ALEXANDRIA REAL ESTATE EQUITIES INC
Form 10-Q
May 03, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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 x 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 x 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 x	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 x

As of May 2, 2013, 63,837,404 shares of common stock, par value $.01 per share, were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

Alexandria Real Estate Equities, Inc.
Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

	March 31, 2013	December 31, 2012
Assets		
Investments in real estate, net	$ 6,375,182	$ 6,424,578
Cash and cash equivalents	87,001	140,971
Restricted cash	30,008	39,947
Tenant receivables	9,261	8,449
Deferred rent	170,100	170,396
Deferred leasing and financing costs, net	159,872	160,048
Investments	123,543	115,048
Other assets	135,952	90,679
Total assets	$ 7,090,919	$ 7,150,116
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	$ 730,714	$ 716,144
Unsecured senior notes payable	549,816	549,805
Unsecured senior line of credit	554,000	566,000
Unsecured senior bank term loans	1,350,000	1,350,000
Accounts payable, accrued expenses, and tenant security deposits	367,153	423,708
Dividends payable	43,955	41,401
Total liabilities	3,595,638	3,647,058
Commitments and contingencies		
Redeemable noncontrolling interests	14,534	14,564
Alexandria Real Estate Equities, Inc. s stockholders equity:		
Series D Convertible Preferred Stock	250,000	250,000
Series E Preferred Stock	130,000	130,000
Common stock	633	632
Additional paid-in capital	3,075,860	3,086,052
Accumulated other comprehensive loss	(22,890)	(24,833)
Alexandria Real Estate Equities, Inc. s stockholders equity	3,433,603	3,441,851
Noncontrolling interests	47,144	46,643
Total equity	3,480,747	3,488,494
Total liabilities, noncontrolling interests, and equity	$ 7,090,919	$ 7,150,116

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

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Alexandria Real Estate Equities, Inc.
Condensed Consolidated Statements of Income

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues:		
Rental	$ 111,776	$ 101,201
Tenant recoveries	35,611	31,882
Other income	2,993	2,628
Total revenues	150,380	135,711
Expenses:		
Rental operations	45,224	40,453
General and administrative	11,648	10,357
Interest	18,020	16,226
Depreciation and amortization	46,065	41,786
Loss on early extinguishment of debt		623
Total expenses	120,957	109,445
Income from continuing operations	29,423	26,266
Income from discontinued operations, net	814	4,645
Gain on sale of land parcel		1,864
Net income	30,237	32,775
Net income attributable to noncontrolling interests	982	711
Dividends on preferred stock	6,471	7,483
Preferred stock redemption charge		5,978
Net income attributable to unvested restricted stock awards	342	235
Net income attributable to Alexandria Real Estate Equities, Inc. s common stockholders	$ 22,442	$ 18,368
Earnings per share attributable to Alexandria Real Estate Equities, Inc. s common stockholders basic and diluted:		
Continuing operations	$ 0.35	$ 0.22
Discontinued operations, net	0.01	0.08
Earnings per share basic and diluted	$ 0.36	$ 0.30

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

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Alexandria Real Estate Equities, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	$ 30,237	$ 32,775
Other comprehensive income:		
Unrealized gains (losses) on marketable securities:		
Unrealized holding gains arising during the period	316	674
Reclassification adjustment for gains included in net income	(272)	(924)
Unrealized gains (losses) on marketable securities, net	44	(250)
Unrealized gains on interest rate swaps:		
Unrealized interest rate swap losses arising during the period	(133)	(4,073)
Reclassification adjustment for amortization of interest expense included in net income	4,308	5,775
Unrealized gains on interest rate swap agreements, net	4,175	1,702
Foreign currency translation (losses) gains	(2,360)	9,959
Total other comprehensive income	1,859	11,411
Comprehensive income	32,096	44,186
Less: comprehensive income attributable to noncontrolling interests	(898)	(699)
Comprehensive income attributable to Alexandria Real Estate Equities, Inc. s common stockholders	$ 31,198	$ 43,487

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

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Alexandria Real Estate Equities, Inc.

Condensed Consolidated Statement of Changes in Stockholders Equity and Noncontrolling Interests

(Dollars in thousands)

(Unaudited)

	Alexandria Real Estate Equities, Inc. s Stockholders Equity									
	Series D Convertible Preferred Stock	Series E Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of December 31, 2012	$ 250,000	$ 130,000	63,244,645	$ 632	$ 3,086,052	$	$ (24,833)	$ 46,643	$ 3,488,494	$ 14,564
Net income						29,255		714	29,969	268
Unrealized loss on marketable securities							44		44	
Unrealized gain on interest rate swap agreements							4,175		4,175	
Foreign currency translation loss							(2,276)	(84)	(2,360)	
Contributions by noncontrolling interests										
Distributions to noncontrolling interests								(129)	(129)	(298)
Issuances pursuant to stock plan			72,651	1	5,269				5,270	
Dividends declared on common stock						(38,245)			(38,245)	
Dividends declared on preferred stock						(6,471)			(6,471)	
Distributions in excess of earnings					(15,461)	15,461				
Balance as of March 31, 2013	$ 250,000	$ 130,000	63,317,296	$ 633	$ 3,075,860	$	$ (22,890)	$ 47,144	$ 3,480,747	$ 14,534

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

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Operating Activities		
Net income	$ 30,237	$ 32,775
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,995	43,405
Loss on early extinguishment of debt		623
Gain on sale of land parcel		(1,864)
Loss on sale of real estate	340	
Amortization of loan fees and costs	2,386	2,643
Amortization of debt premiums/discounts	115	179
Amortization of acquired above and below market leases	(830)	(800)
Deferred rent	(6,198)	(8,796)
Stock compensation expense	3,349	3,293
Equity in loss related to investments		26
Gain on sales of investments	(446)	(1,999)
Loss on sales of investments	386	1
Changes in operating assets and liabilities:		
Restricted cash	1,506	862
Tenant receivables	(818)	(1,237)
Deferred leasing costs	(11,757)	(7,011)
Other assets	(7,302)	(2,411)
Accounts payable, accrued expenses, and tenant security deposits	(10,722)	(10,004)
Net cash provided by operating activities	47,241	49,685
Investing Activities		
Proceeds from sale of properties	80,203	
Additions to properties	(139,245)	(120,585)
Purchase of properties		(19,946)
Change in restricted cash related to construction projects	(17)	(1,400)
Distribution from unconsolidated real estate entity		22,250
Contributions to unconsolidated real estate entity	(2,074)	(3,914)
Additions to investments	(10,363)	(5,438)
Proceeds from investments	1,972	4,785
Net cash used in investing activities	(69,524)	(124,248)

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

	Three Months Ended March 31,	
	2013	2012
Financing Activities		
Borrowings from secured notes payable	$ 17,215	$
Repayments of borrowings from secured notes payable	(2,749)	(2,688)
Proceeds from issuance of unsecured senior notes payable		544,649
Principal borrowings from unsecured senior line of credit	179,000	248,000
Repayments of borrowings from unsecured senior line of credit	(191,000)	(451,000)
Repayment of unsecured senior bank term loan		(250,000)
Repurchase of unsecured senior convertible notes		(83,801)
Proceeds from issuance of Series E Preferred Stock		124,868
Change in restricted cash related to financings	8,656	(15,955)
Deferred financing costs paid	(46)	(5,300)
Proceeds from exercise of stock options		112
Dividends paid on common stock	(35,687)	(30,386)
Dividends paid on preferred stock	(6,471)	(7,089)
Distributions to redeemable noncontrolling interests		(315)
Contributions by noncontrolling interests		625
Distributions to noncontrolling interests	(427)	(369)
Net cash (used in) provided by financing activities	(31,509)	71,351
Effect of foreign exchange rate changes on cash and cash equivalents	(178)	2,034
Net decrease in cash and cash equivalents	(53,970)	(1,178)
Cash and cash equivalents at beginning of period	140,971	78,539
Cash and cash equivalents at end of period	$ 87,001	$ 77,361
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest, net of interest capitalized	$ 9,964	$ 11,976
Non-Cash Investing Activities		
Note receivable from sale of real estate	$ 38,820	$
Change in accrued capital expenditures	$ (37,045)	$ 9,396

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

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

1. Background

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

Alexandria Real Estate Equities, Inc. (NYSE: ARE), a self-administered and self-managed investment-grade real estate investment trust (REIT), is the largest and leading REIT focused principally on owning, operating, developing, redeveloping, and acquiring high-quality, sustainable real estate for the broad and diverse life science industry. Alexandria s client tenants span the life science industry, including renowned academic and medical institutions, multinational pharmaceutical companies, public and private biotechnology entities, United States (U.S.) government research agencies, medical device companies, industrial biotech companies, venture capital firms, and life science product and service companies. For additional information on Alexandria Real Estate Equities, Inc., please visit www.are.com.

2. Basis of presentation

We have prepared the accompanying interim condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) and in conformity with the rules and regulations of the Securities and Exchange Commission (SEC). In our opinion, the interim condensed consolidated financial statements presented herein reflect all adjustments that are necessary to fairly present the interim condensed 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, 2013. These condensed 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, 2012.

The accompanying condensed consolidated financial statements include the accounts of Alexandria Real Estate Equities, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

We hold interests, together with certain third parties, in companies that we consolidate in our financial statements. We consolidate the companies because we exercise significant control over major decisions by these entities, such as investment activity and changes in financing.

Use of estimates

The preparation of condensed 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 condensed consolidated financial statements; and the amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

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2. Basis of presentation (continued)

Investments in real estate, net, and discontinued operations

We recognize assets acquired (including the intangible value of above or below market leases, acquired in-place leases, client 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, 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 carrying costs during the hypothetical lease-up period and other costs that would have been incurred to execute similar leases, considering 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 and restructuring costs are expensed as incurred.

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

We are required to capitalize project costs, including predevelopment costs, interest, property taxes, insurance, and other costs directly related and essential to the acquisition, development, redevelopment, or construction of a project. Capitalization of development, redevelopment, and construction costs is required while activities are ongoing to prepare an asset for its intended use. Fluctuations in our development, redevelopment, 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, 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: (1) management, having the authority to approve the action, commits to a plan to sell the property; (2) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (3) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (4) the sale of the property is probable and is expected to be completed within one year; (5) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) 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. When all of these criteria have been met, the property is classified as held for sale ; if (1) the operations and cash flows of the property have been or will be eliminated from the ongoing operations, and (2) we will not have any significant continuing involvement in the operations of the property after the sale, then its operations, including any interest expense directly attributable to it, are classified as discontinued operations in our condensed consolidated statements of income, and amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. Depreciation of assets ceases upon designation of a property as held for sale.

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2. Basis of presentation (continued)

Impairment of long-lived assets

Long-lived assets to be held and used, including our rental properties, land held for future development, construction in progress, 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 and used 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 and used, including our rental properties, land held for future development, and construction in progress, are assessed by project and include significant fluctuations in estimated net operating income, 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 and used. 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 a held for sale impairment model for our properties classified as held for sale. The held for sale impairment model is different from the held and used 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 and used to require the recognition of an impairment charge upon classification as held for sale.

Investments

We hold equity investments in certain publicly traded companies and privately held entities primarily involved in the life science industry. All of our investments in actively traded public companies are considered available for sale and are reflected in the accompanying condensed 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 net realized gains or losses classified in other income in the accompanying condensed 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 are accounted for under the equity method when our interest in the entity is not deemed 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, 2013, and December 31, 2012, our ownership percentage in the voting stock of each individual entity was less than 10%.

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 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 would 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 non-cash charge to current earnings.

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2. Basis of presentation (continued)

Income taxes

We are organized and qualify as a REIT pursuant to the Internal Revenue Code of 1986, as amended (the Code). Under the Code, a REIT that distributes 100% of its REIT taxable income as a dividend to its shareholders each year and that meets certain other conditions is not subject to federal income taxes, but could be subject to certain state and local taxes. We have distributed 100% or more of our taxable income. Therefore, no provision for federal income taxes is required. We file tax returns, including returns for our subsidiaries, with federal, state, and local jurisdictions, including jurisdictions located in the U.S., Canada, India, China, and other international locations. Our tax returns are subject to examination in various jurisdictions for the calendar years 2008 through 2012.

We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the more likely than not threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of March 31, 2013, there were no unrecognized tax benefits. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

Interest expense and penalties, if any, would be recognized in the first period during which the interest or penalty would begin accruing, according to the provisions of the relevant tax law at the applicable statutory rate of interest. We did not incur any material tax-related interest expense or penalties for the three months ended March 31, 2013 and 2012.

Interest income

Interest income was approximately $1.3 million and $0.6 million during the three months ended March 31, 2013 and 2012, respectively. Interest income is classified in other income in the accompanying condensed consolidated statements of income.

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 an asset in deferred rent in the accompanying condensed 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 condensed consolidated balance sheets. We commence recognition of rental income at the date the property is ready for its intended use and the client tenant takes possession of or controls the physical use of the property.

Tenant recoveries related to reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, 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 client tenants. Tenant receivables are expected to be collected within one year. We maintain an allowance for estimated losses that may result from the inability of our client tenants to make payments required under the terms of the lease and for tenant recoveries due. If a client 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 rent and deferred rent receivables arising from the straight-lining of rent. As of March 31, 2013, and December 31, 2012, we had no allowance for estimated losses.

As of March 31, 2013, approximately 94% of our leases (on a rentable square footage basis) were triple net leases, requiring client tenants to pay substantially all real estate taxes, insurance, utilities, common area expenses, and other operating expenses (including increases thereto) in addition to base rent. Approximately 96% of our leases (on a rentable square footage basis) contained effective annual rent escalations that were either fixed or based on a consumer price index or another index. Additionally, approximately 92% of our leases (on a rentable square footage basis) provided for the recapture of certain capital expenditures.

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3. Investments in real estate

Our investments in real estate, net, consisted of the following as of March 31, 2013, and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Land (related to rental properties)	$ 516,957	$ 522,664
Buildings and building improvements	4,955,207	4,933,314
Other improvements	163,864	189,793
Rental properties	5,636,028	5,645,771
Less: accumulated depreciation	(849,891)	(875,035)
Rental properties, net	4,786,137	4,770,736
Construction in progress (CIP)/current value-added projects:		
Active development in North America	579,273	431,578
Investment in unconsolidated real estate entity	30,730	28,656
Active redevelopment in North America	141,470	199,744
Generic infrastructure/building improvement projects in North America	62,869	80,599
Active development and redevelopment in Asia	101,357	101,602
	915,699	842,179
Subtotal	5,701,836	5,612,915
Land/future value-added projects:		
Land subject to sale negotiations	45,378	
Land undergoing preconstruction activities (additional CIP) in North America	305,300	433,310
Land held for future development in North America	231,130	296,039
Land held for future development/land undergoing preconstruction activities (additional CIP) in Asia	83,735	82,314
	673,346	811,663
Investments in real estate, net	$ 6,375,182	$ 6,424,578

Land held for future development represents real estate we plan to develop in the future but on which, as of each period presented, no construction or preconstruction activities were ongoing. As a result, interest, property taxes, insurance, and other costs are expensed as incurred. As of March 31, 2013, and December 31, 2012, we held land in North America supporting an aggregate of 3.8 million and 4.7 million rentable square feet of future ground-up development, respectively. Additionally, as of March 31, 2013, and December 31, 2012, we held land undergoing preconstruction activities in North America totaling 1.9 million and 2.9 million rentable square feet, respectively. Land undergoing preconstruction activities (consisting of Building Information Modeling [BIM or 3-D virtual modeling], design development and construction drawings, sustainability and energy optimization review, budgeting, planning for future site and infrastructure work, and other activities prior to commencement of vertical construction of aboveground shell and core improvements) is also classified as construction in progress. Our objective with preconstruction is to reduce the time it takes to deliver projects to prospective client tenants. Project costs are capitalized as a cost of the project during periods when activities necessary to prepare an asset for its intended use are in progress. We generally will not commence ground-up development of any parcels undergoing preconstruction activities without first securing pre-leasing for such space. If vertical aboveground construction is not initiated at completion of preconstruction activities, the land parcel will be classified as land held for future development. The largest project primarily included in land undergoing preconstruction consists of our 1.2 million developable square feet at Alexandria Center at Kendall Square in East Cambridge, Massachusetts.

Real estate asset sales

During the three months ended March 31, 2013, we sold six properties in three separate transactions for aggregate consideration of approximately $124.3 million, at a net loss of approximately $0.3 million, which included an aggregate gain of approximately $0.1 million on the sale of two properties in the Suburban Washington, D.C. market, an aggregate loss of approximately $0.4 million on sale of three properties in the Greater Boston market, and no gain or loss on the sale of a property in the Seattle market.

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4. Investments

We hold equity investments in certain publicly traded companies and privately held entities primarily involved in the life science industry. Investments in available for sale securities with gross unrealized losses as of March 31, 2013, 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, and accordingly we have not recognized other-than-temporary impairment related to available for sale securities as of March 31, 2013. As of March 31, 2013, and December 31, 2012, there were no unrealized losses in our investments in privately held entities.

The following table summarizes our investments as of March 31, 2013, and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Available-for-sale securities, cost basis	$ 1,607	$ 1,236
Gross unrealized gains	1,547	1,561
Gross unrealized losses	(29)	(88)
Available-for-sale securities, at fair value	3,125	2,709
Investments accounted for under cost method	120,412	112,333
Investments accounted for under equity method	6	6
Total investments	$ 123,543	$ 115,048

The following table outlines our net investment income, which is classified in other income in the accompanying condensed consolidated statements of income for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31, 2013	2012
Equity in loss related to equity method investments	$	$ (26)
Gross realized gains	446	1,999
Gross realized losses	(386)	(1)
Net investment income	$ 60	$ 1,972
Amount reclassified from accumulated other comprehensive income to realized gains, net	$ 272	$ 924

5. Secured and unsecured senior debt

The following table summarizes our secured and unsecured senior debt and their respective principal maturities, as of March 31, 2013 (in thousands):

	Fixed Rate/Hedged Variable Rate	Unhedged Variable Rate	Total Consolidated	Percentage of Total	Weighted Average Interest Rate at End of Period (1)	Weighted Average Remaining Term (Years)
Secured notes payable (2)	$ 620,076	$ 110,638	$ 730,714	22.9%	5.56%	2.8
Unsecured senior notes payable (2)	549,816		549,816	17.3	4.61	9.0
Unsecured senior line of credit (3)		554,000	554,000	17.4	1.40	4.1
2016 Unsecured Senior Bank Term Loan (4)	750,000		750,000	23.6	2.39	3.3
2017 Unsecured Senior Bank Term Loan (5)	250,000	350,000	600,000	18.8	3.68	3.8
Total debt	$ 2,169,892	$ 1,014,638	$ 3,184,530	100.0%	3.57%	4.4
Percentage of total debt	68%	32%	100%			

(1) Represents the contractual interest rate as of the end of the period plus the impact of debt premiums/discounts and our interest rate swap agreements. The weighted average interest rate excludes bank fees and amortization of loan fees.

(2) Represents amounts net of unamortized premiums/discounts.

(3) Total commitments available for borrowing aggregate $1.5 billion under our unsecured senior line of credit. As of March 31, 2013, we had approximately $0.9 billion available for borrowing under our unsecured senior line of credit. Weighted average remaining term assumes we exercise our sole option to extend the stated maturity date of April 30, 2016, by six months, twice, to April 30, 2017.

(4) Assumes we exercise our sole option to extend the stated maturity date of June 30, 2015, by one year, to June 30, 2016.

(5) Assumes we exercise our sole option to extend the stated maturity date of January 31, 2016, by one year, to January 31, 2017.

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5. Secured and unsecured senior debt (continued)

The following table summarizes fixed rate/hedged variable and unhedged variable rate debt and their respective principal maturities, as of March 31, 2013 (dollars in thousands):

Debt	Stated Rate	Effective Interest Rate (1)	Maturity Date	2013	2014