of the Company's participating securities (including the OP units) received dividends/distributions at an equal dividend/distribution rate per share/unit. As a result, the portion of net income allocable to the weighted-average unvested restricted stock outstanding for the three and nine months ended September 30, 2014 and 2013 has been deducted from net income available to common stockholders to calculate basic earnings per share. The calculation of diluted earnings per share for the three and nine months ended September 30, 2014 and 2013 includes the outstanding OP units (both vested and unvested) in the weighted-average shares, and net income attributable to noncontrolling interests in the Operating Partnership has been added back to net income available to common stockholders. For the three and nine months ended September 30, 2014 and 2013, the Performance Units were dilutive to the calculation of diluted earnings per share as calculated, assuming that September 30, 2014 and 2013 were the end dates of the respective Performance Units' Performance Periods. For the three and nine months ended September 30, 2014 and 2013, the unvested restricted stock was anti-dilutive to the calculation of diluted earnings per share and was therefore excluded. As a result, diluted earnings per share was calculated based upon net income available to common stockholders less net income allocable to unvested restricted stock and distributions in excess of earnings attributable to unvested restricted stock. Additionally, 7,589,600 and 9,571,008 shares issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per share based on the "if converted" method for the three and nine months ended September 30, 2014, respectively. For the three and nine months ended September 30, 2013, 10,405,224 shares issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per share based on the "if converted" method for each period. No other shares were considered anti-dilutive for the three and nine months ended September 30, 2014 or 2013.

Computations of basic and diluted earnings per share (in thousands, except share data) were as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic earnings per share:				
Net income	$16,976	$4,136	$56,841	$36,633
Net (income) / loss attributable to noncontrolling interests	(1,016)	111	(3,412)	(268)
Preferred stock dividends	—	—	—	(2,393)
Cost on redemption of preferred stock	—	—	—	(6,531)
Net income allocable and distributions in excess of earnings to participating securities	(375)	(333)	(1,130)	(989)
Net income available to common stockholders - basic	$15,585	$3,914	$52,299	$26,452
Diluted earnings per share:				
Net income available to common stockholders - basic	15,585	3,914	52,299	26,452
Net income attributable to noncontrolling interests in Operating Partnership	429	118	1,464	534
Net income available to common stockholders - diluted	$16,014	$4,032	$53,763	$26,986
Weighted-average common shares outstanding:				
Basic	194,022,619	190,646,722	191,988,661	179,138,169
Incremental shares from:				
Performance units	146,800	68,947	255,607	71,699
Operating partnership and LTIP units	5,405,474	5,415,974	5,407,089	3,911,372
Diluted	199,574,893	196,131,643	197,651,357	183,121,240
Basic and diluted earnings per share:				
Net income per share available to common stockholders - basic and diluted	$0.08	$0.02	$0.27	$0.15

7. Earnings Per Unit of the Operating Partnership

Through September 30, 2014, all of the Operating Partnership's participating securities received distributions at an equal distribution rate per unit. As a result, the portion of net income allocable to the weighted-average unvested OP units outstanding for the three and nine months ended September 30, 2014 and 2013, has been deducted from net income available to unitholders to calculate basic earnings per unit. For the three and nine months ended September 30, 2014 and 2013, the unvested OP units were anti-dilutive to the calculation of earnings per unit and were therefore excluded from the calculation of diluted earnings per unit, and diluted earnings per unit was calculated based upon net income attributable to unitholders. For the three and nine months ended September 30, 2014 and 2013, the Performance Units were dilutive to the calculation of diluted earnings per unit as calculated, assuming that September 30, 2014 and 2013 were the end dates of the respective Performance Units' Performance Periods. Additionally, 7,589,600 and 9,571,008 units issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per unit based on the "if converted" method for the three and nine months ended September 30, 2014, respectively. For the three and nine months ended September 30, 2013,

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10,405,224 shares issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per share based on the “if converted” method for each period. No other units were considered anti-dilutive for the three and nine months ended September 30, 2014 or 2013.

Computations of basic and diluted earnings per unit (in thousands, except unit data) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic and diluted earnings per unit:				
Net income	$16,976	$4,136	$56,841	$36,633
(Income) / loss attributable to noncontrolling interests	(587)	229	(1,948)	266
Preferred unit distributions	—	—	—	(2,393)
Cost on redemption of preferred units	—	—	—	(6,531)
Net income allocable and distributions in excess of earnings to participating securities	(375)	(333)	(1,130)	(993)
Net income available to unitholders - basic and diluted	$16,014	$4,032	$53,763	$26,982
Weighted-average units outstanding:				
Basic	199,428,093	196,062,696	197,395,750	183,048,587
Incremental units from:				
Performance units	146,800	68,947	255,607	71,699
Diluted	199,574,893	196,131,643	197,651,357	183,120,286
Basic and diluted earnings per unit:				
Net income per unit available to unitholders - basic and diluted	$0.08	$0.02	$0.27	$0.15

8. Investment in Unconsolidated Partnerships

The accompanying consolidated financial statements include investments in two limited liability companies with Prudential Real Estate Investors (“PREI”), 10165 McKellar Court, L.P. (“McKellar Court”), a limited partnership with Quidel Corporation, the tenant which occupies the McKellar Court property, and BioPark Fremont, LLC ("BioPark Fremont"), a limited liability company with RPC Poppleton, LLC. General information on the PREI limited liability companies, the McKellar Court partnership and BioPark Fremont (each referred to in this footnote individually as a “partnership” and collectively as the “partnerships”) as of September 30, 2014 was as follows:

Name	Partner	Company’s Ownership Interest	Company’s Economic Interest	Date Acquired
PREI I LLC (1)	PREI	20%	20%	April 4, 2007
PREI II LLC	PREI	20%	20%	April 4, 2007
McKellar Court (2)	Quidel Corporation	22%	22%	September 30, 2004
BioPark Fremont	RPC Poppleton, LLC	50%	50%	May 31, 2013

(1) PREI I LLC owns two properties in Cambridge, Massachusetts. At September 30, 2014, there were $139.0 million in outstanding borrowings on a secured loan facility held by a wholly-owned subsidiary of PREI I LLC, with a contractual interest rate of 2.21% (including the applicable credit spread) and a maturity date of August 13, 2015 (with an option to extend the maturity date to August 13, 2016 at its discretion after satisfying certain conditions

and paying an extension fee).

(2) The Company’s investment in the McKellar Court partnership (maximum exposure to losses) was approximately $11.9 million at September 30, 2014. The Company’s economic interest in the McKellar Court partnership entitles it to 75% of the extraordinary cash flows after repayment of the partners’ capital contributions and 22% of the operating cash flows.

The condensed combined balance sheets for all of the Company’s unconsolidated partnerships were as follows (in thousands):

	September 30, 2014	December 31, 2013
Assets:		
Investments in real estate, net	$270,040	$262,753
Cash and cash equivalents (including restricted cash)	12,235	3,855
Other assets	10,530	5,301
Total assets	$292,805	$271,909
Liabilities and members’ equity:		
Mortgage notes payable and secured loan	$152,036	$151,968
Other liabilities	11,425	12,102
Members’ equity	129,344	107,839
Total liabilities and members' equity	$292,805	$271,909
Company’s net investment in unconsolidated partnerships	$36,275	$32,137

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The selected data and condensed results of operations for the unconsolidated partnerships were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	$18,173	$3,778	$27,386	$9,486
Total expenses	(15,693)	(5,328)	(27,681)	(16,013)
Net income / (loss)	$2,480	$(1,550)	$(295)	$(6,527)
Company's equity in net income / (loss) of unconsolidated partnerships	$733	$(112)	$585	$(697)
Fees earned by the Company (1)	$140	$35	$678	$121

(1) The Company acts as the operating member or partner, as applicable, and day-to-day manager for the partnerships. The Company is entitled to receive fees for providing construction and development services (as applicable) and management services to the PREI joint ventures, which are reflected in tenant recoveries and other income in the consolidated statements of income.

9. Derivatives and Other Financial Instruments

The Company is exposed to the effect of changes in interest rates on the Operating Partnership's U.S. dollar-LIBOR-based and GBP-LIBOR-based debt. The Company limits this risk by following established risk management policies and procedures including the use of derivatives. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements related to the Operating Partnership's LIBOR-based debt. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The interest rate swaps hedge the Company's exposure to the variability on expected cash flows attributable to changes in interest rates. These interest rate swaps are currently intended to hedge interest payments associated with the Operating Partnership's Term Loan due 2017 and Term Loan due 2018.

As of September 30, 2014, the Company had deferred interest costs of approximately $30.3 million in accumulated other comprehensive loss related to forward starting swaps, which were settled with the corresponding counterparties in 2009. The forward starting swaps were entered into to mitigate the Company's exposure to the variability in expected future cash flows attributable to changes in future interest rates associated with a forecasted issuance of fixed-rate debt, with interest payments for a minimum of ten years. The deferred interest costs will be amortized as additional interest expense over a remaining period of approximately four years.

The following is a summary of the terms of the interest rate swaps, other derivatives and their respective fair-values (dollars in thousands):

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	Notional Amount	Strike Rate	Effective Date	Expiration Date	Fair-Value(1) September 30, 2014	Fair-Value(1) December 31, 2013
Interest rate swaps	$200,000	1.1630 %	March 30, 2012	March 30, 2017	$(1,259)	$ (1,876)
Interest rate swaps	200,000	0.7010 %	October 1, 2013	October 1, 2016	(68)	(288)
Interest rate swaps(2)	81,140	0.7310 %	August 2, 2012	March 30, 2017	968	1,545
Interest rate swaps(2)	81,140	0.7425 %	August 2, 2012	March 30, 2017	943	1,519
Total interest rate swaps	$562,280				584	900
Other derivatives					118	416
Total					$702	$ 1,316

(1) Fair-value of derivative instruments does not include any related accrued interest payable, which is included in accrued expenses on the accompanying consolidated balance sheets. Derivative valuations are classified in Level 2 of the fair-value hierarchy. Assets are included in other assets and liabilities are included in accounts payable, accrued expenses and other liabilities on the accompanying consolidated balance sheets.

(2) Translations to U.S. dollars are based on exchange rates of $1.62 to £1.00 and $1.65 to £1.00 at September 30, 2014 and December 31, 2013, respectively.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair-value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings in the period in which the hedged forecasted transaction affects earnings. During the three and nine months ended September 30, 2014 and 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair-value of the derivatives is recognized directly in earnings. No portion of the derivatives designated as cash flow hedges were classified as ineffective during the three and nine months ended September 30, 2014 and 2013.

The following is a summary of the amount of loss recognized in other comprehensive income related to the derivative instruments (in thousands):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Amount of (loss) / income recognized in other comprehensive income (effective portion):				
Cash flow hedges				
Interest rate swaps	$(726)	$(1,371)	$(3,426)	$2,653
Amount of loss reclassified from accumulated other comprehensive loss to earnings(effective portion):				
Cash flow hedges				
Interest rate swaps (1)	$895	$600	$2,677	$1,752
Forward starting swaps (2)	1,677	1,705	5,052	5,134
Total interest rate swaps	$2,572	$2,305	$7,729	$6,886

(1) Amount represents payments made to swap counterparties for the effective portion of interest rate swaps that were recognized as an increase to interest expense for the periods presented (the amount was recorded as an increase and corresponding decrease to accumulated other comprehensive loss in the same accounting period).

(2)

Amount represents reclassifications of deferred interest costs from accumulated other comprehensive loss to interest expense related to the Company's previously settled forward starting swaps.

During the next twelve months, the Company estimates that an additional $9.5 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense.

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During the three and nine months ended September 30, 2014, the Company recorded total unrealized loss on derivative instruments of $190,000 and $298,000, respectively, related to changes in the fair-value of other derivative instruments, included in other income, net in the consolidated statements of income.

10. Fair-Value of Financial Instruments

The Company's disclosures of estimated fair-value of financial instruments at September 30, 2014 and December 31, 2013 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair-value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair-value amounts.

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate fair-value due to the short-term nature of these instruments.

The Company utilizes quoted market prices to estimate the fair-value of its fixed-rate and variable-rate debt, when available. If quoted market prices are not available, the Company calculates the fair-value of its fixed-rate mortgage notes payable and other fixed-rate debt based on a currently available market rate assuming the loans are outstanding through maturity and considering the collateral. In determining the current market rate for fixed-rate debt, a market credit spread is added to the quoted yields on federal government treasury securities with similar terms to debt. In determining the current market rate for variable-rate debt, a market credit spread is added to the current effective interest rate. The carrying values of interest rate swaps are reflected at their fair-values.

At September 30, 2014 and December 31, 2013, the aggregate fair-value and the carrying value of the Company's financial instruments were as follows (in thousands):

	September 30, 2014		December 31, 2013	
	Fair-Value (1)	Carrying Value	Fair-Value (1)	Carrying Value
Mortgage notes payable, net	$484,685	$478,543	$730,394	$709,324
Exchangeable Senior Notes	113,259	95,678	202,626	180,000
Notes due 2016, net	415,680	399,171	417,040	398,787
Notes due 2019, net	414,800	397,785	—	—
Notes due 2020, net	285,025	248,388	275,600	248,210
Notes due 2022, net	256,000	248,227	240,400	248,086
Term Loan due 2017 - U.S. dollar	243,000	243,596	244,751	243,596
Term Loan due 2017 - GBP (2)	161,885	162,280	165,969	165,190
Term Loan due 2018	346,431	350,000	350,000	350,000
Unsecured line of credit	227,438	229,000	128,000	128,000
Derivative instruments (3)	(702)	(702)	(1,316)	(1,316)
Available-for-sale securities	29,406	29,406	19,566	19,566

(1) Fair-values of debt and derivative instruments are classified in Level 2 of the fair-value hierarchy. Fair-value of available-for-sale securities are classified in Level 1 of the fair-value hierarchy.

(2) The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 and $1.65 to £1.00 at September 30, 2014 and December 31, 2013, respectively.

(3) The Company's derivative instruments are reflected in other assets and in accounts payable, accrued expenses and other liabilities on the accompanying consolidated balance sheets based on their respective balances (see Note 9).

Note 11. Acquisitions

The Company acquired the following properties during the nine months ended September 30, 2014. The table below reflects the preliminary purchase price allocation for these acquisitions (in thousands). The Company expects the purchase price allocations to be finalized within one year of the acquisition date.

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Property	Acquisition Date	Investments in Real Estate	Above Market Lease	Below Market Lease	Below Market Ground Lease	In-Place Lease	Debt Premium	Acquisition Date Fair-Value
100 College Street (1)	April 4, 2014	$ 63,361	$—	$—	$—	$33,239	$—	$ 96,600
300 George Street (2)	April 4, 2014	107,021	63	(3,926)	—	17,808	(3,966)	117,000
430 Cambridge Science Center (3)	May 15, 2014	—	—	—	3,836	—	—	3,836
Total		$ 170,382	$63	$(3,926)	$3,836	$51,047	$(3,966)	$ 217,436
Weighted average intangible amortization life (in months)			21	143	1500	159	135	

(1) The property is currently under construction in New Haven, Connecticut and is expected to be a 510,419 square foot laboratory and office building. The total project investment is expected to be approximately $191.0 million, comprised of (1) approximately $89.0 million in cash, assumption of mortgage notes payable and a noncontrolling interest of Winstanley Enterprises LLC and affiliates, which will also continue to provide construction and property management services for the property, and (2) approximately $102.0 million of remaining construction costs. As of April 4, 2014, Winstanley Enterprises LLC and affiliates retained an approximate 25% noncontrolling interest. On June 3, 2014, Winstanley Enterprises LLC's and its affiliates' noncontrolling interest was reduced to approximately 7% as a result of additional investments by the Company. Upon completion of construction and repayment of the related construction loan, the Company expects Winstanley Enterprises LLC’s and its affiliates' noncontrolling interest in the property to be reduced to approximately 2.5%.

(2) The property is a 518,940 square foot laboratory and office building in New Haven, Connecticut. The total consideration also included the assumption of $46.3 million of mortgage notes payable and a 7% noncontrolling interest of Winstanley Enterprises LLC, which will also continue to provide property management services for the property.

(3) The property is currently under construction in Cambridge, United Kingdom and is expected to be a 42,410 square foot laboratory and office building. The total project investment is expected to be approximately $24.4 million.

Revenues of approximately $4.7 million and net loss of approximately $40,000 associated with properties acquired in 2014 listed above are included in the consolidated statements of income for the three months ended September 30, 2014 for both the Parent Company and the Operating Partnership.

Revenues of approximately $9.2 million and net loss of approximately $318,000 associated with properties acquired in 2014 listed above are included in the consolidated statements of income for the nine months ended September 30, 2014 for both the Parent Company and the Operating Partnership.

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

As used herein, the terms “we,” “us,” “our” or the “Company” refer to BioMed Realty Trust, Inc., a Maryland corporation, and any of our subsidiaries, including BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner, which may be referred to herein as the “operating partnership.” The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: adverse economic or real estate developments in the life science industry or in our target markets, including the inability of our tenants to obtain funding to run their businesses; our dependence upon significant tenants; our failure to obtain necessary outside financing on favorable terms or at all, including the continued availability of our unsecured line of credit; general economic

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conditions, including downturns in the foreign, domestic and local economies; changes in interest rates and foreign currency exchange rates; volatility in financial and securities markets; defaults on or non-renewal of leases by tenants; our inability to compete effectively; increased operating costs; our inability to successfully complete real estate acquisitions, developments and dispositions; risks and uncertainties affecting property development and construction; risks associated with tax credits, grants and other subsidies to fund development activities; our failure to effectively manage our growth and expansion into new markets or to successfully operate acquired properties and companies; our ownership of properties outside of the United States that subject us to different and potentially greater risks than those associated with our domestic operations; risks associated with our investments in loans, including borrower defaults and potential principal losses; reductions in asset valuations and related impairment charges; the loss of services of one or more of our executive officers; our failure to qualify or continue to qualify as a REIT; our failure to maintain our investment grade corporate credit ratings or a downgrade in our investment grade corporate credit ratings from one or more of the rating agencies; government approvals, actions and initiatives, including the need for compliance with environmental requirements; the effects of earthquakes and other natural disasters; lack of or insufficient amounts of insurance; risks associated with security breaches and other disruptions to our information technology networks and related systems; and changes in real estate, zoning and other laws and increases in real property tax rates. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report. In addition, we discussed a number of material risks in our annual report on Form 10-K for the year ended December 31, 2013. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Overview

We operate as a fully integrated, self-administered and self-managed REIT focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. Our tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. Our properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Francisco, San Diego, Maryland, New York/New Jersey, Pennsylvania, North Carolina, Seattle and Cambridge (United Kingdom) and, through Wexford Science & Technology, LLC and related entities, or Wexford, with universities and their related medical systems.

At September 30, 2014, we owned or had interests in a portfolio of properties with an aggregate of approximately 17.2 million rentable square feet.

The following reflects the classification of our properties between operating properties, development properties (existing properties that are currently under development through ground up construction), redevelopment properties (properties that are currently being prepared for their intended use), unconsolidated partnership properties (properties which we partially own, but are not included in our consolidated financial statements), pre-development properties (development properties that are engaged in activities related to planning, entitlement or other preparations for future construction), and development potential (representing management's estimates of rentable square footage if development of these properties was undertaken) at September 30, 2014:

	Gross Book Value (In thousands)	Buildings	Rentable Square Feet	Weighted-Average Leased % (1)	
Operating portfolio	5,774,159	174	15,738,610	92.6	%
Development (2)	277,949	6	1,034,398	83.8	%

Redevelopment	14,984	1	41,257	86.5	%
Unconsolidated partnership portfolio	36,275	3	355,080	99.9	%
Pre-development (2)	119,604	—	1,124,000	—	
Development potential (2)	287,035	—	6,254,000	—	
Total portfolio	$6,510,006	184	24,547,345		

(1) Calculated based on gross book value for each asset multiplied by the percentage leased.

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(2) Rentable square feet represents management's estimates.

Factors Which May Influence Future Operations

Our long-term corporate strategy is to continue to focus on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. As of September 30, 2014, our total operating portfolio was 92.6% leased on a weighted-average basis to 328 tenants. As of December 31, 2013, our total operating portfolio was 91.4% leased on a weighted-average basis to 296 tenants.

Our leasing strategy for 2014 focuses on leasing vacant space, negotiating renewals for leases scheduled to expire during the year, and identifying new tenants or existing tenants seeking additional space to occupy the spaces for which we are unable to negotiate such renewals. We may proceed with additional new developments and acquisitions, as real estate and capital market conditions permit. As of September 30, 2014, leases representing 1.5% and 5.3% of our leased square feet were scheduled to expire during 2014 and 2015, respectively. The success of our leasing and development strategy depends on, among other things, general economic conditions, real estate market conditions and life science industry trends in our target markets in the United States and the United Kingdom.

As a result of changing market conditions, we believe that the fair-values of some of our properties may have declined below their respective carrying values. However, to the extent that a property has a substantial remaining estimated useful life and management does not believe that the property will be disposed of prior to the end of its useful life, it would be unusual for undiscounted cash flows to be insufficient to recover the property’s carrying value. We presently have the ability and intent to continue to own and operate our existing portfolio of properties and estimated undiscounted future cash flows from the operation of the properties are expected to be sufficient to recover the carrying value of each property. Accordingly, we do not believe that the carrying value of any of our properties is impaired. If our ability and/or our intent with regard to the operation of our properties otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to fair-value and such loss could be material.

A discussion of additional factors which may influence future operations can be found below under Part II, Item 1A, “Risk Factors,” and in our annual report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Policies

A complete discussion of our critical accounting policies can be found in our annual report on Form 10-K for the year ended December 31, 2013.

Results of Operations

Leasing Activity

During the nine months ended September 30, 2014, we executed 169 leasing transactions representing 1,950,414 square feet, including 129 new leases totaling 1,180,917 square feet and 40 renewals and extensions totaling 769,497 square feet. The following table summarizes our leasing activity, including leasing activity in our unconsolidated portfolio, during the nine months ended September 30, 2014:

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	Leased square feet	Current annualized base rent per leased square foot (1)	Current annualized base rent per leased square foot - GAAP basis (2)
Leased square feet as of December 31, 2013	14,320,202		
Acquisitions	1,060,442	$23.04	$23.24
Expirations	(1,405,232)	24.32	24.36
Terminations	(332,620)	42.39	43.72
Forward-leased delivery (3)	229,124	33.21	34.82
Renewals and extensions	769,497	25.31	26.99
New leases - first generation (4)	479,723	26.73	29.45
New leases - second generation (5)	340,384	35.82	38.68
New leases - pre-leased (6)	55,084	31.27	34.91
Leased square feet as of September 30, 2014	15,516,604		
Forward-leased square feet as of December 31, 2013 (3)	102,547		
Forward-leased new leases - second generation (3) (5)	305,726	$34.98	$38.54
Forward-leased delivery (3)	(229,124)	33.21	34.82
Forward-leased square feet as of September 30, 2014 (3)	179,149		

(1) Current annualized base rent per leased square foot is the monthly contractual rent per leased square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per leased square foot due at each rent commencement date, multiplied by 12 months.

(2) Current annualized base rent per leased square foot - GAAP basis is the monthly contractual rent per square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per square foot due at each rent commencement date, multiplied by 12 months (as adjusted for straight line rent, fair-value lease revenue and lease incentive revenue).

(3) Leases on space which is currently occupied and where the leases are expected to commence upon vacancy of the existing tenants.

(4) Leases on space which, in management's evaluation, require significant improvements to prepare or condition the premises for its intended purpose or enhance the value of the property. This generally includes capital expenditures for development, redevelopment or repositioning a property.

(5) Leases which are not considered by management to be first generation leases.

(6) Leases on space which, prior to the execution, was classified as pre-development or development potential and is expected to enter our operating portfolio at a future date.

The following table summarizes our leasing activity and associated leasing costs for the nine months ended September 30, 2014:

	Number of leases	Square feet	Tenant improvement costs per square foot	Lease commission costs per square foot	Tenant concession costs per square foot (1)
Renewals and extensions (2)	40	769,497	$5.28	$2.28	$0.15
New leases - first generation	41	479,723	59.72	9.60	4.58
New leases - second generation	85	646,110	72.72	9.51	