ALEXANDRIA REAL ESTATE EQUITIES INC
Form 10-Q
May 04, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from ____________ to ____________

Commission file number 1-12993

ALEXANDRIA REAL ESTATE EQUITIES, INC.
(Exact name of registrant as specified in its charter)

Maryland	95-4502084
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

385 East Colorado Boulevard, Suite 299, Pasadena, California 91101
(Address of principal executive offices) (Zip code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý 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.

Large accelerated filer ý	Accelerated filer o

Non-accelerated filer o (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).
Yes o No ý

As of April 15, 2016, 73,874,188 shares of common stock, par value $.01 per share, were outstanding.

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GLOSSARY

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

ABR	Annualized Base Rent
AFFO	Adjusted Funds from Operations
ASU	Accounting Standards Update
ATM	At the Market
CIP	Construction in Progress
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
EPS	Earnings per Share
FASB	Financial Accounting Standards Board
FFO	Funds from Operations
GAAP	U.S. Generally Accepted Accounting Principles
HVAC	Heating, Ventilation, and Air Conditioning
JV	Joint Venture
LEED®	Leadership in Energy and Environmental Design
LIBOR	London Interbank Offered Rate
NAREIT	National Association of Real Estate Investment Trusts
NOI	Net Operating Income
NYSE	New York Stock Exchange
R&D	Research & Development
REIT	Real Estate Investment Trust
RSF	Rentable Square Feet/Foot
SEC	Securities and Exchange Commission
SF	Square Feet/Foot
SoMa	South of Market (submarket of the San Francisco market)
U.S.	United States
VIE	Variable Interest Entity
YTD	Year To Date

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	March 31, 2016	December 31, 2015
Assets		
Investments in real estate	$7,741,466	$7,629,922
Investments in unconsolidated real estate joint ventures	127,165	127,212
Cash and cash equivalents	146,197	125,098
Restricted cash	14,885	28,872
Tenant receivables	9,979	10,485
Deferred rent	293,144	280,570
Deferred leasing costs	192,418	192,081
Investments	316,163	353,465
Other assets	130,115	133,312
Total assets	$8,971,532	$8,881,017
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	$816,578	$809,818
Unsecured senior notes payable	2,031,284	2,030,631
Unsecured senior line of credit	299,000	151,000
Unsecured senior bank term loans	944,637	944,243
Accounts payable, accrued expenses, and tenant security deposits	628,467	589,356
Dividends payable	64,275	62,005
Total liabilities	4,784,241	4,587,053
Commitments and contingencies		
Redeemable noncontrolling interests	14,218	14,218
Alexandria Real Estate Equities, Inc.’s stockholders’ equity:		
Series D cumulative convertible preferred stock	213,864	237,163
Series E cumulative redeemable preferred stock	130,000	130,000
Common stock	729	725
Additional paid-in capital	3,529,660	3,558,008
Accumulated other comprehensive (loss) income	(8,533)	49,191
Alexandria Real Estate Equities, Inc.’s stockholders’ equity	3,865,720	3,975,087
Noncontrolling interests	307,353	304,659
Total equity	4,173,073	4,279,746
Total liabilities, noncontrolling interests, and equity	$8,971,532	$8,881,017

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

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

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Rental	$158,276	$143,608
Tenant recoveries	52,597	48,394
Other income	5,216	4,751
Total revenues	216,089	196,753
Expenses:		
Rental operations	65,837	61,223
General and administrative	15,188	14,387
Interest	24,855	23,236
Depreciation and amortization	70,866	58,920
Impairment of real estate	28,980	14,510
Total expenses	205,726	172,276
Equity in (losses) earnings of unconsolidated real estate joint ventures	(397)	574
Income from continuing operations	9,966	25,051
Loss from discontinued operations	—	(43)
Net income	9,966	25,008
Net income attributable to noncontrolling interests	(4,030)	(492)
Net income attributable to Alexandria Real Estate Equities, Inc.’s stockholders	5,936	24,516
Dividends on preferred stock	(5,907)	(6,247)
Preferred stock redemption charge	(3,046)	—
Net income attributable to unvested restricted stock awards	(801)	(483)
Net (loss) income attributable to Alexandria Real Estate Equities, Inc.’s common stockholders	$(3,818)	$17,786
EPS attributable to Alexandria Real Estate Equities, Inc.’s common stockholders – basic and diluted:		
Continuing operations	$(0.05)	$0.25
Discontinued operations	—	—
EPS – basic and diluted	$(0.05)	$0.25
Dividends declared per share of common stock	$0.80	$0.74

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

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

	Three Months Ended March 31,	
	2016	2015
Net income	$9,966	$25,008
Other comprehensive income (loss):		
Unrealized (losses) gains on available-for-sale equity securities:		
Unrealized holding (losses) gains arising during the period	(47,423)	28,435
Reclassification adjustment for (gains) losses included in net income	(7,026)	1,103
Unrealized (losses) gains on available-for-sale equity securities, net	(54,449)	29,538
Unrealized losses on interest rate swap agreements:		
Unrealized interest rate swap losses arising during the period	(6,961)	(3,013)
Reclassification adjustment for amortization to interest expense included in net income	158	505
Unrealized losses on interest rate swap agreements, net	(6,803)	(2,508)
Unrealized gains on foreign currency translation:		
Unrealized foreign currency translation gains (losses) arising during the period	3,528	(6,271)
Reclassification adjustment for losses included in net income	—	9,236
Unrealized gains on foreign currency translation, net	3,528	2,965
Total other comprehensive (loss) income	(57,724)	29,995
Comprehensive (loss) income	(47,758)	55,003
Less: comprehensive income attributable to noncontrolling interests	(4,030)	(646)
Comprehensive (loss) income attributable to Alexandria Real Estate Equities, Inc.’s stockholders	$(51,788)	$54,357

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

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

	Alexandria Real Estate Equities, Inc.'s Stockholders' Equity									
	Series D Cumulative Convertible Preferred Stock	Series E Cumulative Redeemable Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of December 31, 2015	$237,163	$130,000	72,548,693	$725	$3,558,008	$—	$49,191	$304,659	$4,279,746	$14,218
Net income	—	—	—	—	—	5,936	—	3,732	9,668	298
Total other comprehensive loss	—	—	—	—	—	—	(57,724)	—	(57,724)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1,038)	(1,038)	(298)
Issuances of common stock	—	—	293,235	3	25,275	—	—	—	25,278	—
Issuances pursuant to stock plan	—	—	31,604	1	7,767	—	—	—	7,768	—
Redemption of Series D preferred stock	(23,299)	—	—	—	727	(3,046)	—	—	(25,618)	—
Dividends declared on common stock	—	—	—	—	—	(59,100)	—	—	(59,100)	—
Dividends declared on preferred stock	—	—	—	—	—	(5,907)	—	—	(5,907)	—
Distributions in excess of earnings	—	—	—	—	(62,117)	62,117	—	—	—	—
Balance as of March 31, 2016	$213,864	$130,000	72,873,532	$729	$3,529,660	$—	$(8,533)	$307,353	$4,173,073	$14,218

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

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

	Three Months Ended March 31,	
	2016	2015
Operating Activities		
Net income	$9,966	$25,008
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,866	58,920
Impairment of real estate	28,980	14,510
Equity in losses (earnings) of unconsolidated real estate joint ventures	397	(574)
Distributions of earnings from unconsolidated real estate joint ventures	98	491
Amortization of loan fees	2,760	2,834
Amortization of debt premiums	(86)	(82)
Amortization of acquired below-market leases	(974)	(933)
Deferred rent	(12,138)	(9,901)
Stock compensation expense	5,439	3,690
Investment gains	(5,891)	(5,937)
Investment losses	1,782	2,225
Changes in operating assets and liabilities:		
Restricted cash	671	(51)
Tenant receivables	521	(102)
Deferred leasing costs	(7,083)	(7,131)
Other assets	(2,525)	(3,247)
Accounts payable, accrued expenses, and tenant security deposits	8,999	27,121
Net cash provided by operating activities	101,782	106,841
Investing Activities		
Proceeds from sales of real estate	—	67,616
Additions to real estate	(159,501)	(104,632)
Purchase of real estate	—	(93,938)
Deposits for investing activities	—	(28,000)
Investments in unconsolidated real estate joint ventures	(449)	(2,539)
Additions to investments	(22,085)	(15,118)
Sales of investments	10,913	2,345
Repayment of notes receivable	—	4,214
Net cash used in investing activities	$(171,122)	$(170,052)

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

	Three Months Ended March 31, 2016	2015
Financing Activities		
Borrowings from secured notes payable	$64,922	$29,585
Repayments of borrowings from secured notes payable	(58,657)	(7,934)
Borrowings from unsecured senior line of credit	555,000	167,000
Repayments of borrowings from unsecured senior line of credit	(407,000)	(50,000)
Change in restricted cash related to financing activities	8,316	(1,369)
Payment of loan fees	(377)	(563)
Redemption of Series D cumulative convertible preferred stock	(25,618)	—
Proceeds from the issuance of common stock	25,278	—
Dividends on common stock	(56,490)	(53,295)
Dividends on preferred stock	(6,247)	(6,247)
Financing costs paid for sales of noncontrolling interests	(6,420)	—
Contributions by noncontrolling interests	—	340
Distributions to noncontrolling interests	(1,927)	(9,846)
Net cash provided by financing activities	90,780	67,671
Effect of foreign exchange rate changes on cash and cash equivalents	(341)	170
Net increase in cash and cash equivalents	21,099	4,630
Cash and cash equivalents as of the beginning of period	125,098	86,011
Cash and cash equivalents as of the end of period	$146,197	$90,641
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest, net of interest capitalized	$14,068	$15,514
Non-Cash Investing Activities		
Change in accrued construction	$29,197	$7,249
Assumption of secured notes payable in connection with purchase of real estate	$—	$(82,000)
Non-Cash Financing Activities		
Payable for purchase of noncontrolling interest	$—	$(113,967)

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

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

1. Background

As used in this quarterly report on Form 10-Q, references to the “Company,” “Alexandria,” “ARE,” “we,” “us,” and “our” refe
Alexandria Real Estate Equities, Inc., and its consolidated subsidiaries.

Alexandria Real Estate Equities, Inc. (NYSE:ARE), is an urban office REIT uniquely focused on world-class collaborative science and technology campuses in AAA innovation cluster locations with a total market capitalization of $11.1 billion and an asset base in North America of 24.5 million square feet as of March 31, 2016. The asset base in North America includes 18.9 million RSF of operating properties and development and redevelopment projects (under construction or pre-construction), as well as an additional 5.6 million square feet of future ground-up development projects. Alexandria pioneered this niche in 1994 and has since established a dominant market presence in key locations, including Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. Alexandria is known for its high-quality and diverse tenant base, with approximately 52% of total ABR as of March 31, 2016, generated from investment-grade tenants – a REIT industry-leading percentage. Alexandria has a longstanding and proven track record of developing Class A assets clustered in urban science and technology campuses that provide its innovative tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value. For additional information on Alexandria, please visit www.are.com.

Our asset base (including consolidated and unconsolidated real estate joint ventures) consisted of the following, as of March 31, 2016:

	Square Feet (unaudited)
North America:	
Operating properties	15,400,619
Projects under construction or pre-construction:	
Projects to be delivered by 4Q16	1,465,977
Projects to be delivered in 2017 and 2018	2,036,828
Development and redevelopment projects	3,502,805
Operating properties, including development and redevelopment projects	18,903,424
Future value-creation projects	5,606,435
Value-creation pipeline	9,109,240
Total - North America	24,509,859
Asia:	
Operating properties	1,200,683
Land parcels	(1)
Asia	1,200,683

(1) Aggregating 196 acres.

As of March 31, 2016:

- Investment-grade tenants represented approximately 52% of our total ABR;
- Approximately 96% of our leases (on an RSF basis) were triple net leases, requiring tenants to pay substantially all real estate taxes, insurance, utilities, common area expenses, and other operating expenses (including increases thereto) in addition to base rent;
- Approximately 95% of our leases (on an RSF basis) contained effective annual rent escalations that were either fixed (generally ranging from 3% to 3.5%) or indexed based on a consumer price index or other index; and
- Approximately 94% of our leases (on an RSF basis) provided for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement, and parking lot resurfacing) that we believe would typically be borne by the landlord in traditional office leases.

Any references to the number of buildings, square footage, number of leases, occupancy, ABR, yield on cost, and any amounts derived from these values in the notes to the consolidated financial statements are unaudited and outside the scope of our independent registered public accounting firm's review of our interim consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

2. Basis of presentation and summary of significant accounting policies

We have prepared the accompanying interim consolidated financial statements in accordance with GAAP and in conformity with the rules and regulations of the SEC. In our opinion, the interim consolidated financial statements presented herein reflect all adjustments, of a normal recurring nature, that are necessary to fairly present the interim consolidated financial statements. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2015.

Basis of presentation and consolidation

The accompanying consolidated financial statements include the accounts of Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated. Certain prior-period amounts have been reclassified to conform to current-period presentation.

Consolidation

On an ongoing basis, as circumstances indicate the need for reconsideration, we evaluate each legal entity that is not wholly owned by us, under the consolidation guidance, first under the variable interest model, then under the voting model. Our evaluation considers all of our variable interests, including equity ownership, as well as fees paid to us for our involvement in the management of each partially owned entity. The variable interest model applies to entities that meet both of the following criteria:

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

If an entity meets both criteria above, we then evaluate such entity under the variable interest model. If an entity does not meet these criteria, then we evaluate such entity under the voting model or apply other GAAP, such as the cost or equity method of accounting.

2. Basis of presentation and summary of significant accounting policies (continued)

Variable interest model

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

1) The entity does not have sufficient equity to finance its activities without additional subordinated financial support;
2) The entity is established with non-substantive voting rights (i.e., where the entity deprives the majority economic interest holder(s) of voting rights); or
3) The equity holders, as a group, lack the characteristics of a controlling financial interest. Equity holders meet this criterion if they lack any of the following:

- The power, through voting rights or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance, as evidenced by:
- Substantive participating rights in day-to-day management of the entity's activities; or
- Substantive kick-out rights over the party responsible for significant decisions
- The obligation to absorb the entity's expected losses; and
- The right to receive the entity's expected residual returns.

Once we consider the sufficiency of equity and voting rights of each legal entity, we then evaluate the characteristics of the equity holders' interests, as a group, to see if they qualify as controlling financial interests. Our real estate joint ventures consist of limited partnerships or limited liability companies. For entities structured as limited partnerships or limited liability companies, our evaluation of whether the equity holders (equity partners other than us in each of our real estate joint ventures) lack the characteristics of a controlling financial interest includes the determination of whether the limited partners or non-managing members (the noncontrolling equity holders) lack both substantive participating rights and substantive kick-out rights, defined as follows:

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

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

If an entity is determined to be a VIE, we evaluate whether we are the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and benefits. We consolidate a VIE if we have both power and benefits – that is, (i) we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance (power), and (ii) we have the obligation to absorb losses of the VIE that could potentially be significant to the VIE, or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits). We consolidate VIEs whenever we determine that we are the primary beneficiary. Refer to Note 3 – "Investments in Real Estate" for information on specific real estate joint ventures that qualify as VIEs. If we have a variable interest in a VIE but we are not the primary beneficiary, we account for our investment using the equity method of accounting.

Voting model

If a legal entity fails to meet any of the three characteristics of a VIE (insufficiency of equity, non-substantive voting rights, or lack of controlling financial interest), we then evaluate such entity under the voting model. Under the voting model, we consolidate the entity if we determine that we, directly or indirectly, have greater than 50% of the voting shares, and we determine that other equity holders do not have substantive participating rights. Refer to Note 4 – "Investments in Unconsolidated Real Estate Joint Ventures" to our unaudited consolidated financial statements under Item 1 of this report for further information on our unconsolidated real estate joint ventures that qualify for evaluation under the voting model.

Use of estimates

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

2. Basis of presentation and summary of significant accounting policies (continued)

Investments in real estate and properties classified as held for sale

We recognize real estate acquired (including the intangible value of above- or below-market leases, acquired in-place leases, tenant relationships, and other intangible assets or liabilities), liabilities assumed, and any noncontrolling interest in an acquired entity at their fair value as of the acquisition date. If there is a bargain fixed-rate renewal option for the period beyond the non-cancelable lease term of an in-place lease, we evaluate factors such as the business conditions in the industry in which the lessee operates, the economic conditions in the area in which the property is located, and the ability of the lessee to sublease the property during the renewal term, in order to determine the likelihood that the lessee will renew. When we determine there is reasonable assurance that such bargain purchase option will be exercised, we consider its impact in determining the intangible value of such lease and its related amortization period. The value of tangible assets acquired is based upon our estimation of value on an "as if vacant" basis. The value of acquired in-place leases includes the estimated costs during the hypothetical lease-up period and other costs that would have been incurred in the execution of similar leases under the market conditions at the acquisition date of the acquired in-place lease. We assess the fair value of tangible and intangible assets based on numerous factors, including estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions that may affect the property. We also recognize the fair values of assets acquired, the liabilities assumed, and any noncontrolling interest in acquisitions of less than a 100% interest when the acquisition constitutes a change in control of the acquired entity. Acquisition-related costs related to the acquisition of businesses, including real estate acquired with in-place leases, are expensed as incurred.

The values allocated to buildings and building improvements, land improvements, tenant improvements, and equipment are depreciated on a straight-line basis using the shorter of the term of the respective ground lease and up to 40 years for buildings and building improvements, an estimated life of up to 20 years for land improvements, the respective lease term for tenant improvements, and the estimated useful life for equipment. The values of acquired above- and below-market leases are amortized over the terms of the related leases and recognized as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The values of acquired above- and below-market ground leases are amortized over the terms of the related ground leases and recognized as either an increase (for below-market ground leases) or a decrease (for above-market ground leases) to rental operating expense. The values of acquired in-place leases are classified in other assets in the accompanying consolidated balance sheets and amortized over the remaining terms of the related leases.

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

A property is classified as held for sale when all of the following criteria for a plan of sale have been met:
(i) management, having the authority to approve the action, commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of

the property is probable and is expected to be completed within one year; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation of assets ceases upon designation of a property as held for sale.

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

2. Basis of presentation and summary of significant accounting policies (continued)

Impairment of long-lived assets

On a quarterly basis, we review current activities and changes in the business conditions of all of our properties prior to and subsequent to the end of each quarter to determine the existence of any triggering events requiring an impairment analysis. If triggering events are identified, we review an estimate of the future undiscounted cash flows for the properties, including a probability-weighted approach if multiple outcomes are under consideration.

Long-lived assets to be held for use, including our rental properties, CIP, land held for development, and intangibles, are individually evaluated for impairment when conditions exist that may indicate that the carrying amount of a long-lived asset may not be recoverable. The carrying amount of a long-lived asset to be held for use is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment indicators or triggering events for long-lived assets to be held for use, including our rental properties, CIP, land held for development, and intangibles are assessed by project and include significant fluctuations in estimated rental revenues less rental operating expenses, occupancy changes, significant near-term lease expirations, current and historical operating and/or cash flow losses, construction costs, estimated completion dates, rental rates, and other market factors. We assess the expected undiscounted cash flows based upon numerous factors, including, but not limited to, construction costs, available market information, current and historical operating results, known trends, current market/economic conditions that may affect the property, and our assumptions about the use of the asset, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration. Upon determination that an impairment has occurred, a write-down is recognized to reduce the carrying amount to its estimated fair value. If an impairment loss is not required to be recognized, the recognition of depreciation is adjusted prospectively, as necessary, to reduce the carrying amount of the real estate to its estimated disposition value over the remaining period that the real estate is expected to be held for use. We may adjust depreciation of properties that are expected to be disposed of or redeveloped prior to the end of their useful lives.

We use the held for sale impairment model for our properties classified as held for sale. The held for sale impairment model is different from the held for use impairment model. Under the held for sale impairment model, an impairment loss is recognized if the carrying amount of the long-lived asset classified as held for sale exceeds its fair value less cost to sell. Because of these two different models, it is possible for a long-lived asset previously classified as held for use to require the recognition of an impairment charge upon classification as held for sale. Refer to Note 14 – “Assets Classified as Held for Sale” to our unaudited consolidated financial statements under Item 1 of this report for additional information.

Investments

We hold equity investments in certain publicly traded companies and investments in certain privately held entities and limited partnerships primarily involved in the science and technology industries. All of our equity investments in actively traded public companies are considered available-for-sale and are reflected in the accompanying consolidated balance sheets at fair value. Fair value has been determined based upon the closing price as of each balance sheet date, with unrealized gains and losses shown as a separate component of comprehensive income. The classification of each investment is determined at the time each investment is made, and such determination is reevaluated at each balance sheet date. The cost of each investment sold is determined by the specific identification method, with realized gains or losses classified in other income in the accompanying consolidated statements of income. Investments in privately held entities are generally accounted for under the cost method when our interest in the entity is so minor that we have virtually no influence over the entity’s operating and financial policies. Certain investments in privately held entities require accounting under the equity method unless our interest in the entity is deemed to be so minor that we have virtually no influence over the entity’s operating and financial policies. Under the equity method of accounting, we recognize our investment initially at cost and adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee subsequent to the date of our investment. Additionally, we limit our ownership percentage in the voting stock of each individual entity to less than 10%. As of March 31, 2016, and December 31, 2015, our ownership percentage in the voting stock of each individual entity was less than 10%.

We monitor each of our investments throughout the year for new developments, including operating results, results of clinical trials, capital-raising events, and merger and acquisition activities. Individual investments are evaluated for impairment when changes in conditions may indicate an impairment exists. The factors that we consider in making these assessments include, but are not limited to, market prices, market conditions, available financing, prospects for favorable or unfavorable clinical trial results, new product initiatives, and new collaborative agreements. If there are no identified events or changes in circumstances that might have an adverse effect on our cost method investments, we do not estimate the investment's fair value. For all of our investments, if a decline in the fair value of an investment below the carrying value is determined to be other than temporary, such investment is written down to its estimated fair value with a charge to current earnings.

2. Basis of presentation and summary of significant accounting policies (continued)

Recognition of rental income and tenant recoveries

Rental income from leases is recognized on a straight-line basis over the respective lease terms. We classify amounts currently recognized as income, and expected to be received in later years as deferred rent in the accompanying consolidated balance sheets. Amounts received currently but recognized as income in future years are classified in accounts payable, accrued expenses, and tenant security deposits in the accompanying consolidated balance sheets. We commence recognition of rental income at the date the property is ready for its intended use and the tenant takes possession or controls the physical use of the property.

Tenant recoveries related to reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses are recognized as revenue in the period during which the applicable expenses are incurred.

Tenant receivables consist primarily of amounts due for contractual lease payments, reimbursements of common area maintenance expenses, property taxes, and other expenses recoverable from tenants. Tenant receivables are expected to be collected within one year. We may maintain an allowance for estimated losses that may result from the inability of our tenants to make payments required under the terms of the lease and for tenant recoveries due. If a tenant fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the amount of uncollectible tenant receivables and deferred rent arising from the straight-lining of rent. As of March 31, 2016, and December 31, 2015, we had no allowance for uncollectible tenant receivables and deferred rent.

Monitoring tenant credit quality

During the term of each lease, we monitor the credit quality of our tenants by (i) monitoring the credit rating of tenants that are rated by a nationally recognized credit rating agency, (ii) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to us pursuant to the applicable lease, (iii) monitoring news reports regarding our tenants and their respective businesses, and (iv) monitoring the timeliness of lease payments. We have a team of employees who, among them, have graduate and undergraduate degrees in biology, chemistry, and industrial biotechnology and experience in the science and technology industries, as well as in finance. Our research team is responsible for assessing and monitoring the credit quality of our tenants and any material changes in their credit quality.

Income taxes

We are organized and qualify as a REIT pursuant to the Internal Revenue Code (the “Code”). Under the Code, a REIT that distributes at least 90% of its REIT taxable income to its shareholders annually and meets certain other conditions is not subject to federal income taxes but could be subject to certain state and local taxes. We distribute 100% of our taxable income annually; therefore, a provision for federal income taxes is not required. In addition to our REIT returns, we file federal, state, and local tax returns for our subsidiaries. We file with jurisdictions located in the U.S., Canada, India, China, and other international locations. Our tax returns are subject to routine examination in various jurisdictions for 2010-2014 calendar years.

Other income

The following is a summary of other income in the accompanying consolidated statements of income for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Management fee income	$253	$554
Interest and other income	854	485
Investment income	4,109	3,712
Total other income	$5,216	$4,751

2. Basis of presentation and summary of significant accounting policies (continued)

Recent accounting pronouncements

On January 1, 2016, we adopted an ASU that requires debt issuance costs, excluding debt issuance costs associated with a line of credit, to be classified in our consolidated balance sheet as a direct deduction from the face amount of the related debt. We were required to apply this ASU retrospectively to all prior periods. As a result of adopting the ASU, unamortized deferred financing costs aggregating $30.1 million as of January 1, 2016, were classified with the corresponding debt instrument appearing on our consolidated balance sheet, and deferred financing costs related to our unsecured senior line of credit, aggregating $11.9 million as of January 1, 2016, were classified in other assets. The ASU was applied retrospectively to all prior periods presented in the financial statements. The adoption of this ASU has no impact on our consolidated statement of income.

In January 2016, the FASB issued an ASU that amended the accounting for equity investments and the presentation and disclosure requirements for financial instruments. The ASU requires equity investments that have a readily determinable fair value (except those accounted for under the equity method of accounting or that result in consolidation) to be measured at fair value with the changes in fair value recognized in earnings. Available-for-sale equity securities that under current GAAP require the recognition of unrealized gains and losses in other comprehensive income will no longer be permitted. An election will be available to measure equity investments without a readily determinable fair value at cost less impairments, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the carrying value from this measurement will also be reported in current earnings. A cumulative-effect adjustment will be recorded to the beginning balance of retained earnings in the reporting period in which the guidance is adopted. The update is effective for fiscal years beginning after December 15, 2017. As of March 31, 2016, we had $63.2 million of net unrealized gains related to our available-for-sale equity investments in publicly traded companies included in accumulated other comprehensive loss on our consolidated statements of comprehensive income.

In February 2016, the FASB issued an ASU that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The ASU is expected to impact our consolidated financial statements as we have certain operating ground lease arrangements for which we are the lessee. As of March 31, 2016, the remaining contractual payments under our ground lease agreements aggregated $611.4 million. The ASU supersedes previous leasing standards. The ASU is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the potential impact that the adoption of the ASU will have on our consolidated financial statements.

In March 2016, the FASB issued an ASU, which further clarifies an ASU on revenue from contracts with customers issued in 2014 that outlined revenue recognition for revenue arising from contracts with customers. The core principle is that entities will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in such exchange. Leases are specifically excluded from the ASU on revenue from contracts with customers and will be governed by the applicable lease codification; however, this update may have implications in certain variable payment terms included in lease agreements and in sale and leaseback transactions. The ASUs are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017. We are currently assessing the potential impact the adoption of these ASUs will have on our consolidated financial statements.

3. Investments in real estate

Our consolidated investments in real estate consisted of the following as of March 31, 2016, and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
North America:		
Land (related to rental properties)	$661,881	$677,649
Buildings and building improvements	6,608,884	6,644,634
Other improvements	288,961	260,605
Rental properties – North America	7,559,726	7,582,888
Development and redevelopment projects (under construction or pre-construction)	1,106,138	917,706
Future value-creation projects – North America	234,142	206,939
Value-creation pipeline – North America	1,340,280	1,124,645
Gross investments in real estate – North America	8,900,006	8,707,533
Gross investments in real estate – Asia	218,052	237,728
Gross investments in real estate	9,118,058	8,945,261
Less: accumulated depreciation	(1,376,592)	(1,315,339)
Investments in real estate	$7,741,466	$7,629,922

Refer to the section titled “Assets Located in Asia” in Note 14 – “Assets Classified as Held for Sale” to our unaudited consolidated financial statements under Item 1 of this report.

Investments in consolidated real estate joint ventures

We own partial interests in the following Class A properties: (i) 30% interest in 225 Binney Street in our Cambridge submarket, (ii) 50.1% interest in 1500 Owens Street in our Mission Bay/SoMa submarket, and (iii) 60% interest in 409/499 Illinois Street in our Mission Bay/SoMa submarket. In each case, our joint venture partner, a high-quality institutional investor, is a non-managing member that owns the remaining interest of each legal entity that wholly owns each respective property. Under each of these real estate joint venture arrangements, we are the managing member and earn a management fee for continuing to manage the day-to-day operations of each property.

Based on the analysis detailed in Note 2 – “Basis of Presentation and Summary of Significant Accounting Policies,” the institutional investor, as the non-managing member of these joint ventures, lacks the characteristics of a controlling financial interest in each of the joint ventures, including 225 Binney Street, because it does not have substantive kick-out rights or substantive participating rights. Therefore, the joint ventures meet the criteria to be considered VIEs and, therefore, are evaluated for consolidation under the VIE model.

After determining these joint ventures are VIEs, we determined that we are the primary beneficiary of each real estate joint venture, as, in our capacity as managing member, we have the power to make decisions that most significantly impact operations and economic performance of the joint ventures. In addition, through our investment in each joint venture, we have the right to receive benefits and participate in losses that can be significant to the VIEs. Since we are the primary beneficiary of each joint venture, we consolidate each entity.

3. Investments in real estate (continued)

The following table summarizes the balance sheet information of our consolidated VIEs as of March 31, 2016 (in thousands):

	March 31, 2016		
	Consolidated Real Estate Joint Ventures at 100%		
	225 Binney Street	1500 Owens Street	409/499 Illinois Street
Investments in real estate	$162,484	$82,121	$360,224
Cash and cash equivalents	4,956	3,077	9,234
Other assets	6,968	6,376	23,820
Total assets	$174,408	$91,574	$393,278
Secured notes payable	$—	$—	$—
Other liabilities	3,872	11,288	29,311
Total liabilities	3,872	11,288	29,311
Alexandria Real Estate Equities, Inc.'s share of equity	51,161	40,223	218,380
Noncontrolling interests share of equity	119,375	40,063	145,587
Total liabilities and equity	$174,408	$91,574	$393,278

There are no creditors or other partners of our consolidated VIEs who have recourse to our general credit. Our maximum exposure to all our VIEs is limited to our variable interests in each VIE.

Development and redevelopment projects under construction

As of March 31, 2016, we had 11 ground-up development projects, including two unconsolidated real estate joint venture development projects, and four redevelopment projects under construction in North America. The projects at completion will aggregate 4.2 million RSF, of which 721,349 RSF has been completed and was in service as of March 31, 2016.

Future value-creation projects

Future value-creation projects represent land held for future development or land undergoing predevelopment activities. If land is undergoing predevelopment activities prior to commencement of construction of aboveground building improvements, we capitalize project costs, including interest, property taxes, insurance, and other costs directly related and essential to the development or construction of a project, during periods when activities necessary to prepare an asset for its intended use are in progress. For all other land (that we plan to develop in the future, but for which, as of each period presented, no construction or predevelopment activities were ongoing), interest, property taxes, insurance, and other costs are expensed as incurred. As of March 31, 2016, we had $234.1 million of future value-creation projects supporting an aggregate of 5.6 million square feet of ground-up development in North America.

4. Investments in unconsolidated real estate joint ventures

360 Longwood Avenue

We are currently developing a building aggregating 413,799 RSF in our Longwood Medical Area submarket of the Greater Boston market. The cost at completion for this real estate project is expected to be approximately $350 million. As of March 31, 2016, we had 262,367 RSF, or 63% of the project, leased and in service. The real estate joint venture has a non-recourse, secured construction loan with commitments aggregating $213.2 million, of which $180.4 million was outstanding as of March 31, 2016. The amount of $180.0 million classified as secured note payable as of March 31, 2016, consist of $180.4 million of face value of the secured note payable net of $470 thousand of unamortized deferred financing costs. The remaining cost to complete the development is expected to be funded primarily from the remaining commitments of $32.8 million under the secured construction loan. The secured construction loan bears interest at a fixed rate of 5.25% for approximately $175.2 million of the total aggregate commitments, and bears interest at a floating interest rate of LIBOR+3.75%, with a floor of 5.25%, for approximately $38.0 million of the total aggregate commitments. The maturity date of the loan is April 1, 2017, with two, one-year options to extend the stated maturity date to April 1, 2019, subject to certain conditions. We have a 27.5% effective interest in this real estate joint venture. Our equity investment in this real estate joint venture was $50.1 million as of March 31, 2016.

1455/1515 Third Street

We have a real estate joint venture with Uber Technologies, Inc. (“Uber”), for the development of two buildings aggregating 422,980 RSF at 1455/1515 Third Street in our Mission Bay/SoMa submarket of the San Francisco market. We have a 51% interest, and Uber has a 49% interest, in this real estate joint venture. The project is 100% leased to Uber for a 15-year term. Our equity investment in the real estate joint venture aggregated $77.0 million as of March 31, 2016.

As described in Note 2 – “Basis of Presentation and Summary of Significant Accounting Policies,” we evaluate each of our unconsolidated real estate joint ventures, which are limited liability companies, using the consolidation guidance under the variable interest model first, and then under the voting model if the entity is not a VIE. We evaluated our 360 Longwood Avenue joint venture (27.5% interest held by the Company) and our 1455/1515 Third Street joint venture (51% interest held by the Company) under the variable interest model, based upon the following characteristics of a VIE:

1) The entity does not have sufficient equity to finance its activities without additional subordinated financial support.

- 360 Longwood Avenue – This entity has significant equity and non-recourse financing in place to fund the remainder of the development.
- 1455/1515 Third Street – This entity has significant equity, and non-recourse financing is available to fund the remainder of the development.

2) The entity is established with non-substantive voting rights.

- 360 Longwood Avenue – Our 27.5% economic interest in 360 Longwood Avenue consists of an interest in a real estate joint venture with a development partner. The joint venture with our development partner holds an interest in the property with an institutional investor. Our development partner is responsible for day-to-day management of construction and development activities, and we are responsible for day-to-day administrative operations of components of the property once they are placed into service following development completion. At the property level, all major decisions (including the development plan, annual budget, leasing plan, and financing plan) require approval of all three investors. Although voting rights within the structure are disproportionate to the members’ economic interests, the activities of the ventures are conducted on behalf of all members, and therefore, the voting rights, while disproportionate, are substantive.

- 1455/1515 Third Street – We hold a 51% economic interest in this real estate joint venture, and our joint venture partner holds a 49% economic interest. However, both members are required to approve major decisions, resulting in equal voting rights. Although voting rights within the structure are disproportionate to the members’ economic interests, the activities of the ventures are conducted on behalf of both members, and therefore, the voting rights, while disproportionate, are substantive.

4. Investments in unconsolidated real estate joint ventures (continued)

3) The equity holders, as a group, lack the characteristics of a controlling financial interest, as evidenced by lack of substantive kick-out rights or substantive participating rights.

- 360 Longwood Avenue – The other members have significant participating rights, including day-to-day management of development activities and participation in decisions related to the operations of the property.
- 1455/1515 Third Street – Our joint venture partner has significant participating rights, including joint decision making for the design of the project, overall development costs, future potential financing and operating activities of the joint venture, and disposal of the assets held by the joint venture.

Since the joint ventures do not meet the VIE criteria, we determined that these entities do not qualify for evaluation under the VIE model. Therefore, we evaluate each of these joint ventures under the voting model. Under the voting model, we consolidate the entity if we determine that we, directly or indirectly, have greater than 50% of the voting shares, and we determine that noncontrolling equity holders do not have substantive participating rights.

For our 360 Longwood Avenue joint venture, our interest is limited to 27.5%, and since we do not have other contractual rights, we account for this joint venture under the equity method of accounting.

For our 1455/1515 Third Street joint venture, both members have substantive participating rights, and therefore, we also account for this joint venture under the equity method of accounting.

5. Investments

We hold equity investments in certain publicly traded companies and investments in certain privately held entities and limited partnerships primarily involved in the science and technology industries. All of our equity investments in actively traded public companies are considered available-for-sale and are reflected in the accompanying consolidated balance sheets at fair value. Our investments in privately held entities are primarily accounted for under the cost method.

Investments in available-for-sale equity securities with gross unrealized losses as of March 31, 2016, had been in a continuous unrealized loss position for less than 12 months. We have the ability and intent to hold these investments for a reasonable period of time sufficient for the recovery of our investment. We believe that these unrealized losses are temporary. Accordingly, there are no other-than-temporary impairments in accumulated other comprehensive income related to available-for-sale equity securities as of March 31, 2016, or December 31, 2015.

The following table summarizes our investments as of March 31, 2016, and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Available-for-sale equity securities, cost basis	$22,237	$20,022
Unrealized gains	65,069	118,392
Unrealized losses	(1,919)	(793)
Available-for-sale equity securities, at fair value	85,387	137,621
Investments accounted for under cost method	230,776	215,844
Total investments	$316,163	$353,465

The following table outlines our investment income, which is classified in other income in the accompanying consolidated statements of income (in thousands):

	Three Months Ended March 31,	
	2016	2015
Investment gains	$5,891	$5,937
Investment losses	(1,782)	(2,225)
Investment income	$4,109	$3,712

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6. Other assets

The following table summarizes the components of other assets as of March 31, 2016, and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Acquired below-market ground leases	$13,085	$13,142
Acquired in-place leases	26,860	27,997
Deferred compensation plan	8,547	8,489
Deferred financing costs – unsecured senior line of credit	10,916	11,909
Deposits	8,570	3,713
Furniture, fixtures, and equipment, net	14,185	13,682
Interest rate swap assets	25	596
Notes receivable	16,672	16,630
Prepaid expenses	10,305	17,651
Other assets	20,950	19,503
Total	$130,115	$133,312

7. Fair value measurements

We are required to disclose fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. We measure and disclose the estimated fair value of financial assets and liabilities utilizing a fair value hierarchy that distinguishes between data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels, as follows: (i) quoted prices in active markets for identical assets or liabilities, (ii) significant other observable inputs, and (iii) significant unobservable inputs. Significant other observable inputs can include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Significant unobservable inputs are typically based on an entity's own assumptions, since there is little, if any, related market activity. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers between the levels in the fair value hierarchy during the three months ended March 31, 2016 and 2015.

The following tables set forth the assets and liabilities that we measure at fair value on a recurring basis by level within the fair value hierarchy as of March 31, 2016, and December 31, 2015 (in thousands):

		March 31, 2016		
Description	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Available-for-sale equity securities	$85,387	$85,387	$ —	$ —
Interest rate swap agreements	$25	$—	$ 25	$ —
Liabilities:				

Interest rate swap agreements	$10,546	$—	$ 10,546	$ —

7. Fair value measurements (continued)

		December 31, 2015		
Description	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:				
Available-for-sale equity securities	$137,621	$137,621	$ —	$ —
Interest rate swap agreements	$596	$—	$ 596	$ —
Liabilities:				
Interest rate swap agreements	$4,314	$—	$ 4,314	$ —

The carrying values of cash and cash equivalents, restricted cash, tenant receivables, other assets, accounts payable, accrued expenses, and tenant security deposits approximate fair value. Our available-for-sale equity securities and our interest rate swap agreements have been recognized at fair value. Refer to Note 5 – "Investments" and Note 9 – "Interest Rate Swap Agreements" in our unaudited consolidated financial statements under Item 1 of this report for further details. The fair values of our secured notes payable, unsecured senior notes payable, unsecured senior line of credit, and unsecured senior bank term loans were estimated using widely accepted valuation techniques, including discounted cash flow analyses of significant other observable inputs such as available market information on discount and borrowing rates with similar terms, maturities, and credit ratings. Because the valuations of our financial instruments are based on these types of estimates, the actual fair value of our financial instruments may differ materially if our estimates do not prove to be accurate. Additionally, the use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

As of March 31, 2016, and December 31, 2015, the book and estimated fair values of our available-for-sale equity securities, interest rate swap agreements, secured notes payable, unsecured senior notes payable, unsecured senior line of credit, and unsecured senior bank term loans were as follows (in thousands):

	March 31, 2016		December 31, 2015	
	Book Value	Fair Value	Book Value	Fair Value
Assets:				
Available-for-sale equity securities	$85,387	$85,387	$137,621	$137,621
Interest rate swap agreements	$25	$25	$596	$596
Liabilities:				
Interest rate swap agreements	$10,546	$10,546	$4,314	$4,314
Secured notes payable	$816,578	$846,915	$809,818	$832,342
Unsecured senior notes payable	$2,031,284	$2,113,185	$2,030,631	$2,059,855
Unsecured senior line of credit	$299,000	$300,428	$151,000	$151,450
Unsecured senior bank term loans	$944,637	$957,490	$944,243	$951,098

Nonrecurring fair value measurements

Refer to the section titled "Assets Located in Asia" in Note 14 – "Assets Classified as Held for Sale" to our unaudited consolidated financial statements under Item 1 of this report.

8. Secured and unsecured senior debt

The following table summarizes our secured and unsecured senior debt as of March 31, 2016 (dollars in thousands):

	Fixed-Rate/Hedged Variable Rate	Unhedged Variable Rate	Total Consolidated (1)	Percentage	Weighted-Average Interest Rate (2)	Weighted-Average Remaining Term (in years)
Secured notes payable	$ 359,935	$ 456,643	$ 816,578	20.0 %	3.90 %	2.6
Unsecured senior notes payable	2,031,284	—	2,031,284	49.6	4.14	7.5
$1.5 billion unsecured senior line of credit	150,000	149,000	299,000	7.3	1.77	2.8
2019 Unsecured Senior Bank Term Loan	597,035	—	597,035	14.6	1.88	2.8
2021 Unsecured Senior Bank Term Loan	347,602	—	347,602	8.5	1.74	4.8
Total/weighted average	$ 3,485,856	$ 605,643	$ 4,091,499	100.0 %	3.39 %	5.2
Percentage of total debt	85%	15%	100%			

(1) In accordance with the ASU adopted in January 2016 as discussed in Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies."

(2) Represents the weighted-average interest rate as of the end of the period plus the impact of debt premiums/discounts, interest rate swap agreements, and deferred financing costs.

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8. Secured and unsecured senior debt (continued)

The following table summarizes our outstanding indebtedness and respective principal payments as of March 31, 2016 (dollars in thousands):

Debt	Stated Rate	Weighted-Average Interest Rate[1]	Maturity Date [2]	Principal Payments Remaining for the Periods Ending December 31, 2016	2017	2018	2019	2020	Thereafter	Principal
Secured notes payable										
San Francisco	6.35 %	6.64 %	(3)	$126,020	$—	$—	$—	$—	$—	$126,020
San Francisco	L+1.50	2.83	(3)	47,821	—	—	—	—	—	47,821
Maryland	2.44	2.91	1/20/17	—	76,000	—	—	—	—	76,000
Greater Boston	L+1.35	2.00	8/23/17 [4]	—	188,120	—	—	—	—	188,120
Greater Boston	L+1.50	1.85	1/28/19 [5]	—	—	—	150,162	—	—	150,162
San Diego, Seattle, and Maryland	7.75	8.07	4/1/20	1,285	1,832	1,979	2,138	104,352	—	111,586
San Diego	4.66	4.92	1/1/23	1,103	1,540	1,614	1,692	1,770	29,904	37,623
Greater Boston	3.93	3.18	3/10/23	—	—	1,091	1,505	1,566	77,838	82,000
San Francisco	6.50	6.64	7/1/36	19	20	22	23	25	703	812
Weighted-average interest rate/subtotal	3.83 %	3.90		176,248	267,512	4,706	155,520	107,713	108,445	820,144
$1.5 billion unsecured senior line of credit	L+1.10 % [6]	1.77	1/3/19	—	—	—	299,000	—	—	299,000
2019 Unsecured Senior Bank Term Loan	L+1.20 %	1.88	1/3/19	—	—	—	600,000	—	—	600,000
2021 Unsecured Senior Bank Term Loan	L+1.10 %	1.74	1/15/21	—	—	—	—	—	350,000	350,000
Unsecured senior notes payable	2.75 %	2.95	1/15/20	—	—	—	—	400,000	—	400,000
Unsecured senior notes payable	4.60 %	4.72	4/1/22	—	—	—	—	—	550,000	550,000
Unsecured senior notes payable	3.90 %	4.02	6/15/23	—	—	—	—	—	500,000	500,000
Unsecured senior notes payable	4.30 %	4.46	1/15/26	—	—	—	—	—	300,000	300,000
Unsecured senior notes payable	4.50 %	4.58	7/30/29	—	—	—	—	—	300,000	300,000
Unsecured debt weighted average/subtotal		3.26		—	—	—	899,000	400,000	2,000,000	3,299,000
		3.39 %		$176,248	$267,512	$4,706	$1,054,520	$507,713	$2,108,445	$4,119,14

Weighted-average interest rate/total							
Balloon payments	$173,135	$264,120	$—	$1,049,162	$503,979	$2,100,487	$4,090,88
Principal amortization	3,113	3,392	4,706	5,358	3,734	7,958	28,261
Total debt	$176,248	$267,512	$4,706	$1,054,520	$507,713	$2,108,445	$4,119,14
Fixed-rate/hedged variable-rate debt	$128,427	$3,392	$4,706	$755,358	$507,713	$2,108,445	$3,508,04
Unhedged variable-rate debt	47,821	264,120	—	299,162	—	—	611,103
Total debt	$176,248	$267,512	$4,706	$1,054,520	$507,713	$2,108,445	$4,119,14

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

(2) Reflects any extension options that we control.

(3) In April 2016, we repaid the $47.8 million secured note payable with an effective interest rate of 2.83%. In May 2016, we repaid the $126.0 million secured note payable with an effective interest rate of 6.64%.

(4) We have a one-year option to extend the stated maturity date to August 23, 2018, subject to certain conditions.

(5) We have two, one-year options to extend the stated maturity date to January 28, 2021, subject to certain conditions.

(6) Our unsecured senior line of credit contains a feature that allows lenders to competitively bid on the interest rate for borrowings under the facility. This may result in an interest rate that is below the stated rate of LIBOR+1.10%. In addition to the cost of borrowing, the facility is subject to an annual facility fee of 0.20%, based on the aggregate commitments. Unamortized deferred financing costs related to our unsecured senior line of credit are classified in other assets and are excluded from the calculation of the weighted-average interest rate. Refer to the ASU adopted in January 2016 as described in Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies."

8. Secured and unsecured senior debt (continued)

Interest expense

The following table summarizes interest expense for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Gross interest	$36,954	$34,207
Capitalized interest	(12,099)	(10,971)
Interest expense	$24,855	$23,236

Repayment of secured notes payable

During the three months ended March 31, 2016, we repaid three secured notes payable aggregating $57.2 million with a weighted-average effective interest rate of 4.36%.

In April 2016, we repaid a $47.8 million secured note payable with a an effective interest rate of 2.83%.

In May 2016, we repaid a $126.0 million secured note payable with an effective interest rate of 6.64%.

Secured construction loans

The following table summarizes our secured construction loans as of March 31, 2016 (dollars in thousands):

Market	Stated Rate	Maturity Date	Outstanding Balance	Remaining Commitments	Total Aggregate Commitments
259 East Grand Avenue/San Francisco	L+1.50%	(1)	$ 47,821	$ 7,179	$ 55,000
75/125 Binney Street/Greater Boston	L+1.35%	8/23/17 (2)	188,120	62,280	250,400
50/60 Binney Street/Greater Boston	L+1.50%	1/28/19 (3)	150,162	199,838	350,000
			$ 386,103	$ 269,297	$ 655,400

(1) In April 2016, we repaid this secured note payable with an effective interest rate of 2.83%.
(2) We have a one-year option to extend the stated maturity date to August 23, 2018, subject to certain conditions.
(3) We have two, one-year options to extend the stated maturity date to January 28, 2021, subject to certain conditions.

During April 2016, we executed the following secured construction loan for our development project at 100 Binney Street, located in our Cambridge submarket (dollars in thousands):

Market	Stated Rate	Maturity Date	Outstanding Balance	Remaining Commitments	Total Aggregate Commitments
100 Binney Street/Greater Boston	L+2.00%	4/20/19 (1)	$ —	$ 304,281	$ 304,281

(1) We have two, one-year options to extend the stated maturity date to April 20, 2021, subject to certain conditions.

9. Interest rate swap agreements

We use interest rate swap agreements to hedge the variable cash flows associated with certain of our existing LIBOR-based variable-rate debt, including our unsecured senior line of credit, unsecured senior bank term loans, and secured notes payable. The ineffective portion of the change in fair value of our interest rate swap agreements is required to be recognized directly in earnings. During the three months ended March 31, 2016 and 2015, our interest rate swap agreements were 100% effective; as a result, no hedge ineffectiveness was recognized in earnings. Changes in fair value, including accrued interest and adjustments for non-performance risk, on the effective portion of our interest rate swap agreements that are designated and that qualify as cash flow hedges are classified in accumulated other comprehensive income (loss). Amounts classified in accumulated other comprehensive income (loss) are subsequently reclassified into earnings in the period during which the hedged transactions affect earnings. During the next 12 months, we expect to reclassify approximately $5.8 million in accumulated other comprehensive income (loss) to earnings as an increase to interest expense. As of March 31, 2016, and December 31, 2015, the fair values of our interest rate swap agreements aggregating an asset balance were classified in other assets, and those aggregating a liability balance were classified in accounts payable, accrued expenses, and tenant security deposits, based upon their respective fair values, without any offsetting pursuant to master netting agreements. Refer to Note 7 – "Fair Value Measurements" to our unaudited consolidated financial statements under Item 1 of this report. Under our interest rate swap agreements, we have no collateral posting requirements.

The Company has agreements with certain of its derivative counterparties that contain a provision wherein (i) the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness; or (ii) if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. If the Company had breached any of these provisions as of March 31, 2016, it could have been required to settle its obligations under the agreements at their termination value of $10.6 million.

We had the following outstanding interest rate swap agreements that were designated as cash flow hedges of interest rate risk as of March 31, 2016 (dollars in thousands):

Effective Date	Maturity Date	Number of Contracts	Weighted-Average Interest Pay Rate(1)	Fair Value as of 3/31/16	Notional Amount in Effect as of 3/31/16	12/31/16	12/31/17	12/31/18
September 1, 2015	March 31, 2017	2	0.57%	$ (5)	$100,000	$100,000	$—	$—
March 31, 2016	March 31, 2017	11	1.15%	(5,830)	1,000,000	1,000,000	—	—
March 31, 2017	March 31, 2018	15	1.31%	(4,636)	—	—	900,000	—
March 29, 2018	March 31, 2019	4	1.06%	(50)	—	—	—	250,000
Total				$ (10,521) (2)	$1,100,000	$1,100,000	$900,000	$250,000

(1) In addition to the interest pay rate for each swap agreement, interest is payable at an applicable margin for borrowings outstanding as of March 31, 2016. Borrowings under our 2019 unsecured senior bank term loan ("2019 Unsecured Senior Bank Term Loan") include an applicable margin of 1.20%, and borrowings outstanding under our unsecured senior line of credit and 2021 Unsecured Senior Bank Term Loan include an applicable margin of 1.10%.

(2) This total represents the net of the fair value of interest rate swap agreements in liability position of $10.5 million and fair value of interest rate swap agreements in asset position of $25 thousand. Refer to Note 7 – "Fair Value Measurements" to our unaudited consolidated financial statements under Item 1 of this report.

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10. Accounts payable, accrued expenses, and tenant security deposits

The following table summarizes the components of accounts payable, accrued expenses, and tenant security deposits as of March 31, 2016, and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Accounts payable and accrued expenses	$266,266	$239,838
Acquired below-market leases	24,986	26,018
Conditional asset retirement obligations	5,727	5,777
Deferred rent liabilities	26,261	27,664
Interest rate swap liabilities	10,546	4,314
Unearned rent and tenant security deposits	213,072	211,605
Other liabilities[(1)]	81,609	74,140
Total	$628,467	$589,356

(1) The balance as of March 31, 2016 includes a $54.0 million liability related to the second installment paid on April 1, 2016, for our acquisition of the remaining noncontrolling interest in our 1.2 million RSF campus at Alexandria Technology Square® in our Cambridge submarket. Refer to Note 15 – "Subsequent Events" to our unaudited consolidated financial statements under Item 1 of this report for additional information.

Some of our properties may contain asbestos, which, under certain conditions, requires remediation. Although we believe that the asbestos is appropriately contained in accordance with environmental regulations, our practice is to remediate the asbestos upon the development or redevelopment of the affected property. We recognize a liability for the fair value of a conditional asset retirement obligation (including asbestos) when the fair value of the liability can be reasonably estimated. In addition, for certain properties, we have not recognized an asset retirement obligation when there is an indeterminate settlement date for the obligation because the period in which we may remediate the obligation may not be estimated with any level of precision to provide for a meaningful estimate of the retirement obligation. These conditional asset retirement obligations are included in the table above.

11. Earnings per share

We use income from continuing operations attributable to Alexandria's common stockholders as the "control number" in determining whether potential common shares are dilutive or antidilutive to EPS. Pursuant to the presentation and disclosure literature on gains or losses on sales or disposals by REITs and EPS required by the SEC and the FASB, gains or losses on sales or disposals by a REIT that do not qualify as discontinued operations are classified below income from discontinued operations in the consolidated statements of income and included in the numerator for the computation of EPS for income from continuing operations.

We account for unvested restricted stock awards that contain nonforfeitable rights to dividends as participating securities and include these securities in the computation of EPS using the two-class method. Our 7% Series D cumulative convertible preferred stock ("Series D Convertible Preferred Stock") is not a participating security, and is not included in the computation of EPS using the two-class method. Under the two-class method, we allocate net income after preferred stock dividends, preferred stock redemption charge, and amounts attributable to noncontrolling interests to common stockholders and unvested restricted stock awards based on their respective participation rights to dividends declared (or accumulated) and undistributed earnings. Diluted EPS is computed using the weighted-average shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities outstanding during the period. We had no dilutive securities outstanding during the three months ended

March 31, 2016 and 2015.

11. Earnings per share (continued)

The table below is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three months ended March 31, 2016 and 2015 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2016	2015
Income from continuing operations	$9,966	$25,051
Net income attributable to noncontrolling interests	(4,030)	(492)
Net income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	5,936	24,559
Dividends on preferred stock	(5,907)	(6,247)
Preferred stock redemption charge	(3,046)	—
Net income attributable to unvested restricted stock awards	(801)	(483)
(Loss) income from continuing operations attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic and diluted	(3,818)	17,829
Loss from discontinued operations	—	(43)
Net (loss) income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic and diluted	$(3,818)	$17,786
Weighted-average shares of common stock outstanding – basic and diluted	72,584	71,366
EPS attributable to Alexandria Real Estate Equities, Inc.'s common stockholders – basic and diluted:		
Continuing operations	$(0.05)	$0.25
Discontinued operations	—	—
EPS – basic and diluted	$(0.05)	$0.25

For purposes of calculating diluted EPS, we did not assume conversion of our Series D Convertible Preferred Stock for the three months ended March 31, 2016 and 2015, since the impact was antidilutive to EPS attributable to Alexandria Real Estate Equities, Inc.'s common stockholders from continuing operations during those periods. Refer to "7.00% Series D Convertible Preferred Stock redemption" in Note 12 – "Stockholders' Equity" for further discussion of the partial redemption of our Series D Convertible Preferred Stock.

12. Stockholders' equity

"At the market" common stock offering program

In December 2015, we established an "at the market" common stock offering program, under which we may sell, from time to time, up to an aggregate of $450.0 million of our common stock through our various sales agents during a three-year period. During the three months ended March 31, 2016, we sold an aggregate of 293,235 shares of common stock for gross proceeds of $25.9 million, or $88.44 per share, and net proceeds of approximately $25.3 million, including commissions and other expenses of approximately $0.6 million. We used the proceeds from the sales to reduce amounts outstanding under our unsecured senior line of credit. As of March 31, 2016, the remaining amount available under our current program through the future stock sales was approximately $349.1 million.

7.00% Series D Convertible Preferred Stock redemption

During the three months ended March 31, 2016, we repurchased 931,934 outstanding shares of our Series D Convertible Preferred Stock at an aggregate price of $25.6 million, or $27.49 per share. We recognized a preferred stock redemption charge of $3.0 million during the three months ended March 31, 2016, including the write-off of original issuance costs of approximately $727 thousand.

Dividends

In March 2016, we declared cash dividends on our common stock for the first quarter of 2016, aggregating $59.1 million, or $0.80 per share. Also in March 2016, we declared cash dividends on our Series D Convertible Preferred Stock for the first quarter of 2016, aggregating approximately $3.8 million, or $0.4375 per share. Additionally, we declared cash dividends on our Series E cumulative redeemable preferred stock ("Series E Preferred Stock") for the first quarter of 2016, aggregating approximately $2.1 million, or $0.403125 per share. In April 2016, we paid the cash dividends on our common stock, Series D Convertible Preferred Stock, and Series E Preferred Stock for the first quarter of 2016.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) attributable to Alexandria consists of the following (in thousands):

	Net Unrealized Gain on Available-for-Sale Equity Securities	Net Unrealized Loss on Interest Rate Swap Agreements	Net Unrealized Loss on Foreign Currency Translation	Total
Balance as of December 31, 2015	$ 117,599	$ (3,718)	$ (64,690)	$49,191
Other comprehensive (loss) income before reclassifications	(47,423)	(6,961)	3,528	(50,856)
Amounts reclassified from other comprehensive (income) loss	(7,026)	158	—	(6,868)
	(54,449)	(6,803)	3,528	(57,724)
Amounts attributable to noncontrolling interest	—	—	—	—
Net other comprehensive (loss) income	(54,449)	(6,803)	3,528	(57,724)
Balance as of March 31, 2016	$ 63,150	$ (10,521)	$ (61,162)	$(8,533)

Preferred stock and excess stock authorizations

Our charter authorizes the issuance of up to 100.0 million shares of preferred stock, of which 13.8 million shares were issued and outstanding as of March 31, 2016. In addition, 200.0 million shares of “excess stock” (as defined in our charter) are authorized, none of which were issued and outstanding as of March 31, 2016.

13. Noncontrolling interests

Noncontrolling interests represent the third-party interests in certain entities in which we have a controlling interest. These entities owned eight projects as of March 31, 2016, and are included in our consolidated financial statements. Noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. Distributions, profits, and losses related to these entities are allocated in accordance with the respective operating agreements.

During the three months ended March 31, 2015, we executed an agreement to purchase the outstanding 10% noncontrolling interest in our 1.2 million RSF campus at Alexandria Technology Square® in our Cambridge submarket for $108.3 million. The first installment of $54.3 million was paid on April 1, 2015, and the second installment of $54.0 million was paid on April 1, 2016. The final payment was recorded as a reduction of the noncontrolling interest purchase liability which was established upon execution of the purchase agreement.

The following table represents income from continuing operations and discontinued operations attributable to Alexandria Real Estate Equities, Inc., for the three months ended March 31, 2016 and 2015, excluding the amounts attributable to these noncontrolling interests (in thousands):

	Three Months Ended March 31,	
	2016	2015
Income from continuing operations attributable to Alexandria Real Estate Equities, Inc.'s stockholders	$5,936	$24,559
Loss from discontinued operations	—	(43)
Net income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	$5,936	$24,516

Certain of our noncontrolling interests have the right to require us to redeem their ownership interests in the respective entities. We classify these ownership interests in the entities as redeemable noncontrolling interests outside of total equity in the accompanying consolidated balance sheets. Redeemable noncontrolling interests are adjusted for additional contributions and distributions, the proportionate share of the net earnings or losses, and other comprehensive income or loss. If the amount of a redeemable noncontrolling interest is less than the maximum redemption value at the balance sheet date, such amount is adjusted to the maximum redemption value. Subsequent declines in the redemption value are recognized only to the extent that previous increases have been recognized.

14. Assets classified as held for sale

As of March 31, 2016, three operating properties in North America with an aggregate 161,690 RSF and two land parcels in India with an aggregate 28 acres of land were classified as held for sale, none of which met the criteria for classification as a discontinued operation in our consolidated financial statements.

Assets located in North America

The following is a summary of net assets held for sale in North America as of March 31, 2016, and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Total assets	$ 19,356	$ 19,083
Total liabilities	—	—
Net assets classified as held for sale – North America	$ 19,356	$ 19,083

The following is a summary of the income included in our income from continuing operations for the three months ended March 31, 2016 and 2015, from assets classified as held for sale, not qualifying as discontinued operations (in thousands):

	Three Months Ended March 31, 2016	2015
Total revenues	$ 1,003	$ 1,671
Operating expenses	(359)	(560)
Total revenues less operating expenses	644	1,111
Depreciation expense	(105)	(335)
Income from assets classified as held for sale – North America(1)	$ 539	$ 776

(1) Includes the results of operations of three properties with an aggregate 161,690 RSF that were classified as held for sale as of March 31, 2016, and four properties with an aggregate 279,733 RSF that were sold subsequent to three months ended March 31, 2015. These properties did not qualify for classification as discontinued operations. For additional information, refer to Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies" to our unaudited consolidated financial statements under Item 1 of this report.

Assets located in Asia

As of March 31, 2016, we had eight operating properties aggregating 1.2 million RSF with an average occupancy of 70.2% located in our China and India submarkets. Our properties located in Asia included four completed development projects, three completed redevelopement projects, and one property that was acquired in a sale/leaseback transaction. Several of our properties located in Asia were recently developed/redeveloped over the past few years, including one building which is substantially fully leased to Novartis AG and GlaxoSmithKline plc and had a yield on cost of 10.9% for the three months ended March 31, 2016, on an annualized basis. Key tenants at these operating properties include Novartis AG, GlaxoSmithKline plc, and Emerson Electric Company. In addition, as of March 31, 2016, we had land parcels in India that we held for future ground-up development consisting of 168 acres. As of December 31, 2015, and March 31, 2016, all our investments in Asia were classified as held for use, except for two land parcels in India, which were classified as held for sale as of March 31, 2016. As of December 31, 2015, and March 31, 2016, we concluded that all our investments that were classified as held for use were recoverable under the held for use model as the projected probability-weighted undiscounted cash flows from each operating property and land parcel exceeded our net book value, including our projected costs to complete or develop each land parcel.

14. Assets classified as held for sale (continued)

Held for sale land parcels in India as of March 31, 2016

On March 31, 2016, we evaluated two separate potential transactions to sell land parcels in our India submarket aggregating 28 acres. We determined that these land parcels met the criteria for classification as held for sale including, among others, the following: (i) management having the authority committed to sell the real estate, and (ii) the sale was probable within one year. Upon classification as held for sale, we recognized an impairment charge of $29.0 million, to lower the carrying amount of the real estate to its estimated fair value less cost to sell of approximately $10.2 million. In determining the carrying amount for evaluating the real estate for impairment, we considered our net book value, cost to sell, and a $10.6 million cumulative foreign currency translation loss that will be reclassified to net income when realized upon sale or disposition. As of March 31, 2016, we only had one binding sale agreement related to one land parcel. This land parcel was sold on May 2, 2016, at no gain or loss.

Subsequent event – remaining real estate holdings in Asia

On April 22, 2016, we decided to monetize our remaining real estate investments located in Asia in order to invest capital into our highly leased value-creation pipeline. We determined that these investments met the criteria for classification as held for sale when we achieved the following, among other criteria: (i) committed to sell all of our real estate investments in Asia, (ii) obtained approval from our Board of Directors, and (iii) determined that the sale of each property/land parcel was probable within one year. Upon classification as held for sale, we recognized an impairment charge of $153.0 million in April 2016 related to our remaining real estate investments located in Asia, to lower the carrying costs of the real estate to its estimated fair value less cost to sell. In determining the carrying amount for evaluating the real estate for impairment, we considered our net book value, cost to sell, and a $40.2 million cumulative foreign currency translation loss that will be reclassified to net income when realized upon sale or disposition.

Fair value and estimated sales proceeds

The fair value considered in our impairment of each investment was determined based on the following: (i) a contractual sales price for one parcel, (ii) preliminary non-binding letters of intent, (iii) significant other observable inputs, including the consideration of certain local government land acquisition programs, and (iv) discounted cash flow analyses. We expect total sales from Asia to generate approximately $104.4 million of proceeds after disposition costs. We believe our real estate investments in Asia will be monetized in several separate transactions over the next 12 months.

The following is a summary of net assets and operating information of our real estate investments in Asia, including (i) two land parcels aggregating 28 acres that were classified as held for sale as of March 31, 2016, and (ii) eight operating properties aggregating 1.2 million RSF and land parcels aggregating 168 acres, which met the criteria for classification as held for sale in late April 2016 (in thousands):

	March 31, 2016	December 31, 2015
Total assets	$220,424	$ 247,560
Total liabilities	(12,866)	(11,566)
Total accumulated other comprehensive loss (1)	49,787	49,838
Net assets located in Asia as of March 31, 2016 (2)	$257,345	$ 285,832
Impairment recognized in April 2016	(152,968)	

Net assets located in Asia after impairment recognized in April 2016 [(3)]	$104,377

(1) Represents the cumulative foreign currency translation losses of $52.6 million and gains of $1.8 million related to our investments located in our India and China submarkets, respectively, that will be reclassified to net income only when realized upon sale or disposition.

(2) This amount includes a $29.0 million impairment charge we recognized in March 2016, for two land parcels that met the criteria for classification as held for sale. The estimated sales price of these two land parcels is approximately $11.9 million.

(3) Represents estimated sales price of $113.0 million less costs to sell.

14. Assets classified as held for sale (continued)

	Three Months Ended March 31,	
(In thousands)	2016	2015
Total revenues	$3,219	$2,823
Operating expenses	(2,588)	(1,754)
	631	1,069
General and administrative expense	(684)	(1,374)
	(53)	(305)
Depreciation expense	(2,248)	(2,125)
Impairment of real estate [1]	(28,980)	(14,510)
Net loss related to real estate located in Asia	$(31,281)	$(16,940)

(1) Represents the impairment charge we recognized in March 2016, for two land parcels in India that met the criteria for classification as held for sale. The estimated sales price of these two land parcels is approximately $11.9 million.

Discontinued operations

In late April 2016, we evaluated whether our real estate investments in Asia met the criteria for classification as discontinued operations, including, among others: (i) if the properties meet the held for sale criteria, and (ii) if the sale of these assets represents a strategic shift that has or will have a major effect on our operations and financial results. In our assessment, we considered, among other factors, that our total revenue from properties located in Asia was approximately $3.2 million, or 1.5% of our total consolidated revenues of $216.1 million, for the three months ended March 31, 2016. We also noted total assets related to our investment in Asia were approximately $220.4 million, or 2.5% of our total assets of $9.0 billion, as of March 31, 2016. Consequently, we concluded that the monetization of our real estate investments in Asia did not represent a strategic shift that will have a major effect in our operations and financial results and therefore did not meet the criteria for classification as discontinued operations.

15. Subsequent events

16020 Industrial Drive

In April 2016, we completed the sale of a 71,000 RSF R&D/warehouse property, located at 16020 Industrial Drive in Maryland for approximately $6.4 million with no gain or loss.

Remaining real estate holdings in Asia

In April 2016, we determined that our remaining real estate investments in Asia met the criteria for classification as held for sale. Upon classification as held for sale, we recognized an impairment charge related to our remaining Asia real estate holdings. For additional information, refer to the section titled "Assets Located in Asia" in Note 14 – "Assets Classified as Held for Sale" to our accompanying unaudited consolidated financial statements under Item 1 of this report.

Secured construction loans

In April 2016, we closed a secured construction loan for our development project at 100 Binney Street in our Cambridge submarket. For additional information, refer to Note 8 – "Secured and Unsecured Senior Debt" to our unaudited consolidated financial statements under Item 1 of this report for a discussion of our secured construction loans.

Repayment of secured notes payable

In April and May 2016, we repaid two secured notes payable. For additional information, refer to Note 8 – "Secured and Unsecured Senior Debt" to our unaudited consolidated financial statements under Item 1 of this report for a discussion of our secured construction loans.

Purchase of noncontrolling interest

In April 2016, we completed the purchase of the remaining outstanding noncontrolling interest in our campus at Alexandria Technology Square® in our Cambridge submarket. For additional information, refer to Note 13 – "Noncontrolling Interests" to our unaudited consolidated financial statements under Item 1 of this report for a discussion of our secured construction loans.

16. Condensed consolidating financial information

Alexandria Real Estate Equities, Inc. (the "Issuer") has sold certain debt securities registered under the Securities Act of 1933, as amended, that are fully and unconditionally guaranteed by Alexandria Real Estate Equities, L.P. (the "LP" or the "Guarantor Subsidiary"), an indirectly 100% owned subsidiary of the Issuer. The Company's other subsidiaries, including, but not limited to, the subsidiaries that own substantially all of its real estate (collectively, the "Combined Non-Guarantor Subsidiaries"), will not provide a guarantee of such securities, including the subsidiaries that are partially or 100% owned by the LP. The following condensed consolidating financial information presents the condensed consolidating balance sheets as of March 31, 2016 and December 31, 2015, the condensed consolidating statements of income and comprehensive income for the three months ended March 31, 2016 and 2015, and the condensed consolidating statements of cash flows for the three months ended March 31, 2016 and 2015, for the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries, as well as the eliminations necessary to arrive at the information for Alexandria Real Estate Equities, Inc., on a consolidated basis, and consolidated amounts. In presenting the condensed consolidating financial statements, the equity method of accounting has been applied to (i) the Issuer's interests in the Guarantor Subsidiary and the Combined Non-Guarantor Subsidiaries, (ii) the Guarantor

Subsidiary's interests in the Combined Non-Guarantor Subsidiaries, and (iii) the Combined Non-Guarantor Subsidiaries' interests in the Guarantor Subsidiary, where applicable, even though all such subsidiaries meet the requirements to be consolidated under GAAP. All intercompany balances and transactions between the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries have been eliminated, as shown in the column "Eliminations." All assets and liabilities have been allocated to the Issuer, the Guarantor Subsidiary, and the Combined Non-Guarantor Subsidiaries generally based on legal entity ownership.

16. Condensed consolidating financial information (continued)

Condensed Consolidating Balance Sheet
as of March 31, 2016
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Investments in real estate	$—	$—	$7,741,466	$—	$7,741,466
Investments in unconsolidated real estate JVs	—	—	127,165	—	127,165
Cash and cash equivalents	34,027	—	112,170	—	146,197
Restricted cash	81	—	14,804	—	14,885
Tenant receivables	—	—	9,979	—	9,979
Deferred rent	—	—	293,144	—	293,144
Deferred leasing costs	—	—	192,418	—	192,418
Investments	—	4,687	311,476	—	316,163
Investments in and advances to affiliates	7,253,538	6,584,962	134,034	(13,972,534)	—
Other assets	35,367	—	94,748	—	130,115
Total assets	$7,323,013	$6,589,649	$9,031,404	$(13,972,534)	$8,971,532
Liabilities, Noncontrolling Interests, and Equity					
Secured notes payable	$—	$—	$816,578	$—	$816,578
Unsecured senior notes payable	2,031,284	—	—	—	2,031,284
Unsecured senior line of credit	299,000	—	—	—	299,000
Unsecured senior bank term loans	944,637	—	—	—	944,637
Accounts payable, accrued expenses, and tenant security deposits	118,384	—	510,083	—	628,467
Dividends payable	63,988	—	287	—	64,275
Total liabilities	3,457,293	—	1,326,948	—	4,784,241
Redeemable noncontrolling interests	—	—	14,218	—	14,218
Alexandria Real Estate Equities, Inc.'s stockholders' equity	3,865,720	6,589,649	7,382,885	(13,972,534)	3,865,720
Noncontrolling interests	—	—	307,353	—	307,353
Total equity	3,865,720	6,589,649	7,690,238	(13,972,534)	4,173,073
Total liabilities, noncontrolling interests, and equity	$7,323,013	$6,589,649	$9,031,404	$(13,972,534)	$8,971,532

16. Condensed consolidating financial information (continued)

Condensed Consolidating Balance Sheet
as of December 31, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Investments in real estate	$ —	$ —	$ 7,629,922	$—	$ 7,629,922
Investments in unconsolidated real estate JVs	—	—	127,212	—	127,212
Cash and cash equivalents	31,982	—	93,116	—	125,098
Restricted cash	91	—	28,781	—	28,872
Tenant receivables	—	—	10,485	—	10,485
Deferred rent	—	—	280,570	—	280,570
Deferred leasing costs	—	—	192,081	—	192,081
Investments	—	4,702	348,763	—	353,465
Investments in and advances to affiliates	7,194,092	6,490,009	132,121	(13,816,222)	—
Other assets	36,808	—	96,504	—	133,312
Total assets	$ 7,262,973	$ 6,494,711	$ 8,939,555	$ (13,816,222)	$ 8,881,017
Liabilities, Noncontrolling Interests, and Equity					
Secured notes payable	$ —	$ —	$ 809,818	$—	$ 809,818
Unsecured senior notes payable	2,030,631	—	—	—	2,030,631
Unsecured senior line of credit	151,000	—	—	—	151,000
Unsecured senior bank term loans	944,243	—	—	—	944,243
Accounts payable, accrued expenses, and tenant security deposits	100,294	—	489,062	—	589,356
Dividends payable	61,718	—	287	—	62,005
Total liabilities	3,287,886	—	1,299,167	—	4,587,053
Redeemable noncontrolling interests	—	—	14,218	—	14,218
Alexandria Real Estate Equities, Inc.’s stockholders’ equity	3,975,087	6,494,711	7,321,511	(13,816,222)	3,975,087
Noncontrolling interests	—	—	304,659	—	304,659
Total equity	3,975,087	6,494,711	7,626,170	(13,816,222)	4,279,746
Total liabilities, noncontrolling interests, and equity	$ 7,262,973	$ 6,494,711	$ 8,939,555	$ (13,816,222)	$ 8,881,017

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Three Months Ended March 31, 2016
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$ —	$ —	$ 158,276	$ —	$ 158,276
Tenant recoveries	—	—	52,597	—	52,597
Other income	3,075	(4)	5,741	(3,596)	5,216
Total revenues	3,075	(4)	216,614	(3,596)	216,089
Expenses:					
Rental operations	—	—	65,837	—	65,837
General and administrative	14,318	—	4,466	(3,596)	15,188
Interest	19,222	—	5,633	—	24,855
Depreciation and amortization	1,614	—	69,252	—	70,866
Impairment of real estate	—	—	28,980	—	28,980
Total expenses	35,154	—	174,168	(3,596)	205,726
Equity in loss of unconsolidated real estate JVs	—	—	(397)	—	(397)
Equity in earnings of affiliates	38,015	30,679	639	(69,333)	—
Net income	5,936	30,675	42,688	(69,333)	9,966
Net income attributable to noncontrolling interests	—	—	(4,030)	—	(4,030)
Net income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	5,936	30,675	38,658	(69,333)	5,936
Dividends on preferred stock	(5,907)	—	—	—	(5,907)
Preferred stock redemption charge	(3,046)	—	—	—	(3,046)
Net income attributable to unvested restricted stock awards	(801)	—	—	—	(801)
Net (loss) income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$ (3,818)	$ 30,675	$ 38,658	$ (69,333)	$ (3,818)

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Income
for the Three Months Ended March 31, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Rental	$ —	$ —	$ 143,608	$ —	$ 143,608
Tenant recoveries	—	—	48,394	—	48,394
Other income	3,026	(41)	5,564	(3,798)	4,751
Total revenues	3,026	(41)	197,566	(3,798)	196,753
Expenses:					
Rental operations	—	—	61,223	—	61,223
General and administrative	12,226	—	5,959	(3,798)	14,387
Interest	17,157	—	6,079	—	23,236
Depreciation and amortization	1,247	—	57,673	—	58,920
Impairment of real estate	—	—	14,510	—	14,510
Total expenses	30,630	—	145,444	(3,798)	172,276
Equity in earnings of unconsolidated real estate JVs	—	—	574	—	574
Equity in earnings of affiliates	52,120	45,590	917	(98,627)	—
Income from continuing operations	24,516	45,549	53,613	(98,627)	25,051
Loss from discontinued operations	—	—	(43)	—	(43)
Net income	24,516	45,549	53,570	(98,627)	25,008
Net income attributable to noncontrolling interests	—	—	(492)	—	(492)
Net income attributable to Alexandria Real Estate Equities, Inc.'s stockholders	24,516	45,549	53,078	(98,627)	24,516
Dividends on preferred stock	(6,247)	—	—	—	(6,247)
Net income attributable to unvested restricted stock awards	(483)	—	—	—	(483)
Net income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$ 17,786	$ 45,549	$ 53,078	$ (98,627)	$ 17,786

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Three Months Ended March 31, 2016
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 5,936	$ 30,675	$ 42,688	$ (69,333)	$ 9,966
Other comprehensive loss:					
Unrealized (losses) gains on available-for-sale equity securities:					
Unrealized holding losses arising during the period	—	(23)	(47,400)	—	(47,423)
Reclassification adjustment for losses (gains) included in net income	—	11	(7,037)	—	(7,026)
Unrealized (losses) gains on available-for-sale equity securities, net	—	(12)	(54,437)	—	(54,449)
Unrealized losses on interest rate swap agreements:					
Unrealized interest rate swap losses arising during the period	(6,961)	—	—	—	(6,961)
Reclassification adjustment for amortization of interest expense included in net income	158	—	—	—	158
Unrealized losses on interest rate swap agreements, net	(6,803)	—	—	—	(6,803)
Unrealized gains on foreign currency translation:					
Unrealized foreign currency translation gains during the period	—	—	3,528	—	3,528
Unrealized gains on foreign currency translation, net	—	—	3,528	—	3,528
Total other comprehensive loss	(6,803)	(12)	(50,909)	—	(57,724)
Comprehensive (loss) income	(867)	30,663	(8,221)	(69,333)	(47,758)
Less: comprehensive income attributable to noncontrolling interests	—	—	(4,030)	—	(4,030)
Comprehensive income (loss) attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$ (867)	$ 30,663	$ (12,251)	$ (69,333)	$ (51,788)

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Comprehensive Income
for the Three Months Ended March 31, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 24,516	$ 45,549	$ 53,570	$ (98,627)	$ 25,008
Other comprehensive (loss) income:					
Unrealized (losses) gains on available-for-sale equity securities:					
Unrealized holding (losses) gains arising during the period	—	(54)	28,489	—	28,435
Reclassification adjustment for losses included in net income	—	41	1,062	—	1,103
Unrealized (losses) gains on available-for-sale equity securities, net	—	(13)	29,551	—	29,538
Unrealized losses on interest rate swap agreements:					
Unrealized interest rate swap losses arising during the period	(3,013)	—	—	—	(3,013)
Reclassification adjustment for amortization of interest expense included in net income	505	—	—	—	505
Unrealized losses on interest rate swap agreements, net	(2,508)	—	—	—	(2,508)
Unrealized gains on foreign currency translation:					
Unrealized foreign currency translation losses during the period	—	—	(6,271)	—	(6,271)
Reclassification adjustment for losses included in net income	—	—	9,236	—	9,236
Unrealized gains on foreign currency translation, net	—	—	2,965	—	2,965
Total other comprehensive (loss) income	(2,508)	(13)	32,516	—	29,995
Comprehensive income	22,008	45,536	86,086	(98,627)	55,003
Less: comprehensive income attributable to noncontrolling interests	—	—	(646)	—	(646)
Comprehensive income attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	$ 22,008	$ 45,536	$ 85,440	$ (98,627)	$ 54,357

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows
for the Three Months Ended March 31, 2016
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income	$ 5,936	$ 30,675	$ 42,688	$ (69,333)	$ 9,966
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization	1,614	—	69,252	—	70,866
Impairment of real estate	—	—	28,980	—	28,980
Equity in losses of unconsolidated real estate JVs	—	—	397	—	397
Distributions of earnings from unconsolidated real estate JVs	—	—	98	—	98
Amortization of loan fees	1,934	—	826	—	2,760
Amortization of debt discounts (premiums)	106	—	(192)	—	(86)
Amortization of acquired below-market leases	—	—	(974)	—	(974)
Deferred rent	—	—	(12,138)	—	(12,138)
Stock compensation expense	5,439	—	—	—	5,439
Equity in earnings of affiliates	(38,015)	(30,679)	(639)	69,333	—
Investment gains	—	(7)	(5,884)	—	(5,891)
Investment losses	—	11	1,771	—	1,782
Changes in operating assets and liabilities:					
Restricted cash	10	—	661	—	671
Tenant receivables	—	—	521	—	521
Deferred leasing costs	—	—	(7,083)	—	(7,083)
Other assets	(1,733)	—	(792)	—	(2,525)
Accounts payable, accrued expenses, and tenant security deposits	11,856	—	(2,857)	—	8,999
Net cash (used in) provided by operating activities	(12,853)	—	114,635	—	101,782
Investing Activities					
Additions to real estate	—	—	(159,501)	—	(159,501)
Investments in unconsolidated real estate JVs	—	—	(449)	—	(449)
Investments in subsidiaries	(21,431)	(64,275)	(1,273)	86,979	—
Additions to investments	—	—	(22,085)	—	(22,085)
Sales of investments	—	—	10,913	—	10,913
Net cash used in investing activities	$ (21,431)	$ (64,275)	$ (172,395)	$ 86,979	$ (171,122)

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows (continued)
for the Three Months Ended March 31, 2016
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Financing Activities					
Borrowings from secured notes payable	$ —	$ —	$ 64,922	$ —	$ 64,922
Repayments of borrowings from secured notes payable	—	—	(58,657)	—	(58,657)
Borrowings from unsecured senior line of credit	555,000	—	—	—	555,000
Repayments of borrowings from unsecured senior line of credit	(407,000)	—	—	—	(407,000)
Transfer to/from parent company	(48,594)	64,275	71,298	(86,979)	—
Change in restricted cash related to financing activities	—	—	8,316	—	8,316
Payment of loan fees	—	—	(377)	—	(377)
Redemption of Series D cumulative convertible preferred stock	(25,618)	—	—	—	(25,618)
Proceeds from the issuance of common stock	25,278	—	—	—	25,278
Dividends on common stock	(56,490)	—	—	—	(56,490)
Dividends on preferred stock	(6,247)	—	—	—	(6,247)
Financing costs paid for sales of noncontrolling interests	—	—	(6,420)	—	(6,420)
Distributions to noncontrolling interests	—	—	(1,927)	—	(1,927)
Net cash provided by financing activities	36,329	64,275	77,155	(86,979)	90,780
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(341)	—	(341)
Net increase in cash and cash equivalents	2,045	—	19,054	—	21,099
Cash and cash equivalents as of the beginning of period	31,982	—	93,116	—	125,098
Cash and cash equivalents as of the end of period	$ 34,027	$ —	$ 112,170	$ —	$ 146,197
Supplemental Disclosure of Cash Flow Information					
Cash paid during the period for interest, net of interest capitalized	$ 8,889	$ —	$ 5,179	$ —	$ 14,068
Non-Cash Investing Activities					
Change in accrued construction	$ —	$ —	$ —	$ 29,197	$ 29,197

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows
for the Three Months Ended March 31, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income	$ 24,516	$ 45,549	$ 53,570	$ (98,627)	$ 25,008
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,247	—	57,673	—	58,920
Impairment of real estate	—	—	14,510	—	14,510
Equity in earnings of unconsolidated real estate JVs	—	—	(574)	—	(574)
Distributions of earnings from unconsolidated real estate JVs	—	—	491	—	491
Amortization of loan fees	1,925	—	909	—	2,834
Amortization of debt discounts (premiums)	80	—	(162)	—	(82)
Amortization of acquired below-market leases	—	—	(933)	—	(933)
Deferred rent	—	—	(9,901)	—	(9,901)
Stock compensation expense	3,690	—	—	—	3,690
Equity in earnings of affiliates	(52,120)	(45,590)	(917)	98,627	—
Investment gains	—	—	(5,937)	—	(5,937)
Investment losses	—	41	2,184	—	2,225
Changes in operating assets and liabilities:					
Restricted cash	4	—	(55)	—	(51)
Tenant receivables	—	—	(102)	—	(102)
Deferred leasing costs	—	—	(7,131)	—	(7,131)
Other assets	(3,437)	—	190	—	(3,247)
Accounts payable, accrued expenses, and tenant security deposits	32,795	(23)	(5,651)	—	27,121
Net cash provided by (used in) operating activities	8,700	(23)	98,164	—	106,841
Investing Activities					
Proceeds from sales of real estate	—	—	67,616	—	67,616
Additions to real estate	—	—	(104,632)	—	(104,632)
Purchase of real estate	—	—	(93,938)	—	(93,938)
Deposit for investing activities	—	—	(28,000)	—	(28,000)
Change in restricted cash related to construction projects	—	—	—	—	—
Investments in unconsolidated real estate JVs	—	—	(2,539)	—	(2,539)
Investments in subsidiaries	(44,375)	(2,977)	(70)	47,422	—
Additions to investments	—	—	(15,118)	—	(15,118)

Sales of investments	—	—	2,345	—	2,345
Proceeds from repayment of notes receivable	—	—	4,214	—	4,214
Net cash used in investing activities	$ (44,375)	$ (2,977)	$ (170,122)	$ 47,422	$ (170,052)

16. Condensed consolidating financial information (continued)

Condensed Consolidating Statement of Cash Flows (continued)
for the Three Months Ended March 31, 2015
(In thousands)
(Unaudited)

	Alexandria Real Estate Equities, Inc. (Issuer)	Alexandria Real Estate Equities, L.P. (Guarantor Subsidiary)	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Financing Activities					
Borrowings from secured notes payable	$ —	$ —	$ 29,585	$ —	$ 29,585
Repayments of borrowings from secured notes payable	—	—	(7,934)	—	(7,934)
Principal borrowings from unsecured senior line of credit	167,000	—	—	—	167,000
Repayments of borrowings from unsecured senior line of credit	(50,000)	—	—	—	(50,000)
Transfer to/from parent company	(14,038)	3,000	58,460	(47,422)	—
Change in restricted cash related to financing activities	—	—	(1,369)	—	(1,369)
Payment of loan fees	—	—	(563)	—	(563)
Dividends on common stock	(53,295)	—	—	—	(53,295)
Dividends on preferred stock	(6,247)	—	—	—	(6,247)
Contributions by noncontrolling interests	—	—	340	—	340
Distributions to noncontrolling interests	—	—	(9,846)	—	(9,846)
Net cash provided by financing activities	43,420	3,000	68,673	(47,422)	67,671
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	170	—	170
Net increase (decrease) in cash and cash equivalents	7,745	—	(3,115)	—	4,630
Cash and cash equivalents as of the beginning of period	52,491	63	33,457	—	86,011
Cash and cash equivalents as of the end of period	$ 60,236	$ 63	$ 30,342	$ —	$ 90,641
Supplemental Disclosure of Cash Flow Information					
Cash paid during the period for interest, net of interest capitalized	$ 10,412	$ —	$ 5,102	$ —	$ 15,514
Non-Cash Investing Activities					
Change in accrued construction	$ —	$ —	$ 7,249	$ —	$ 7,249
Assumption of secured notes payable in connection with purchase of properties	$ —	$ —	$ (82,000)	$ —	$ (82,000)
Non-Cash Financing Activities					
Payable for purchase of noncontrolling interest	$ —	$ —	$ (113,967)	$ —	$ (113,967)

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

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

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

This list of risks and uncertainties is not exhaustive. Additional information regarding risk factors that may affect us is included under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the fiscal year ended December 31, 2015. Readers of this quarterly report on Form 10-Q should also read our other documents filed publicly with the SEC for further discussion regarding such factors.

Overview

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for federal income tax purposes. We are an urban office REIT uniquely focused on world-class collaborative science and technology campuses in AAA innovation cluster locations with a total market capitalization of $11.1 billion and an asset base in North America of 24.5 million square feet as of March 31, 2016. The asset base in North America includes 18.9 million RSF of operating properties and development and redevelopment projects (under construction or pre-construction) and 5.6 million square feet of future ground-up development projects. Alexandria pioneered this niche in 1994 and has since established a dominant market presence in key locations, including Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. Alexandria is known for its high-quality and diverse tenant base, with approximately 52% of total ABR as of March 31, 2016, generated from investment-grade tenants – a REIT industry-leading percentage. Among our top 20 tenants, approximately 81% of total ABR as of March 31, 2016 is generated from investment-grade tenants. Alexandria has a longstanding and proven track record of developing Class A assets clustered in urban science and technology campuses that provide its innovative tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value.

Our primary business objective is to maximize stockholder value by providing our stockholders with the greatest possible total return and long-term asset value based on a multifaceted platform of internal and external growth. A key element of our strategy is our unique focus on Class A assets clustered in urban campuses. These key urban campus locations are characterized by high barriers to entry for new landlords, and a limited supply of available space. They represent highly desirable locations for tenancy by science and technology entities because of their close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Our strategy also includes drawing upon our deep and broad real estate, science, and technology relationships in order to identify and attract new and leading tenants and to source additional value-creation real estate opportunities.

Executive summary

We began 2016 with a very successful first quarter executed by our best-in-class team, which included the following key highlights:

- FFO per share – diluted, as adjusted, for the three months ended March 31, 2016, of $1.34, up 4.7%, compared to $1.28 for the three months ended March 31, 2015;
- During the three months ended March 31, 2016, Verily, Alphabet Inc.'s life science subsidiary, subleased 407,369 RSF at 249/259/269 East Grand Avenue in our South San Francisco submarket from Amgen Inc. The sublease highlights the continued demand from high-quality science and technology companies in our key urban innovation clusters;
- Executed leases for 388,872 RSF during the three months ended March 31, 2016, despite minimal contractual lease expirations in 2016 and our highly pre-leased value-creation pipeline;
- Rental rate increases of 33.6% and 16.9% (cash basis) on lease renewals and re-leasing of space aggregating 218,342 RSF (included in the 388,872 RSF above);
- Same property NOI growth of 5.3% and 6.2% (cash basis) for the three months ended March 31, 2016, compared to the three months ended March 31, 2015;
- Disciplined allocation of capital to value-creation pipeline of highly leased Class A buildings in urban innovation clusters:

Year of Delivery	RSF	Leased %	Incremental Annual NOI

2016	1,465,977	90%	$75 million to $80 million
2017-2018	2,036,828	72%	$120 million to $130 million
	3,502,805	81%	$195 million to $210 million

- Recycling estimated proceeds of $104.4 million from disposition of all our investments in Asia in several separate transactions over the next 12 months. Proceeds will be allocated to development of Class A facilities in high value urban innovation clusters
- In March 2016, we recognized an impairment charge of $29.0 million for two land parcels in India that met the criteria for classification as held for sale in March 2016. As of March 31, 2016, we only had one binding sale agreement related to one land parcel. This land parcel was sold on May 2, 2016, at a sales price of $7.5 million with no gain or loss.

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- On April 22, 2016, our Board of Directors approved the monetization of our remaining real estate investments in Asia. As a result of this decision, we recognized an aggregate impairment charge of $153.0 million to reduce our net book value to fair value less cost to sell for all of our remaining investments in Asia;