ALEXANDRIA REAL ESTATE EQUITIES INC
Form 424B5
March 18, 2009

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Registration No. 333-133496

Subject to Completion
Preliminary Prospectus Supplement dated March 18, 2009

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT
(To prospectus dated April 24, 2006)

4,500,000 Shares

Alexandria Real Estate Equities, Inc.

Common Stock

We are selling 4,500,000 shares of our common stock, par value $0.01 per share. Our common stock is listed on the New York Stock Exchange under the symbol "ARE." On March 17, 2009, the last reported sale price of our common stock on the New York Stock Exchange was $40.31 per share.

Investing in our common stock involves risks. See "Risk factors" on page S-4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total

Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

In addition to the underwriting discount, the underwriters may receive from purchasers of the shares normal brokerage commissions in amounts agreed with such purchasers.

The underwriters may also purchase up to 675,000 additional shares of our common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

The underwriters expect that the shares of our common stock will be ready for delivery on or about March , 2009.

Joint Book-Running Managers

Merrill Lynch & Co. **Citi** **J.P.Morgan**

The date of this prospectus supplement is March , 2009.

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Prospectus Supplement

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates," or the negative of those words or similar words. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, 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:

- unprecedented and extraordinary worldwide negative economic, financial, and banking conditions;
- the onset of significant worldwide economic recession and lack of confidence;
- financial, banking and credit market conditions;
- the seizure or illiquidity of credit markets;
- our failure to obtain capital (debt, construction financing and or equity) or refinance debt maturities;
- increased interest rates and operating costs;
- adverse economic or real estate developments in our markets;
- our failure to successfully complete and lease our existing space held for redevelopment and new properties acquired for that purpose and any properties undergoing development;
- significant decreases in our active development, active redevelopment or pre-construction activities resulting in significant increases in our interest, operating and payroll expenses;
- our failure to successfully operate or lease acquired properties;
- the financial condition of our insurance carriers;
- general and local economic conditions;
- decreased rental rates or increased vacancy rates/failure to renew or replace expiring leases;
- defaults on or non-renewal of leases by tenants;

- our failure to comply with laws or changes in law;
- compliance with environmental laws;
- our failure to maintain our status as a real estate investment trust ("REIT");
- certain ownership interests outside the United States may subject us to different or greater risks than those associated with our domestic operations; and
- fluctuations in foreign currency exchange rates.

This list of risks and uncertainties, however, is only a summary and is not intended to be exhaustive. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" contained in the accompanying prospectus and the other information contained in our publicly available filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY

The following summary may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus carefully before deciding whether to invest in our common stock. In this prospectus supplement and the accompanying prospectus, unless otherwise indicated, the "Company," "we," "us" and "our" refer to Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. Unless otherwise indicated, the information in this prospectus supplement is as of December 31, 2008 and assumes that the underwriters do not exercise the overallotment option described in "Underwriting."

Alexandria Real Estate Equities, Inc.

Overview

We are a publicly traded REIT focused principally on science-driven cluster formation. We are the leading provider of high-quality environmentally sustainable real estate, technical infrastructure services and capital to the broad and diverse life science industry. Client tenants include institutional (universities and independent not-for-profit institutions), pharmaceutical, biopharmaceutical, medical device, product, service, and translational entities, as well as government agencies. Our operating platform is based on the principle of "clustering," with assets and operations located in key life science markets.

As of December 31, 2008:

- we had 159 properties (155 properties located in ten states in the United States and four properties located in Canada), containing approximately 11.7 million rentable square feet (including spaces undergoing active redevelopment) of office/laboratory space;

- our properties were located in leading life science markets, including: the Los Angeles Metro, San Diego and San Francisco Bay areas of California; Eastern Massachusetts; New Jersey/Suburban Philadelphia; New York City; the Southeast; Suburban Washington, D.C.; Seattle, Washington and Canada;

- our properties, excluding spaces at properties totaling approximately 590,057 rentable square feet undergoing a permanent change in use to office/laboratory space through redevelopment, were approximately 94.8% leased at an average annualized base rent per leased square foot of $31.31, with a portion of the vacant space at our properties being office or warehouse space;

- we had five parcels of land under development for approximately 875,000 rentable square feet of office/laboratory space. In addition, our asset base contains strategically located ground-up development opportunities for approximately 9.6 million developable square feet of office/laboratory space and embedded opportunities for a future permanent change of use to office/laboratory space through redevelopment aggregating approximately 1.6 million rentable square feet;

- we had 416 leases with 347 tenants, with our largest single tenant, Novartis AG, accounting for 7.2% of our annualized base rent; and

- approximately 89% of our leases (on a rentable square footage basis) were triple net leases, requiring tenants to pay substantially all real estate taxes and insurance, common area and other operating expenses (including increases thereto) in addition to base rent, and, in addition to our triple net leases, approximately 8% of our leases (on a rentable square footage basis) required the tenants to pay a majority of operating expenses. Additionally, approximately 92% of our leases (on a rentable square footage basis) provided for the recapture of certain capital expenditures and approximately 94% of our leases (on a rentable square footage basis)

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contained effective annual rent escalations that are either fixed or indexed based on the consumer price index or another index.

Business strategy

We seek to maximize funds from operations ("FFO"), balance sheet liquidity and flexibility, and cash available for distribution to stockholders through the ownership, operation, management and selective redevelopment, development and acquisition of properties containing technical environments, as well as management of our balance sheet. In particular, we seek to maximize FFO, balance sheet liquidity and flexibility, and cash available for distribution by:

- maintaining a solid and flexible balance sheet with adequate liquidity;
- retenanting and re-leasing space at higher rental rates while minimizing tenant improvement costs;
- maintaining solid occupancy while also protecting lease rental rates;
- realizing contractual rental rate escalations, which are currently provided for in approximately 94% of our leases (on a rentable square footage basis);
- implementing effective cost control measures, including negotiating pass-through provisions in tenant leases for operating expenses and certain capital expenditures;
- improving investment returns through leasing of vacant space and replacement of existing tenants with new tenants at higher rental rates;
- achieving higher rental rates from existing tenants as existing leases expire;
- selectively redeveloping existing office, warehouse, shell space or newly acquired properties into generic laboratory space that can be leased at higher rental rates in our target life science cluster markets; and
- selectively developing properties in our target life science cluster markets.

2008 demonstrated the strength and durability of our core operations providing office/laboratory space to the broad and diverse life science industry. Our operating results have been steady over the period from our initial public offering in May 1997 through December 31, 2008. Our core operating results were solid for 2008, during a period of an extraordinary and unprecedented United States and worldwide economic, financial, banking and credit market crises, the onset of a significant worldwide economic recession and drastic decline in consumer confidence and the consumer driven economy. Financial systems throughout the world have become illiquid with banks much less willing to lend substantial amounts to other banks and borrowers. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing or capital on reasonable terms or on any terms.

The current economic, financial and banking environment, worldwide economic recession and lack of consumer confidence have caused and mandated significant reductions to our capital expenditures across all areas of our business, including operating expenses, general and administrative expenses, and development and construction. We intend to focus on preservation of capital while maintaining future long term growth prospects. We intend to significantly reduce our capital expenditures in 2009 as compared to 2008 and focus on the completion of our existing active redevelopment projects aggregating approximately 590,057 rentable square feet and our existing active development projects aggregating approximately 875,000 rentable square feet. Additionally, we intend to continue with pre-construction activities for certain land parcels for future ground-up/vertical above ground development in order to preserve and create value. These important pre-construction activities add significant value to our land for future ground-up development and are required for the ultimate

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vertical construction of the buildings. We also intend to be very careful and prudent with any future decisions to add new projects to our active ground-up/vertical developments. Future reductions in construction activities will reduce our capital expenditures. However, if construction activities (including pre-construction activities) cease, certain construction and or pre-construction costs, including interest, taxes, insurance, payroll and other costs, will be expensed as incurred. We also intend to reduce debt as a percentage of our overall capital structure over a multi-year period. During this period, we may also extend and/or refinance certain debt maturities. We expect the source of funds over several years for the repayment of outstanding debt to be provided by opportunistic sales of real estate, joint ventures and through the issuance of additional equity securities, as appropriate. As of December 31, 2008, we had identified three assets held for sale which have been classified in discontinued operations.

Recent developments 2008 highlights

On February 9, 2009, we announced operating and financial results for the fourth quarter and year ended December 31, 2008.

In 2008, we:

- Executed 141 leases for approximately 2.2 million rentable square feet, up 37% over 2007.
- Completed redevelopment of multiple spaces at 14 properties aggregating approximately 335,000 rentable square feet of which approximately 88% was leased.
- Leased approximately 630,000 rentable square feet of redevelopment and development space.
- Reported operating margins at approximately 75%.
- Reported occupancy at 94.8%.
- Sold eight properties for approximately $86 million.
- Extended maturities of two secured notes payable aggregating approximately $251 million.
- Received LEED® certifications for two buildings in the Eastern Massachusetts and San Francisco Bay markets.
- Closed 7.00% series D cumulative convertible preferred stock offering with net proceeds of approximately $242 million.

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RISK FACTORS

An investment in our common stock involves risks. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. You should carefully consider the risks referred to in the section of the accompanying prospectus entitled "Forward-Looking Statements," as well as the risks identified in this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which is incorporated herein by reference.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

General

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for United States federal income tax purposes. We are the largest owner and pre-eminent first-in-class REIT focused principally on science-driven cluster formation. We are the leading provider of high-quality environmentally sustainable real estate, technical infrastructure and services to the broad and diverse life science industry. Client tenants include institutional (universities and independent not-for-profit institutions), pharmaceutical, biopharmaceutical, medical device, product, service, and translational entities, as well as government agencies. Our operating platform is based on the principle of "clustering," with assets and operations located in key life science markets. As of December 31, 2008, we had 159 properties (155 properties located in ten states in the United States and four properties located in Canada) containing approximately 11.7 million rentable square feet (including spaces undergoing active redevelopment) and properties undergoing ground-up development of approximately 875,000 rentable square feet.

Business and Strategy

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

- California Los Angeles Metro;
- California San Diego;
- California San Francisco Bay;
- Eastern Massachusetts;
- New Jersey/Suburban Philadelphia;
- New York City;
- Southeast;
- Suburban Washington, D.C.;
- Washington Seattle; and
- International.

Each of these areas is an important market for the life science industry. To facilitate research and development, technology transfer and recruitment of scientific professionals, life science industry companies generally cluster near major scientific research institutions, universities and government agencies, all of which drive demand for life science properties suitable for such tenants. As a result, we focus our operations and acquisition activities principally in a limited number of target markets where we believe life science industry tenants tend to cluster.

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The multibillion dollar life science industry comprises thousands of public and private companies and scientific research institutions engaged principally in the research, development, testing, manufacture, sale and regulation of pharmaceuticals, medical devices, laboratory instrumentation and other related applications. Properties leased to tenants in the life science industry typically consist of buildings containing scientific research and development laboratories and other improvements that are generic to tenants operating in the life science industry. Unlike traditional office space, the location of and improvements to life science properties are generally considered essential to a tenant's business. We believe that as a result of these factors, occupancy levels in life science properties within our target life science markets generally have been higher, and tenant turnover has been lower, than in traditional office properties. Our average occupancy at December 31, from 1997 to 2008 was 95.5%, excluding properties undergoing redevelopment.

We are led by a senior management team with extensive experience in both the real estate and life science industries and are supported by a highly experienced board of directors. Our management team includes Joel S. Marcus, our Chief Executive Officer, who has over 36 years of experience in the real estate and life science industries, as well as significant capital markets experience; Dean A. Shigenaga, our Chief Financial Officer, who has over 16 years of experience in finance, accounting and real estate; Peter M. Moglia, our Chief Investment Officer, who has over 18 years of experience in the real estate industry primarily in underwriting, structuring, and executing transactions, leasing and asset management; John H. Cunningham, our Senior Vice President Strategic Operations, who has over 22 years experience in the acquisition, development, leasing and operations of life science and commercial properties; Thomas J. Andrews, our Senior Vice President and Regional Market Director Massachusetts, who has over 20 years of experience in the development, management and leasing of life science properties in Massachusetts; and Stephen A. Richardson, our Senior Vice President Regional Market Director San Francisco Bay Area, who has 26 years of experience in the real estate and technology industries, with an emphasis in strategic planning, business development and negotiating highly structured transactions. Our team also includes James H. Richardson, our former President and current Director, who is expected to become an active long-term consultant to the Company. Mr. Richardson has over 26 years of experience in the real estate industry, and has specialized for much of his career in the acquisition, management and leasing of life science properties. Additionally, our team includes Peter J. Nelson, our former chief financial officer, who is also an active long-term consultant to the Company. Mr. Nelson has over 26 years of experience in finance, accounting and real estate asset management and leasing.

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

- maintaining a solid and flexible balance sheet with adequate liquidity;
- retenanting and re-leasing space at higher rental rates while minimizing tenant improvement costs;
- realizing contractual rental rate escalations, which are currently provided for in approximately 94% of our leases (on a rentable square footage basis);
- implementing effective cost control measures, including negotiating pass-through provisions in tenant leases for operating expenses and certain capital expenditures;
- improving investment returns through leasing of vacant space and replacement of existing tenants with new tenants at higher rental rates;
- achieving higher rental rates from existing tenants as existing leases expire;

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selectively redeveloping existing office, warehouse, shell space or newly acquired properties into generic laboratory space that can be leased at higher rental rates in our target life science cluster markets; and

selectively developing properties in our target life science cluster markets.

Redevelopment

A key component of our business is redevelopment of existing office, warehouse or shell space as generic laboratory space that can be leased at higher rates. As of December 31, 2008, we had approximately 590,057 rentable square feet undergoing redevelopment at 13 properties. In addition to properties undergoing redevelopment, as of December 31, 2008, our asset base contained embedded opportunities for a future permanent change of use to office/laboratory space through redevelopment aggregating approximately 1.6 million rentable square feet. However, new commitments for significant additional redevelopment projects are not strategic priorities in the near term.

The following table summarizes total rentable square footage undergoing redevelopment as of December 31, 2008:

Markets/Submarkets	Estimated In-Service Dates	Rentable Square Footage Undergoing Redevelopment/ Total Property
California San Diego/Torrey Pines	2009/2010	84,504 / 84,504
California San Diego/Torrey Pines	2009	13,591 / 43,600
California San Diego/Torrey Pines	2009	11,338 / 107,709
California San Diego/Torrey Pines	2009	39,224 / 76,084
Eastern Massachusetts/Cambridge	2009	75,045 / 177,101
Eastern Massachusetts/Cambridge	2009	90,841 / 369,831
Eastern Massachusetts/Suburban	2009/2010	113,045 / 113,045
Eastern Massachusetts/Suburban	2010	30,000 / 30,000
Southeast/Florida	2009	42,712 / 44,855
Southeast/North Carolina	2009	6,729 / 60,519
Southeast/North Carolina	2008(1)	16,393 / 77,395
Suburban Washington, D.C./ Gaithersburg	2008(2)	15,504 / 44,464
Suburban Washington, D.C./Shady Grove	2009	51,131 / 123,501
		590,057 / 1,352,608

(1) This project was delivered to the tenant for occupancy in February 2009.

(2) This project was delivered to the tenant for occupancy in January 2009.

As of December 31, 2008, our estimated cost to complete was approximately $80 per rentable square foot for the 590,057 rentable square feet undergoing a permanent change in use to office/laboratory space through redevelopment. Our final costs for these redevelopment projects will ultimately depend on many factors, including construction requirements for each tenant, final lease negotiations and the amount of costs funded by each tenant.

There can be no assurance that we will be able to complete spaces undergoing redevelopment or initiate additional redevelopment projects. Redevelopment activities subject us to many risks, including delays in permitting, financing availability, engaging contractors, availability and pricing of materials and labor and other redevelopment uncertainties. In addition, there can be no assurance that, upon completion, we will be able to successfully lease the space or lease the space at rental rates at or above the returns on our investment anticipated by our stockholders.

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Development

Another key component of our business is ground-up development. Our development strategy is primarily to pursue selective projects where we expect to achieve appropriate investment returns. We generally have undertaken ground-up development projects only if our investment in infrastructure will be substantially made for generic, rather than tenant specific, improvements. As of December 31, 2008, we had five major projects undergoing ground-up development approximating 875,000 rentable square feet of office/laboratory space. In the first quarter of 2009, we expect to initiate vertical construction of a two-building project aggregating 210,000 rentable square feet located at Mission Bay, San Francisco, California. Pfizer, Inc. has leased 100,000 rentable square feet and has an option for an additional 50,000 rentable square feet. We also have an embedded pipeline for future ground-up development approximating 9.6 million developable square feet of office/laboratory space. However, new commitments for significant additional ground-up developments are not strategic priorities in the near term.

The following table summarizes our major projects undergoing ground-up development as of December 31, 2008:

Markets/Submarkets	Building Descriptions	Estimated In-Service Dates	Estimated Investment Per Square Foot	Rentable Square Feet	Leasing Status
California San Francisco Bay/Mission Bay	Multi-tenant Bldg.	2010	$ 350	158,000	100% Leased or Committed
California San Francisco Bay/So. San Francisco	Two Bldgs., Single or Multi-tenant	2009	$ 350	162,000	16% Leased; Marketing
California San Francisco Bay/So. San Francisco	Single Tenant Bldg.	2009	$ 350	130,000	55% Leased with Option for Remaining Space Through 2009
New York New York City East Tower	Multi-tenant Bldg.	2010/2011	$ 500	310,000	Marketing; Negotiating Substantial Letter of Intent
Washington Seattle	Single Tenant Bldg. with 5% Retail	2010	$ 390	115,000	92% Leased with Option for Additional 3%; 5% Retail
				875,000	

As of December 31, 2008, our estimated committed costs to complete the 875,000 rentable square feet undergoing ground-up development was approximately $100 per rentable square foot. Our final costs for these development projects will ultimately depend on many factors, including construction requirements for each tenant, final lease negotiations and the amount of costs funded by each tenant.

Financing and Working Capital

We expect to continue meeting our short term liquidity and capital requirements generally through our working capital and net cash provided by operating activities. We believe that the net cash provided by operating activities will continue to be sufficient to enable us to make distributions necessary to continue qualifying as a REIT. We also believe that net cash provided by operating activities will be sufficient to fund recurring non-revenue enhancing capital expenditures, tenant improvements and leasing commissions.

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We expect to meet certain long term liquidity requirements, such as for property development and redevelopment activities, scheduled debt maturities, and non-recurring capital improvements, through net cash provided by operating activities, periodic asset sales, long term secured and unsecured indebtedness, including borrowings under the unsecured line of credit and unsecured term loan, and the issuance of additional debt and/or equity securities.

Notwithstanding our expectations, financial markets have recently experienced unusual volatility and uncertainty. While this condition has occurred initially within the "subprime" mortgage lending sector of the credit market, financial systems throughout the world have become illiquid with banks no longer willing to lend substantial amounts to other banks and borrowers. Consequently, there is greater uncertainty regarding our ability to access the credit market in order to attract financing or capital on reasonable terms or at any terms. Our ability to finance our development and redevelopment projects and pending or new acquisitions, as well as our ability to refinance debt maturities, could be adversely affected by our inability to secure capital on reasonable terms, if at all.

Solid and Flexible Balance Sheet with Adequate Liquidity

Our goal is to maintain a solid and flexible balance sheet with adequate liquidity. As of December 31, 2008:

- We had approximately $121 million of cash on hand, consisting of approximately $71 million of unrestricted cash and approximately $50 million of restricted cash that will be used to fund certain on-going construction projects.

- We had approximately $475 million available on our $1.9 billion unsecured credit facility, which matures in October 2011 and 2012 for our unsecured line of credit and unsecured term loan, respectively, assuming we exercise our sole right to extend the maturity by one year.

- We had near-term debt maturities of $353 million through 2010, which included our share of joint venture debt in the amount of approximately $23 million.

- The average balance of our 24 maturing loans in the next five years other than our unsecured credit facility was approximately $25 million, which we believe improves our ability to refinance given the difficulty of refinancing large loans in the current environment. Additionally, the majority of the outstanding balance of secured notes payable were from banks and life companies versus commercial mortgage backed securities lenders.

We have taken appropriate steps to reduce our construction expenditures in light of the challenging economic and financial environment.

- Beginning in the second quarter of 2009 through the fourth quarter of 2009, we expect to reduce our construction spending to an average of approximately $60 million per quarter, representing an approximate 40% reduction from our average quarterly construction expenditures during 2008.

- We expect to further reduce our expenditures in 2010.

- New commitments for significant additional ground-up developments and additional redevelopment projects are not strategic priorities in the near term.

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PROPERTIES

General

As of December 31, 2008, we had 159 properties containing approximately 11.7 million rentable square feet (including spaces undergoing active redevelopment) of office/laboratory space. Excluding properties undergoing redevelopment, our properties were approximately 94.8% leased as of December 31, 2008. The exteriors of our properties typically resemble traditional office properties, but the interior infrastructures are designed to accommodate the needs of life science industry tenants. These improvements typically are generic to life science industry tenants rather than being specific to a particular tenant. As a result, we believe that the improvements have long term value and utility and are usable by a wide range of life science industry tenants. Generic infrastructure improvements to our life science properties typically include:

- reinforced concrete floors;
- upgraded roof loading capacity;
- increased floor to ceiling heights;
- heavy-duty heating, ventilation and air conditioning ("HVAC") systems;
- enhanced environmental control technology;
- significantly upgraded electrical, gas and plumbing infrastructure; and
- laboratory benches.

As of December 31, 2008, we held a fee simple interest in each of our properties, except for 19 properties that accounted for approximately 17% of the total rentable square footage of our properties. Of the 19 properties, we held three properties in the San Francisco Bay market, one property in the Southeast market, two properties in the Suburban Washington, D.C. market and 13 properties in the Eastern Massachusetts market pursuant to ground leasehold interests.

As of December 31, 2008, we had 416 leases with a total of 347 tenants, and 79 of our 159 properties were single-tenant properties. Leases in our multi-tenant buildings typically have terms of three to seven years, while the single-tenant building leases typically have initial terms of ten to 20 years. As of December 31, 2008:

- approximately 89% of our leases (on a rentable square footage basis) were triple net leases, requiring tenants to pay substantially all real estate taxes, insurance, utilities, common area and other operating expenses (including increases thereto) in addition to base rent, and, in addition to our triple net leases, approximately 8% of our leases (on a rentable square footage basis) required the tenants to pay a majority of operating expenses;
- approximately 94% of our leases (on a rentable square footage basis) contained effective annual rent escalations that are either fixed (generally ranging from 3% to 3.5%) or indexed based on a consumer price index or other index; and
- approximately 92% of our leases (on a rentable square footage basis) provided for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement and parking lot resurfacing), which we believe would typically be borne by the landlord in traditional office leases.

Our leases also typically give us the right to review and approve tenant alterations to the property. Generally, tenant-installed improvements to the properties remain our property after termination of the lease at our election. However, we are permitted under the terms of most of our leases to require that the tenant, at its expense, remove the improvements and restore the premises to their original condition.

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Location of Properties

The locations of our properties are diversified among a number of life science markets. The following table sets forth, as of December 31, 2008, the total rentable square footage and annualized base rent of our properties in each of our existing markets (dollars in thousands) other than three properties classified as "held for sale."

Markets	Number of Properties	Total Rentable Square Footage(2)	Percentage of Total Rentable Square Footage	Annualized Base Rent(1)	Percentage of Annualized Base Rent	Occupancy Percentage(1)(2)
California Los Angeles Metro	1	31,343	0.3%	$ 820	0.3%	88.3%
California San Diego	31	1,643,208	14.1	43,594	13.3	92.6
California San Francisco Bay	17	1,478,660	12.7	56,542	17.3	98.4
Eastern Massachusetts	38	3,456,296	29.7	116,017	35.4	96.7
New Jersey/Suburban Philadelphia	8	441,504	3.8	8,341	2.5	87.5
Southeast	13	687,420	5.9	12,446	3.8	94.7
Suburban Washington, D.C.	31	2,495,101	21.5	48,608	14.8	90.5
Washington Seattle	13	1,045,768	9.0	32,244	9.9	98.7
International Canada	4	342,394	3.0	8,773	2.7	100.0
Total Properties (Continuing Operations)	156	11,621,964	100.0%	$ 327,385	100.0%	94.8%

(1) Excludes spaces at properties totaling approximately 590,057 rentable square feet undergoing a permanent change in use to office/laboratory space through redevelopment and three properties with approximately 64,218 rentable square feet that are classified as held for sale. Annualized base rent means the annualized fixed base rental amount in effect as of December 31, 2008 (using rental revenue computed on a straight-line basis in accordance with United States generally accepted accounting principles ("GAAP")).

(2) Including spaces undergoing a permanent change in use to office/laboratory space through redevelopment, occupancy as of December 31, 2008 was 90.0%.

In addition, as of December 31, 2008, our asset base contained active ground-up development projects aggregating 875,000 rentable square feet and an embedded pipeline for future ground-up development opportunities for approximately 9.6 million developable square feet of office/laboratory space. However, new commitments for significant additional ground-up developments are not strategic priorities in the near term.

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Life Science Sector Diversification

Our tenant base is broad and diverse within the life science industry and reflects our focus on regional, national and international tenants with substantial financial and operational resources. The following chart shows the percentage of annualized base rent by tenant business type for our properties as of December 31, 2008:

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Tenants

Our life science properties are leased principally to a diverse group of tenants, with no tenant being responsible for more than 7.2% of our annualized base rent. The following table sets forth information regarding leases with our ten largest tenants based upon annualized base rent as of December 31, 2008.

Ten Largest Tenants

Tenant					
Dennis Carlson (Director)	3255 50th Street Mandan, ND 58554	Self-employed farmer	None	None	USA
Curt Eischens (Director)	2153 - 330th Street North Minneota, MN 56264-1800	Self-employed farmer	None	None	USA
Steve Fritel (Director)	2851 77th Street NE Barton, ND 58384	Self-employed farmer	None	None	USA
Barb Fritel (Spouse of Steve Fritel)	2851 77th Street NE Barton, ND 58384	Self-employed farmer	None	None	USA

CHS Inc. Schedule 13D
Item 2 Identity and Background

(a) Name	(b) Business/Residence Address	(c) Occupation/Employer	(d) Convictions	(e) Judgments	(f) Citizenship
Robert Grabarski (Director)	1770 Highway 21 Arkdale, WI 54613	Self-employed farmer	None	None	USA
Jerry Hasnedl (Director)	12276 160th Avenue SE St. Hilaire, MN 56754-9776	Self-employed farmer	None	None	USA
David Kayser (Director)	42046 257th Street Alexandria, SD 57311	Self-employed farmer	None	None	USA
James Kile (Director)	608 W. Bell Lane St. John, WA 99171	Self-employed farmer	None	None	USA
Randy Knecht (Director)	40193 112th Street Houghton, SD 57449	Self-employed farmer	None	None	USA
Michael Mulcahey (Director)	8109 360th Avenue Waseca, MN 56093	Self-employed farmer	None	None	USA
Richard Owen (Director)	PO Box 129 Geraldine, MT 59446	Self-employed farmer	None	None	USA
Steve Riegel (Director)	12748 Ridge Road Ford, KS 67842	Self-employed farmer	None	None	USA
Daniel Schurr (Director)	3009 Wisconsin Street LeClaire, IA 52753	Self-employed farmer	None	None	USA
Duane Stenzel (Director)	62904 295th Street Wells, MN 56097	Self-employed farmer	None	None	USA
Michael Toelle (Director)	5085 St. Anthony Drive Browns Valley, MN 56219	Self-employed farmer	None	None	USA

CHS Inc. Schedule 13D
Item 3 Source and Amount of Funds or Other Consideration

Name	Source of Funds	Amount of Funds	Explanation
CHS Inc. (Reporting Person)	WC (Working Capital)	$105,000,000	
John D. Johnson (Executive Officer)	N/A	N/A	
Jay D. Debertin (Executive Officer)	N/A - See Explanation	N/A - See Explanation	Restricted Shares awarded by Issuer to Mr. Debertin (a non-employee director of Issuer) pursuant to Issuer s 2006 Stock Incentive Plan.
Patrick M. Kluempke (Executive Officer)	N/A	N/A	
Thomas D. Larson (Executive Officer)	N/A	N/A	
Mark L. Palmquist (Executive Officer)	N/A	N/A	
John Schmitz (Executive Officer)	N/A	N/A	
Leon Westbrock (Executive Officer)	N/A	N/A	
Bruce Anderson (Director)	N/A	N/A	
Donald Anthony (Director)	N/A	N/A	
Robert Bass (Director)	N/A	N/A	
Dennis Carlson (Director)	N/A	N/A	
Curt Eischens (Director)	N/A	N/A	
Steve Fritel (and Barb Fritel) (Director)	PF (Personal Funds)	$8,400	

CHS Inc. Schedule 13D
Item 3 Source and Amount of Funds or Other Consideration

Name	Source of Funds	Amount of Funds	Explanation
Robert Grabarski (Director)	PF (Personal Funds)	$22,350	
Jerry Hasnedl (Director)	N/A	N/A	
David Kayser (Director)	N/A	N/A	
James Kile (Director)	N/A	N/A	
Randy Knecht (Director)	N/A	N/A	
Michael Mulcahey (Director)	N/A	N/A	
Richard Owen (Director)	N/A	N/A	
Steve Riegel (Director)	N/A	N/A	
Daniel Schurr (Director)	N/A	N/A	
Duane Stenzel (Director)	N/A	N/A	
Michael Toelle (Director)	PF (Personal Funds)	$49,000	

CHS Inc. Schedule 13D
Item 4 Purpose of Transaction

Name	**Purpose of Acquisition**
CHS Inc. (Reporting Person)	Investment purposes.
John D. Johnson (Executive Officer)	N/A
Jay D. Debertin (Executive Officer)	Shares awarded by Issuer to Mr. Deberin (a non-employee director of Issuer) pursuant to Issuer s 2006 Stock Incentive Plan. Held for investment purposes.
Patrick M. Kluempke (Executive Officer)	N/A
Thomas D. Larson (Executive Officer)	N/A
Mark L. Palmquist (Executive Officer)	N/A
John Schmitz (Executive Officer)	N/A
Leon Westbrock (Executive Officer)	N/A
Bruce Anderson (Director)	N/A
Donald Anthony (Director)	N/A
Robert Bass (Director)	N/A
Dennis Carlson (Director)	N/A
Curt Eischens (Director)	N/A
Steve Fritel (and Barb Fritel) (Director)	Investment purposes.

CHS Inc. Schedule 13D
Item 4 Purpose of Transaction

Name	Purpose of Acquisition
Robert Grabarski (Director)	Investment Purposes
Jerry Hasnedl (Director)	N/A
David Kayser (Director)	N/A
James Kile (Director)	N/A
Randy Knecht (Director)	N/A
Michael Mulcahey (Director)	N/A
Richard Owen (Director)	N/A
Steve Riegel (Director)	N/A
Daniel Schurr (Director)	N/A
Duane Stenzel (Director)	N/A
Michael Toelle (Director)	Investment purposes.

CHS Inc. Schedule 13D
Item 5 Interest in Securities of the Issuer

Name	(a)	(b)	(c)	(d)	(e)
CHS Inc. (Reporting Person)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
John D. Johnson (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Jay D. Debertin (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Patrick M. Kluempke (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Thomas D. Larson (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Mark L. Palmquist (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
John Schmitz (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Leon Westbrock (Executive Officer)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Bruce Anderson (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Donald Anthony (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Robert Bass (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Dennis Carlson (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Curt Eischens (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Steve Fritel (and Barb Fritel) (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A

CHS Inc. Schedule 13D
Item 5 Interest in Securities of the Issuer

Name	(a)	(b)	(c)	(d)	(e)
Robert Grabarski (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Jerry Hasnedl (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
David Kayser (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
James Kile (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Randy Knecht (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Michael Mulcahey (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Richard Owen (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Steve Riegel (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Daniel Schurr (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Duane Stenzel (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A
Michael Toelle (Director)	See No. 11 and 13 on Cover Page	See Nos. 7-10 on Cover Page	N/A Initial 13D Filing	N/A	N/A

CHS Inc. Schedule 13D

Item 6 Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Name	**Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**
CHS Inc. (Reporting Person)	(a) Shareholder s Agreement dated December 20, 2006 between CHS Inc. and Issuer, which contains certain standstill restrictions restricting the amount of stock a shareholder may purchase. The agreement also (i) restricts the transfer of stock to anybody who would beneficially own in excess of 5% of the Issuer s common stock; (ii) requires the signing shareholder to vote its shares to elect a majority of independent directors to the board; and (iii) provides certain demand and piggyback registration rights. (b) Subscription Agreement dated November 17, 2005 between CHS Inc. and Issuer, setting forth the terms and conditions of the purchase by CHS Inc. of 35,000,000 shares of Issuer s Class A Common Stock. (c) Stock Purchase Agreement dated March 8, 2006 between CHS Inc. and Issuer, setting forth the terms and conditions of the purchase by CHS Inc. of 17,500,000 shares of Issuer s Class A Common Stock. (d) First Amended and Restated Share Purchase Agreement dated July 19, 2006 between CHS Inc. and Fagen Management LLC, setting forth the terms and conditions of the purchase by CHS Inc. of 2,000,000 shares of Issuer s Class A Common Stock held by Fagen Management LLC. (e) First Amended and Restated Share Purchase Agreement dated July 19, 2006 between CHS Inc. and Global Ethanol, Inc., setting forth the terms and conditions of the purchase by CHS Inc. of 3,000,000 shares of Issuer s Class A Common Stock held by Global Ethanol, Inc.
John D. Johnson (Executive Officer)	None
Jay D. Debertin (Executive Officer)	Issuer s 2006 Stock Incentive Plan.
Patrick M. Kluempke (Executive Officer)	None
Thomas D. Larson (Executive Officer)	None
Mark L. Palmquist (Executive Officer)	None

CHS Inc. Schedule 13D

Item 6 Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Name	**Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**
John Schmitz (Executive Officer)	None
Leon Westbrock (Executive Officer)	None
Bruce Anderson (Director)	None
Donald Anthony (Director)	None
Robert Bass (Director)	None
Dennis Carlson (Director)	None
Curt Eischens (Director)	None
Steve Fritel (and Barb Fritel) (Director)	None
Robert Grabarski (Director)	None
Jerry Hasnedl (Director)	None
David Kayser	None

(Director)	
James Kile (Director)	None
Randy Knecht (Director)	None
Michael Mulcahey (Director)	None

CHS Inc. Schedule 13D

Item 6 Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Name	Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer
Richard Owen (Director)	None
Steve Riegel (Director)	None
Daniel Schurr (Director)	None
Duane Stenzel (Director)	None
Michael Toelle (Director)	None

CHS Inc. Schedule 13D
Item 7 Material to be Filed as Exhibits

None.