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 June 30, 2004

OR

____ 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)

135 North Los Robles Avenue, Suite 250, Pasadena, California 91101
(Address of principal executive offices)

(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 ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes X No ____

As of August 5, 2004, 19,398,842 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. and Subsidiaries

Condensed Consolidated Balance Sheets
(Unaudited)
(dollars in thousands)

	June 30, 2004	December 31, 2003
Assets		
Rental properties, net	$ 1,068,493	$ 982,297
Properties under development	161,890	153,379
Cash and cash equivalents	3,030	4,985
Tenant security deposits and other restricted cash	13,259	11,057
Tenant receivables	2,097	1,969
Deferred rent	37,386	31,503
Investments	50,622	47,126
Other assets	42,967	40,261
Total assets	$ 1,379,744	$ 1,272,577
Liabilities and Stockholders' Equity		
Secured notes payable	$ 360,486	$ 320,007
Unsecured line of credit and unsecured term loan	324,000	389,000
Accounts payable, accrued expenses and tenant security deposits	38,090	43,408
Preferred stock redemption liability	38,588	-
Dividends payable	13,934	13,027
Total liabilities	775,098	765,442
Stockholders' equity:		
Series A preferred stock	-	38,588
Series B preferred stock	57,500	57,500
Series C preferred stock	129,638	-
Common stock	194	193
Additional paid-in capital	410,932	409,926
Deferred compensation	(1,085)	(2,232)
Retained earnings	7,826	8,635
Accumulated other comprehensive loss	(359)	(5,475)
Total stockholders' equity	604,646	507,135
Total liabilities and stockholders' equity	$ 1,379,744	$ 1,272,577

See accompanying notes.

Alexandria Real Estate Equities, Inc. and Subsidiaries

Condensed Consolidated Income Statements
(Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues				
Rental	$ 34,489	$ 31,248	$ 68,263	$ 62,471
Tenant recoveries	8,426	7,830	16,740	16,309
Other income	608	378	1,295	716
	43,523	39,456	86,298	79,496
Expenses				
Rental operations	8,808	8,136	17,543	16,712
General and administrative	3,814	3,544	7,450	7,093
Interest	6,926	6,512	13,635	13,383
Depreciation and amortization	10,088	9,678	20,069	19,052
	29,636	27,870	58,697	56,240
Income from continuing operations	13,887	11,586	27,601	23,256
Income from discontinued operations, net	-	963	1,626	1,442
Net income	$ 13,887	$ 12,549	$ 29,227	$ 24,698
Dividends on preferred stock	2,284	2,225	4,509	4,450
Preferred stock redemption charge	1,876	-	1,876	-
Net income available to common stockholders	$ 9,727	$ 10,324	$ 22,842	$ 20,248
Basic income per common share:				
Income from continuing operations	$ 0.72	$ 0.61	$ 1.43	$ 1.23
Income from discontinued operations, net	$ -	$ 0.05	$ 0.08	$ 0.08
Net income	$ 0.72	$ 0.66	$ 1.52	$ 1.31
Net income available to common stockholders	$ 0.50	$ 0.54	$ 1.19	$ 1.07
Diluted income per common share:				
Income from continuing operations	$ 0.71	$ 0.60	$ 1.41	$ 1.21
Income from discontinued operations, net	$ -	$ 0.05	$ 0.08	$ 0.08
Net income	$ 0.71	$ 0.65	$ 1.49	$ 1.29
Net income available to common stockholders	$ 0.50	$ 0.54	$ 1.17	$ 1.06
Weighted average shares of common stock outstanding:				
-Basic	19,284,631	18,952,445	19,245,792	18,924,290
-Diluted	19,608,854	19,190,472	19,595,337	19,160,395

See accompanying notes.

Alexandria Real Estate Equities, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(dollars in thousands)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Operating Activities		
Net income	$ 29,227	$ 24,698
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on sales of property	(1,627)	455
Depreciation and amortization	20,069	19,221
Amortization of loan fees and costs	1,141	979
Amortization of premiums on secured notes	(62)	(185)
Stock compensation expense	1,579	1,337
Changes in operating assets and liabilties:		
Tenant security deposits and other restricted cash	(2,202)	(1,947)
Tenant receivables	(128)	171
Deferred rent	(5,891)	(3,400)
Other assets	(6,640)	(2,351)
Accounts payable, accrued expenses and tenant security deposits	(521)	958
Net cash provided by operating activities	34,945	39,936
Investing Activities		
Purchase of properties	(62,272)	(38,377)
Proceeds from sales of property	5,454	6,558
Additions to rental properties	(32,554)	(24,296)
Additions to properties under development	(11,139)	(20,477)
Additions to investments, net	(3,391)	(4,677)
Net cash used in investing activities	(103,902)	(81,269)
Financing Activities		
Proceeds from secured notes payable	38,000	34,667
Proceeds from exercise of stock options	4,032	1,819
Proceeds from issuance of preferred stock	124,209	-
Principal (reductions to) borrowings from unsecured line of credit and unsecured term loan	(65,000)	32,000
Principal reductions of secured notes payable	(6,986)	(2,932)
Dividends paid on common stock	(22,803)	(19,563)
Dividends paid on preferred stock	(4,450)	(4,450)
Net cash provided by financing activities	67,002	41,541
Net (decrease) increase in cash and cash equivalents	(1,955)	208
Cash and cash equivalents at beginning of period	4,985	3,790
Cash and cash equivalents at end of period	$ 3,030	$ 3,998

See accompanying notes.

1. Background and Basis of Presentation

Background

Alexandria Real Estate Equities, Inc. is a real estate investment trust ("REIT") formed in 1994. We are engaged primarily in the ownership, operation, management, acquisition, expansion and selective redevelopment and development of properties containing a combination of office and laboratory space. We refer to these properties as "life science properties". Our life science properties are designed and improved for lease primarily to pharmaceutical, biotechnology, life science research, product, service, defense, educational and translational medicine companies/entities/institutions, as well as related government agencies. As of June 30, 2004, our portfolio consisted of 94 properties in nine states with approximately 6.0 million rentable square feet.

We have prepared the accompanying interim financial statements in accordance with accounting principles generally accepted in the United States and in conformity with the rules and regulations of the Securities and Exchange Commission. In our opinion, the interim financial statements presented herein reflect all adjustments, consisting solely of normal and recurring adjustments, which are necessary to fairly present the interim 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, 2004. These financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003.

Basis of Presentation and Significant Accounting Policies

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.

Reclassifications

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

1. Background and Basis of Presentation (continued)

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following (in thousands):

	June 30, 2004	December 31, 2003
Unrealized gain on marketable securities	$ 929	$ 824
Unrealized loss on interest rate swap agreements	(1,288)	(6,299)
	$ (359)	$ (5,475)

The following table provides a reconciliation of comprehensive income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	$ 13,887	$ 12,549	$ 29,227	$ 24,698
Unrealized (loss) gain on marketable securities	(240)	515	105	521
Unrealized gain (loss) on interest rate swap agreements	6,900	(545)	5,011	(400)
Comprehensive income	$ 20,547	$ 12,519	$ 34,343	$ 24,819

2. Rental Properties, Net

Rental properties, net consist of the following (in thousands):

	June 30, 2004	December 31, 2003
Land	$ 161,269	$ 147,425
Buildings and improvements	935,512	854,152
Tenant and other improvements	129,374	122,280
	1,226,155	1,123,857
Less accumulated depreciation	(157,662)	(141,560)
	$ 1,068,493	$ 982,297

2. Rental Properties, Net (continued)

During the second quarter of 2004, we acquired two properties aggregating approximately 90,000 square feet in the Eastern Massachusetts market for approximately $13.8 million. We assumed a $9.5 million loan secured by the properties and paid the balance in cash. We also acquired one property in the Suburban Washington D.C. market containing approximately 92,000 square feet for approximately $25.6 million in cash. We also acquired two properties aggregating approximately 35,000 square feet in the Seattle, Washington market for approximately $5.5 million in cash. Also during the second quarter of 2004, we completed the acquisition of one property in the San Francisco Bay market for approximately $25.3 million in cash.

3. 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 publicly-traded companies are considered "available for sale" under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The following table summarizes our available-for-sale securities (in thousands):

	June 30, 2004	December 31, 2003
Adjusted cost of available-for-sale securities	$ 2,854	$ 1,257
Gross unrealized gains	1,118	837
Gross unrealized losses	(189)	(13)
Fair value of available-for-sale securities	$ 3,783	$ 2,081

Investments in privately-held entities as of June 30, 2004 and December 31, 2003, totaled $46,839,000 and $45,045,000, respectively. Of these totals, $45,918,000 and $42,331,000 are accounted for under the cost method. The remainder ($921,000 and $2,714,000 as of June 30, 2004 and December 31, 2003, respectively) is accounted for under the equity method in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock" and Emerging Issues Task Force Topic ("EITF") D-46, "Accounting for Limited Partnership Investments".

For all of our investments, if a decline in the fair value of an investment below its carrying value is determined to be other than temporary, such investment is written down to its estimated fair value with a non-cash impairment charge to current earnings.

4. Unsecured Line of Credit and Unsecured Term Loan

We have an unsecured line of credit that provides for borrowings of up to $440 million and an unsecured term loan for $150 million. Borrowings under our unsecured line of credit and our unsecured term loan, as amended, bear interest at a floating rate based on our election of either a LIBOR-based rate or a rate related to the higher of the bank's reference rate and the Federal Funds rate. For each LIBOR-based advance, we must elect a LIBOR period of one, two, three or six months.

Our unsecured line of credit and our unsecured term loan contain financial covenants, including, among other things, maintenance of minimum net worth, a total liabilities to gross asset value ratio and a fixed charge coverage ratio. In addition, the terms of the unsecured line of credit and unsecured term loan restrict, among other things, certain investments, indebtedness, distributions and mergers. The unsecured line of credit expires November 2006 and may be extended at our sole option for an additional one-year period. As of June 30, 2004, borrowings outstanding on the unsecured line of credit carried a weighted average interest rate of 2.75%. The unsecured term loan expires in November 2008. As of June 30, 2004, the unsecured term loan carried a weighted average interest rate of 2.76%.

Aggregate borrowings under the unsecured line of credit and unsecured term loan may be limited to an amount based on the net operating income derived from a pool of unencumbered properties. Accordingly, as we acquire or complete the development or redevelopment of additional unencumbered properties, aggregate borrowings available under the unsecured line of credit and unsecured term loan will increase up to a maximum of $590 million. Under these provisions, as of June 30, 2004, aggregate borrowings under our unsecured line of credit and unsecured term loan were limited to $510 million.

We utilize interest rate swap agreements to hedge a portion of our exposure to variable interest rates associated with our unsecured line of credit and unsecured term loan. These agreements involve an exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the "notional amount"). Interest received under all of our swap agreements is based on the one-month LIBOR rate. The net difference between the interest paid and the interest received is reflected as an adjustment to interest expense.

4. Unsecured Line of Credit and Unsecured Term Loan (continued)

The following table summarizes our interest rate swap agreements as of June 30, 2004 (dollars in thousands):

Transaction Dates	Effective Dates	Notional Amounts	Effective at June 30, 2004	Interest Pay Rates	Termination Dates	Fair Values
Hedges for Unsecured Line of Credit						
March 2002	December 31, 2002	$ 50,000	$ 50,000	5.364%	December 31, 2004	$ (882)
July 2002	January 1, 2003	25,000	25,000	3.855%	June 30, 2005	(368)
July 2002	January 1, 2003	25,000	25,000	3.865%	June 30, 2005	(371)
December 2002	January 2, 2003	25,000	25,000	3.285%	June 30, 2006	(147)
December 2002	January 2, 2003	25,000	25,000	3.285%	June 30, 2006	(147)
November 2002	June 1, 2003	25,000	25,000	3.115%	December 31, 2005	(156)
November 2002	June 1, 2003	25,000	25,000	3.155%	December 31, 2005	(171)
March 2004	December 31, 2004	25,000	-	2.956%	December 31, 2006	310
March 2004	December 31, 2004	25,000	-	2.956%	December 31, 2006	310
June 2004	June 30, 2005	50,000	-	4.343%	June 30, 2007	(271)
			$ 200,000			
Hedges for Unsecured Term Loan						
December 2003	December 31, 2003	$ 50,000	$ 50,000	1.530%	December 31, 2004	89
December 2003	December 31, 2004	50,000	-	3.000%	December 30, 2005	57
December 2003	December 30, 2005	50,000	-	4.150%	December 29, 2006	(26)
December 2003	December 29, 2006	50,000	-	5.090%	October 31, 2008	(78)
April 2004	April 30, 2004	50,000	50,000	1.550%	April 29, 2005	279
April 2004	April 29, 2005	50,000	-	3.140%	April 28, 2006	156
April 2004	April 28, 2006	50,000	-	4.230%	April 30, 2007	74
April 2004	April 30, 2007	50,000	-	4.850%	April 30, 2008	54
			$ 100,000			$ (1,288)
Total Interest Rate Swap Agreements in Effect at June 30, 2004			$ 300,000			

5. Stockholders' Equity

In June 2004, we elected to redeem all 1,543,500 outstanding shares of our 9.50% Series A cumulative redeemable preferred stock ("Series A preferred stock"). The redemption occurred in July 2004 at a redemption price of $25.00 per share plus $0.5409722 per share representing accumulated and unpaid dividends to the redemption date. In accordance with Emerging Issues Task Force Topic D-42, "The Effect on the Calculation of Earnings Per Share for the Redemption or Induced Conversion of Preferred Stock", the original cost of issuance of our Series A preferred stock has been recorded as a charge to net income available to common stockholders at the date we elected to redeem all shares. Therefore, during the second quarter of 2004, a charge of approximately $1,876,000 was recorded for costs related to the redemption of the Series A preferred stock. The preferred stock redemption liability on the balance sheet as of June 30, 2004 reflects the Series A preferred stock at its redemption amount excluding the portion relating to accrued dividends. Accrued dividends relating to the Series A preferred stock as of June 30, 2004 have been included in dividends payable in the accompanying balance sheet.

In June 2004, we declared a cash dividend on our common stock aggregating $12,020,000 ($ 0.62 per share) for the calendar quarter ended June 30, 2004. In June 2004, we also declared a cash dividend on our Series B preferred stock aggregating $1,308,000 ($0.56875 per share) for the period April 15, 2004 through July 14, 2004. We paid these dividends on July 15, 2004.

In June 2004, we completed a public offering of 5,185,500 shares of our 8.375% Series C cumulative redeemable preferred stock ("Series C preferred stock") (including the shares issued upon exercise of the underwriters' over-allotment option). The shares were issued at a price of $25.00 per share, resulting in aggregate proceeds of approximately $124.2 million (after deducting underwriters' discounts and other offering costs). The proceeds were used to redeem our 9.50% Series A preferred stock with the remaining portion used to pay down our unsecured line of credit. The dividends on our Series C preferred stock are cumulative and accrue from the date of original issuance. We pay dividends quarterly in arrears at an annual rate of $2.09375 per share. Our Series C preferred stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not redeemable prior to June 29, 2009, except in order to preserve our status as a REIT. Investors in our Series C preferred stock generally have no voting rights. On or after June 29, 2009, we may, at our option, redeem our Series C preferred stock, in whole in part, at any time for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends.

6. Stock Option Plan

For 2002 and all prior years, we elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for our employee and non-employee director stock options, stock grants and stock appreciation rights. Under APB 25, because the exercise price of the options we granted equals the market price of the underlying stock on the date of grant, no compensation expense had been recognized.

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure" ("SFAS 148"), which addresses alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. Effective January 1, 2003, we adopted the fair value recognition provisions of

6. Stock Option Plan (continued)

Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), prospectively to all employee awards granted, modified or settled after January 1, 2003. There have been no options issued since January 1, 2003.

The following table provides pro forma disclosures of the estimated fair value of the options amortized to expense over the options' vesting periods as if we had accounted for our stock options under the fair value method under SFAS 123 since the date they were granted (in thousands, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income available to common stockholders, as reported	$ 9,727	$ 10,324	$ 22,842	$ 20,248
Add: Stock-based employee compensation expense included in reported net income	-	-	-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(187)	(333)	(377)	(668)
Pro forma net income available to common stockholders	$ 9,540	$ 9,991	$ 22,465	$ 19,580
Earnings per share:				
Basic - as reported	$ 0.50	$ 0.54	$ $1.19	$ $1.07
Basic - pro forma	$ 0.49	$ 0.53	$ $1.17	$ $1.03
Diluted - as reported	$ 0.50	$ 0.54	$ $1.17	$ $1.06
Diluted - pro forma	$ 0.49	$ 0.52	$ $1.15	$ $1.02

7. Net Income Per Share

The following table shows the computation of net income per share of our common stock outstanding (dollars in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income available to common stockholders	$ 9,727	$ 10,324	$ 22,842	$ 20,248
Weighted average shares of common stock outstanding - basic	19,284,631	18,952,445	19,245,792	18,924,290
Add: dilutive effect of stock options and stock grants	324,223	238,027	349,545	236,105
Weighted average shares of common stock outstanding - diluted	19,608,854	19,190,472	19,595,337	19,160,395
Net income per common share:				
- Basic	$ 0.50	$ 0.54	$ 1.19	$ 1.07
- Diluted	$ 0.50	$ 0.54	$ 1.17	$ 1.06
Common dividends declared per share	$ 0.62	$ 0.53	$ 1.22	$ 1.06

8. Discontinued Operations

On January 1, 2002, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") became effective. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Under SFAS 144, 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 the 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" and its operations are classified as discontinued operations in our consolidated statements of income. When a property is designated as "held for sale", amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. A loss is recognized for any initial adjustment of the asset’s carrying amount to fair value less costs to sell in the period the asset qualifies as "held for sale". Depreciation of assets ceases commencing on the date they are designated as "held for sale". The accompanying statements have been presented in compliance with SFAS 144.

Income from discontinued operations, net includes the results of operations for three properties we sold during 2003 and one property we sold during the first quarter of 2004 under the provisions of SFAS 144. During the first quarter of 2004, we sold one property located in the Suburban Washington D.C. market that had been designated as "held for sale" during the fourth quarter of 2003. The total sale price for the property was approximately $5.7 million. In connection with the sale, we recorded a gain on sale of property of approximately $1.6 million. During the first quarter of 2003, we sold one property located in the San Francisco Bay market which could not be redeveloped pursuant to our original strategic objectives and that had been designated as "held for sale" as of December 31, 2002. The total sale price for the property was approximately $6.8 million. In connection with this sale, we recorded a loss on sale of property of approximately $455,000 in 2003. Gain/loss on sales of these properties are included on the income statement in income from discontinued operations.

No properties have been designated as "held for sale" as of June 30, 2004.

8. Discontinued Operations (continued)

The following is a summary of discontinued operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue	$ -	$ 1,793	14	3,576
Operating expenses	-	386	15	809
Revenue less operating expenses	-	1,407	(1)	2,767
Interest	-	362		701
Depreciation	-	82	-	169
Income before gain/loss on sales of property	-	963	(1)	1,897
Gain (loss) on sales of property	-	-	1,627	(455)
Income from discontinued operations	$ -	$ 963	$ 1,626	$ 1,442

	June 30, 2004	December 31, 2003
Properties held for sale, net	$ -	$ 3,518
Tenant security deposits and other restricted cash	-	6
Tenant receivables	-	82
Deferred rent	-	8
Other assets	-	66
Total assets	$ -	$ 3,680
Accounts payable, accrued expenses and tenant security deposits	-	79
Total liabilities	-	79
Net assets of discontinued operations	$ -	$ 3,601

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 "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates" or "anticipates", 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 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, those described below in this report and under the headings "Business Risks" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2003. We do not take any responsibility to update any of these factors or to announce publicly any revisions to any of the forward-looking statements contained in this or any other document, whether as a result of new information, future events or otherwise. Readers of this Form 10-Q should also read our Securities and Exchange Commission and other publicly filed documents for further discussion regarding such factors.

As used in this Form 10-Q, "we", "our", "ours" and "us" refer to Alexandria Real Estate Equities, Inc. and its subsidiaries.

The following discussion should be read in conjunction with the financial statements and notes appearing elsewhere in this report.

Overview

Since our formation in October 1994, we have devoted substantially all of our resources to the ownership, operation, management, acquisition, expansion and selective redevelopment and development of high quality, strategically located properties containing a combination of office and laboratory space leased principally to tenants in the life science industry. We refer to these properties as "life science properties".

As of June 30, 2004, our portfolio consisted of 94 properties containing approximately 6.0 million rentable square feet of office/laboratory space. As of that date, our properties were approximately 94% leased, excluding those properties in our redevelopment program. Our primary source of revenue is rental income and tenant recoveries from leases at the properties we own. The comparability of financial data from period to period is affected by the timing of our property acquisition, development and redevelopment activities.

Results of Operations

Comparison of Three Months Ended June 30, 2004 ("Second Quarter 2004") to Three Months Ended June 30, 2003 ("Second Quarter 2003")

Rental revenue increased by $3.2 million, or 10%, to $34.5 million for Second Quarter 2004 compared to $31.2 million for Second Quarter 2003. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after April 1, 2003. Rental revenue from the properties operating continuously since April 1, 2003 (the "Second Quarter Same Properties") increased by $461,000, or 1.7%, primarily due to increases in rental rates. The occupancy level of the Second Quarter Same Properties as of June 30, 2004 was 96.4%, compared to 96.2% as of June 30, 2003.

Tenant recoveries increased by $596,000, or 8%, to $8.4 million for Second Quarter 2004 compared to $7.8 million for Second Quarter 2003. The increase resulted primarily from tenant recoveries from properties acquired, placed in service or redeveloped after April 1, 2003. Tenant recoveries for the Second Quarter Same Properties were virtually unchanged, decreasing by $30,000, or 0.4%.

Other income increased by $230,000, or 61%, to $608,000 for Second Quarter 2004 compared to $378,000 for Second Quarter 2003. The increase resulted primarily due to a general increase in miscellaneous sources of income.

Rental operating expenses increased by $672,000, or 8%, to $8.8 million for Second Quarter 2004 compared to $8.1 million for Second Quarter 2003. The increase resulted primarily from rental operating expenses from properties acquired, placed in service or redeveloped after April 1, 2003. Operating expenses for the Second Quarter Same Properties decreased by $41,000, or 1%, primarily due to a decrease in property taxes from successful appeals at certain properties and a decrease in repairs and maintenance expenses, offset by an increase in utility expenses, substantially all of which are recoverable from our tenants through tenant recoveries.

General and administrative expenses increased by $270,000, or 8%, to $3.8 million for Second Quarter 2004 compared to $3.5 million for Second Quarter 2003 primarily due to general increases in administrative costs, primarily payroll and related expenses.

Interest expense increased by $414,000, or 6%, to $6.9 million for Second Quarter 2004 compared to $6.5 million for Second Quarter 2003. The increase resulted from an increase in indebtedness on our secured notes payable offset by principal reductions on our unsecured line of credit and a reduction in the floating interest rates on our unsecured line of credit and unsecured term loan. The weighted average interest rate on borrowings outstanding on our unsecured line of credit and unsecured term loan (excluding the effect of swap agreements) decreased from 2.84% as of June 30, 2003 to 2.75% as of June 30, 2004.

Depreciation and amortization increased by $410,000, or 4%, to $10.1 million for Second Quarter 2004 compared to $9.7 million for Second Quarter 2003. The increase resulted primarily from depreciation associated with the properties acquired, placed in service or redeveloped after April 1, 2003.

Income from discontinued operations, net was none and $963,000 for Second Quarter 2004 and Second Quarter 2003, respectively. It reflects the results of operations of three properties we sold during 2003 and one property we sold during the first quarter of 2004.

As a result of the foregoing, net income was $13.9 million for Second Quarter 2004 compared to $12.5 million for Second Quarter 2003.

Comparison of Six Months Ended June 30, 2004 ("Six Months 2004") to Six Months Ended June 30, 2003 ("Six Months 2003")

Rental revenue increased by $5.8 million, or 9%, to $68.3 million for Six Months 2004 compared to $62.5 million for Six Months 2003. The increase resulted primarily from rental revenue from properties acquired, placed in service or redeveloped after January 1, 2003. Rental revenue from the properties operating continuously since January 1, 2003 (the "Six Months Same Properties") increased by $1.2 million, or 2.3%, primarily due to increases in rental rates. The occupancy level of the Six Months Same Properties as of June 30, 2004 was 96.2%, compared to 96.3% as of June 30, 2003.

Tenant recoveries increased by $431,000, or 3%, to $16.7 million for Six Months 2004 compared to $16.3 million for Six Months 2003. The increase resulted primarily from properties acquired, placed in service or redeveloped after January 1, 2003. Tenant recoveries for the Six Months Same Properties decreased by $530,000, or 3.8%, primarily due to decreases in certain recoverable operating expenses during Six Months 2004.

Other income increased by $579,000, or 81%, to $1.3 million for Six Months 2004 compared to $716,000 for Six Months 2003. The increase resulted primarily due to a general increase in miscellaneous sources of income.

Rental operating expenses increased by $831,000, or 5%, to $17.5 million for Six Months 2004 compared to $16.7 million for Six Months 2003. The increase resulted primarily from rental operating expenses from properties acquired, placed in service or redeveloped after January 1, 2003. Operating expenses for the Six Months Same Properties decreased by $278,000, or 2.0%, primarily due to a decrease in property taxes from successful appeals at certain properties and a decrease in repairs and maintenance expenses offset by an increase in utility expenses, substantially all of which are recoverable from our tenants through tenant recoveries.

General and administrative expenses increased by $357,000, or 5%, to $7.5 million for Six Months 2004 compared to $7.1 million for Six Months 2003 primarily due to general increases in administrative costs, primarily payroll and related expenses.

Interest expense increased by $252,000, or 2%, to $13.6 million for Six Months 2004 compared to $13.4 million for Six Months 2003. The increase resulted primarily from an increase in indebtedness on our secured notes payable offset by principal reductions on our unsecured line of credit and unsecured term loan and a reduction in the floating interest rates on our unsecured line of credit and unsecured term loan. The weighted average interest rate on borrowings outstanding on our unsecured line of credit and unsecured term loan (excluding the effect of swap agreements) decreased from 2.84% as of June 30, 2003 to 2.75% as of June 30, 2004.

Depreciation and amortization increased by $1.0 million, or 5%, to $20.1 million for Six Months 2004 compared to $19.1 million for Six Months 2003. The increase resulted primarily from depreciation associated with the properties acquired, placed in service or redeveloped after January 1, 2003.

Income from discontinued operations, net was $1.6 million and $1.4 million for Six Months 2004 and Six Months 2003, respectively. It reflects the results of operations of three properties we sold during 2003 and one property we sold during the first quarter of 2004.

As a result of the foregoing, net income was $29.2 million for Six Months 2004 compared to $24.7 million for Six Months 2003.

Liquidity and Capital Resources

Cash flows

Net cash provided by operating activities for Six Months 2004 decreased by $5.0 million to $34.9 million for Six Months 2004 compared to $39.9 million for Six Months 2003. The decrease resulted primarily from an increase in other assets.

Net cash used in investing activities increased by $22.6 million to $103.9 million for Six Months 2004 compared to $81.3 million for Six Months 2003. This increase was primarily due to the higher level of property acquisitions for Six Months 2004 compared to Six Months 2003.

Net cash provided by financing activities increased by $25.5 million to $67.0 million for Six Months 2004 compared to $41.5 million for Six Months 2003. Cash provided by financing activities for Six Months 2004 primarily consisted of net proceeds from our preferred stock offering, offset by principal reductions to our unsecured line of credit and distributions to stockholders.

Contractual obligations and commitments

Contractual obligations as of June 30, 2004, consist of the following (dollars in thousands):

		Payments by Period			
	Total	**2004**	**2005-2006**	**2007-2008**	**Thereafter**
Contractual Obligations					
Secured notes payable (1)	$ 360,296	$ 3,057	$ 55,199	$ 54,556	$ 247,484
Ground lease obligations	64,588	834	3,529	3,631	56,594
Other obligations	502	260	242	-	-
Total	$ 425,386	$ 4,151	$ 58,970	$ 58,187	$ 304,078

(1) Excludes unamortized premium of $190,000 as of June 30, 2004.

Secured notes payable as of June 30, 2004 include 17 notes secured by 44 properties.
Ground lease obligations as of June 30, 2004 include leases at six of our properties and one land development parcel. These lease obligations have remaining lease terms of 29 to 51 years, exclusive of extension options.

In addition to the above, we were committed under the terms of construction contracts to complete the construction of properties under development at a remaining aggregate cost of $11.8 million.

As of June 30, 2004, we were also committed to fund approximately $15.5 million for the construction of building infrastructure improvements under the terms of leases and/or construction contracts and approximately $20.0 million for certain investments.

Tenant security deposits and other restricted cash

Tenant security deposits and other restricted cash as of June 30, 2004 consist of the following (in thousands):

	Amount
Funds held in trust under the terms of certain secured notes payable	$ 10,857
Security deposit funds based on the terms of certain lease agreements	2,035
Other funds held in escrow	367
	$ 13,259

Secured debt

Secured debt as of June 30, 2004 consists of the following (dollars in thousands):

Location of Collateral	Balance at June 30, 2004	Stated Interest Rates	Maturity Dates
San Francisco, CA (two properties)	$ 22,370	LIBOR + 1.70%	January 2005 (1)
Worcester, MA (2)	9,444	8.75%	January 2006
Durham, NC (two properties)	11,796	8.68%	December 2006
Gaithersburg, MA (three properties)	9,644	8.25%	August 2007
Chantilly, VA and Seattle, WA	34,180	7.22%	May 2008
San Diego, CA (four properties)	39,680	6.95%	July 2009
Worcester, MA and San Diego, CA	18,320	8.71%	January 2010
Worcester, MA (two properties)	9,496	5.35%	September 2010
Gaithersburg, MD (two properties)	24,023	8.33%	November 2010
San Diego, CA (six properties)	23,526	7.75%	July 2011
Gaithersburg, MD (three properties)	27,648	7.40%	January 2012
Alameda, CA (three properties) and San Diego, CA	33,261	6.21%	March 2013
Rockville, MD (two properties) and Beltsville, MD	29,736	6.36%	September 2013
Alameda, CA	1,412	7.165%	January 2014
Charlestown, MA, Lexington, MA, Montvale, NJ and Plymouth Meeting, PA	37,870	5.82%	April 2016
Seattle, WA (two properties)	16,898	7.75%	June 2016
San Diego, CA	11,182	7.50%	August 2021
	$ 360,486		

(1) The loan may be extended, at our option, for an additional year.
(2) The balance shown includes an unamortized premium of $190,000. The effective interest rate of the loan is 7.25%.

The following is a summary of the scheduled principal payments for our secured debt and the weighted average interest rates as of June 30, 2004 (in thousands):

Year	Amount	Weighted Average Interest Rate
2004	$ 3,057	6.87%
2005	28,863 (1)	7.13% (1)
2006	26,336	7.12% (1)
2007	15,891	7.06%
2008	38,665	7.02%
Thereafter	247,484	7.01%
Subtotal	360,296	7.03%
Unamortized Premium	190	
Total	$ 360,486	

(1) Of this amount, $22,370,000 represents the outstanding balance on a loan which has a maturity date of 2005 and currently carries interest at 2.92% per annum, and may be extended for an additional year. If we extend the maturity date of this loan to 2006, the weighted average interest rates for 2005 and 2006 would be 6.87% and 7.12%, respectively.

Unsecured line of credit and unsecured term loan

We have an unsecured line of credit that provides for borrowings of up to $440 million and an unsecured term loan for $150 million. Borrowings under our unsecured line of credit and our unsecured term loan, as amended, bear interest at a floating rate based on our election of either a LIBOR-based rate or a rate related to the higher of the bank's reference rate and the Federal Funds rate. For each LIBOR-based advance, we must elect a LIBOR period of one, two, three or six months.

Our unsecured line of credit and our unsecured term loan contain financial covenants, including, among other things, maintenance of minimum net worth, a total liabilities to gross asset value ratio and a fixed charge coverage ratio. In addition, the terms of the unsecured line of credit and unsecured term loan restrict, among other things, certain investments, indebtedness, distributions and mergers. The unsecured line of credit expires November 2006 and may be extended at our sole option for an additional one-year period. As of June 30, 2004, borrowings outstanding on the unsecured line of credit carried a weighted average interest rate of 2.75%. The unsecured term loan expires in November 2008. As of June 30, 2004, the unsecured term loan carried a weighted average interest rate of 2.76%.

Aggregate borrowings under the unsecured line of credit and unsecured term loan may be limited to an amount based on the net operating income derived from a pool of unencumbered properties. Accordingly, as we acquire or complete the development or redevelopment of additional unencumbered properties, aggregate borrowings available under the unsecured line of credit and unsecured term loan will increase up to a maximum of $590 million. Under these provisions, as of June 30, 2004, aggregate borrowings under our unsecured line of credit and unsecured term loan were limited to $510 million.

We utilize interest rate swap agreements to hedge a portion of our exposure to variable interest rates associated with our unsecured line of credit and unsecured term loan. These agreements involve an exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the "notional amount"). Interest received under all of our swap agreements is based on the one-month LIBOR rate. The net difference between the interest paid and the interest received is reflected as an adjustment to interest expense.

The following table summarizes our interest rate swap agreements as of June 30, 2004 (dollars in thousands):

Transaction Dates	Effective Dates	Notional Amounts	Effective at June 30, 2004	Interest Pay Rates	Termination Dates	Fair Values
Hedges for Unsecured Line of Credit						
March 2002	December 31, 2002	$ 50,000	$ 50,000	5.364%	December 31, 2004	$ (882)
July 2002	January 1, 2003	25,000	25,000	3.855%	June 30, 2005	(368)
July 2002	January 1, 2003	25,000	25,000	3.865%	June 30, 2005	(371)
December 2002	January 2, 2003	25,000	25,000	3.285%	June 30, 2006	(147)
December 2002	January 2, 2003	25,000	25,000	3.285%	June 30, 2006	(147)
November 2002	June 1, 2003	25,000	25,000	3.115%	December 31, 2005	(156)
November 2002	June 1, 2003	25,000	25,000	3.155%	December 31, 2005	(171)
March 2004	December 31, 2004	25,000	-	2.956%	December 31, 2006	310
March 2004	December 31, 2004	25,000	-	2.956%	December 31, 2006	310
June 2004	June 30, 2005	50,000	-	4.343%	June 30, 2007	(271)
			$ 200,000			
Hedges for Unsecured Term Loan						
December 2003	December 31, 2003	$ 50,000	$ 50,000	1.530%	December 31, 2004	89
December 2003	December 31, 2004	50,000	-	3.000%	December 30, 2005	57
December 2003	December 30, 2005	50,000	-	4.150%	December 29, 2006	(26)
December 2003	December 29, 2006	50,000	-	5.090%	October 31, 2008	(78)
April 2004	April 30, 2004	50,000	50,000	1.550%	April 29, 2005	279
April 2004	April 29, 2005	50,000	-	3.140%	April 28, 2006	156
April 2004	April 28, 2006	50,000	-	4.230%	April 30, 2007	74
April 2004	April 30, 2007	50,000	-	4.850%	April 30, 2008	54
			$ 100,000			$ (1,288)
Total Interest Rate Swap Agreements in Effect at June 30, 2004			$ 300,000			

We do not believe we are exposed to more than a nominal amount of credit risk in our interest rate swap agreements as the counterparties are established, well-capitalized financial institutions.

Other resources and liquidity requirements

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

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

Capital Expenditures and Leasing Costs

The following provides additional information with respect to capital expenditures and leasing costs incurred during the six months ended June 30, 2004 (dollars in thousands):

Property-related capital expenditures (1)	$ 1,481
Leasing costs (2)	$ 493
Property-related redevelopment costs (3)	$ 35,549
Property-related development costs	$ 11,139

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(1) Property-related capital expenditures include all capital expenditures except capital expenditures that are recoverable from tenants, revenue-enhancing capital expenditures and costs related to the redevelopment of a property. Capital expenditures fluctuate in any given period due to the nature, extent or timing of improvements required and the extent to which they are recoverable from tenants. Approximately 90% of our leases (based on rentable square feet) provide for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement and parking lot resurfacing). In addition, we implement an active preventative maintenance program at each of our properties to minimize capital expenditures.

(2) Leasing costs consist of tenant improvements and leasing commissions related to leasing of acquired vacant space and second generation space. Leasing costs exclude tenant improvements that are revenue-enhancing.

(3) Includes capital expenditures recoverable from tenants of approximately $1,286,000.

Inflation

Approximately 88% of our leases (on a square footage basis) are triple net leases that require tenants to pay substantially all real estate taxes and insurance and common area and other operating expenses, including increases therein. In addition, approximately 7% of our leases (on a square footage basis) require the tenants to pay a majority of operating expenses. Approximately 94% of our leases (on a square footage basis) contain effective annual rent escalations that are either fixed (generally ranging from 3% to 3.5%) or indexed based on the consumer price index or another index. Accordingly, we do not believe that our earnings or cash flow from real estate operations are subject to any significant risk from inflation. An increase in inflation, however, could result in an increase in the cost of our variable rate borrowings, including our unsecured line of credit and unsecured term loan.

Funds from Operations

GAAP basis accounting for real estate assets utilizes historical cost accounting and assumes real estate values diminish over time. In an effort to overcome the miscorrelation between real estate values and historical cost accounting for real estate assets, the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") established the measurement tool of funds from operations ("FFO"). Since its introduction, FFO has become a widely used non-GAAP financial measure by REITs. We believe that FFO is helpful to investors as an additional measure of the performance of an equity REIT. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its April 2002 White Paper (the "White Paper") and related implementation guidance, which may differ from the methodology for calculating FFO utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. The White Paper defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales, plus real estate depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. While FFO is a relevant and widely used measure of operating performance for REITs, it should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. (See "Cash Flows" for information regarding these measures of cash flow.) We believe that net income is the most directly comparable GAAP financial measure to FFO.

The following table presents our FFO for the three months and six months ended June 30, 2004 and 2003 and a reconciliation of GAAP net income to FFO (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	$ 13,887	$ 12,549	29,227	24,698
Add				
Depreciation and amortization (1)	10,088	9,760	20,069	19,221
Subtract				
Dividends on preferred stock	(2,284)	(2,225)	(4,509)	(4,450)
Preferred stock redemption charge (2)	(1,876)	-	(1,876)	-
(Gain) loss on sales of property (3)	-	-	(1,627)	455
Funds from operations (FFO)	$ 19,815	$ 20,084	$ 41,284	$ 39,924

(1) Includes depreciation and amortization on assets sold or "held for sale" reflected as discontinued operations (for the periods prior to when such assets were sold or designated as "held for sale").
(2) During the second quarter of 2004, we elected to redeem our 9.50% Series A cumulative redeemable preferred stock. Accordingly, in compliance with Emerging Issues Task Force Topic D-42, we recorded a charge in the second quarter of 2004 for costs related to the redemption of our Series A preferred stock.
(3) (Gain) loss on sales of property consist of a $1.6 million gain related to the sale of one property in the Suburban Washington D.C. market in the first quarter of 2004 that had been designated as "held for sale" during the quarter ended December 31, 2003 and a $455,000 loss related to the sale of one property in the San Francisco Bay market in the first quarter of 2003 that had been designated as "held for sale" during the quarter ended December 31, 2002.

Property and Lease Information

The following table is a summary of our property portfolio as of June 30, 2004 (dollars in thousands):

	Number of Properties	Rentable Square Feet	Annualized Base Rent	Occupancy Percentage	
Markets					
California - Pasadena	1	31,343	$ 525	63.3%	(1)
California - San Diego	20	920,273	25,873	95.2%	
California - San Francisco Bay	10	642,578	19,918	100.0%	
Eastern Massachusetts	12	730,633	21,934	88.0%	
New Jersey/Suburban Philadelphia	4	267,319	5,424	100.0%	
Southeast	5	259,414	3,860	77.8%	(1)
Suburban Washington D.C.	18	1,473,261	25,638	93.4%	
Washington - Seattle	7	593,269	21,693	100.0%	
Total	77	4,918,090	$ 124,865	93.9%	(2)

(1) All, or substantially all, of the vacant space is office or warehouse space.

(2) Excludes properties under full or partial redevelopment.

The following table provides information with respect to the lease expirations at our properties as of June 30, 2004:

Year of Lease Expiration	Number of Expiring Leases		Square Footage of Expiring Leases	Percentage of Aggregate Portfolio Leased Square Footage	Annualized Base Rent of Expiring Leases (per square foot)
2004	52	(1)	272,539	5.4%	$25.98
2005	31		327,707	6.5%	$27.48
2006	41		870,651	17.2%	$24.46
2007	17		314,735	6.2%	$23.64
2008	15		346,492	6.8%	$26.92
Thereafter	60		2,932,946	57.9%	$28.16

(1) Includes 22 month-to-month leases for approximately 63,000 square feet.

The following table is a summary of our lease activity for the three months ended June 30, 2004 computed on a Cash Basis and on a GAAP Basis:

	Number of Leases	Square Footage	Expiring Rates	New Rates	Rental Rate Changes	TI's/Lease Commissions Per Foot	Average Lease Terms
Leasing Activity							
Lease Expirations							
Cash Basis	37	248,360	$23.67	--	--	--	--
GAAP Basis	37	248,360	$25.27	--	--	--	--
Renewed / Releasable Space Leased							
Cash Basis	13	159,461	$23.54	$26.63	13.1%	$1.02	5.9 Years
GAAP Basis	13	159,461	$26.27	$28.95	10.2%	$1.02	5.9 Years
Month-to-Month Leases In Effect							
Cash Basis	22	62,967	$22.63	$22.65	0.1%	--	--
GAAP Basis	22	62,967	$22.63	$22.65	0.1%	--	--
Redeveloped/Developed/ Vacant Space Leased							
Cash Basis	9	87,066	--	$28.48	--	$6.98	10.3 Years
GAAP Basis	9	87,066	--	$34.28	--	$6.98	10.3 Years
Leasing Activity Summary							
Excluding Month-to-Month Leases							
Cash Basis	22	246,527	--	$27.28	--	$3.12	7.5 Years
GAAP Basis	22	246,527	--	$30.83	--	$3.12	7.5 Years
Including Month-to-Month Leases							
Cash Basis	44	309,494	--	$26.34	--	--	--
GAAP Basis	44	309,494	--	$29.17	--	--	--

The following table is a summary of our lease activity for the six months ended June 30, 2004 computed on a Cash Basis and on a GAAP Basis:

	Number of Leases	Square Footage	Expiring Rates	New Rates	Rental Rate Changes	TI's/Lease Commissions Per Foot	Average Lease Terms
Leasing Activity							
Lease Expirations							
Cash Basis	56	681,258	$21.86	--	--	--	--
GAAP Basis	56	681,258	$22.80	--	--	--	--
Renewed / Releasable Space Leased							
Cash Basis	23	315,155	$22.54	$24.00	6.5%	$2.70	5.4 Years
GAAP Basis	23	315,155	$23.88	$26.16	9.5%	$2.70	5.4 Years
Month-to-Month Leases In Effect							
Cash Basis	22	62,967	$22.53	$22.65	0.5%	--	--
GAAP Basis	22	62,967	$22.50	$22.65	0.7%	--	--
Redeveloped/Developed/ Vacant Space Leased							
Cash Basis	18	220,005	--	$23.10	--	$19.42	9.6 Years
GAAP Basis	18	220,005	--	$30.92	--	$19.42	9.6 Years
Leasing Activity Summary							
Excluding Month-to-Month Leases							
Cash Basis	41	535,160	--	$23.63	--	$9.57	7.1 Years
GAAP Basis	41	535,160	--	$28.12	--	$9.57	7.1 Years
Including Month-to-Month Leases							
Cash Basis	63	598,127	--	$23.53	--	--	--
GAAP Basis	63	598,127	--	$27.54	--	--	--

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

In order to modify and manage the interest rate characteristics of our outstanding debt and to limit the effects of interest rate risks on our operations, we may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge a portion of our exposure to changes in interest rates carries additional risks, such as counter-party credit risk and the legal enforceability of hedging contracts.

Our future earnings, cash flows and fair values relating to financial instruments are primarily dependent upon prevalent market rates of interest, such as LIBOR. However, our interest rate swap agreements are intended to reduce the effects of interest rate changes. Based on interest rates at, and our swap agreements in effect on June 30, 2004, we estimate that a 1% increase in interest rates on our unsecured line of credit and unsecured term loan, after considering the effect of our interest rate swap agreements, would decrease annual future earnings and cash flows by approximately $240,000. We further estimate that a 1% decrease in interest rates on our unsecured line of credit and unsecured term loan, after considering the effect of our interest rate swap agreements in effect June 30, 2004, would increase annual future earnings and cash flows by approximately $240,000. A 1% increase in interest rates on our secured debt and interest rate swap agreements would decrease their aggregate fair value by approximately $25.2 million. A 1% decrease in interest rates on our secured debt and interest rate swap agreements would increase their aggregate fair value by approximately $26.4 million.

These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost and our interest rate swap agreements in effect on June 30, 2004. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

We have exposure to equity price market risk because of our equity investments in certain publicly-traded companies and privately-held entities. We classify investments in publicly-traded companies as available-for-sale and, consequently, record them on our balance sheet at fair value with unrealized gains or losses reported as a component of comprehensive income or loss. Investments in privately-held entities are generally accounted for under the cost method because we do not influence any of the operating or financial policies of the entities in which we invest. For all investments, we recognize other than temporary declines in value against earnings in the same period the decline in value was deemed to have occurred. There is no assurance that future declines in values will not have a material adverse impact on our future results of operations. By way of example, a 10% decrease in the fair value of our equity investments as of June 30, 2004 would decrease their fair value by approximately $5.1 million.

Item 4. CONTROLS AND PROCEDURES

As of June 30, 2004, we performed an evaluation, under the supervision of our chief executive officer ("CEO") and chief financial officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2004. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to June 30, 2004.

PART II – OTHER INFORMATION

Item 5. OTHER INFORMATION

Updating our previous disclosure, Peter J. Nelson will be stepping down from the position of Chief Financial Officer and Treasurer effective after August 10, 2004. Dean Shigenaga, Vice President has been appointed Acting Chief Financial Officer and Etsuko Mason, Vice President has been appointed Treasurer, both effective after August 10, 2004. Mr. Nelson will be continuing as Senior Vice President – Operations through October 20, 2004, and will be terminating his full-time employment as of such date. Mr. Nelson will be continuing as Corporate Secretary and as a senior financial advisor to management of the Company and its Board of Directors through at least April 30, 2007.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.3* Bylaws (amended as of May 12, 2004) (filed as an exhibit to Alexandria's current report on Form 8-K filed with the Commission on June 21, 2004).

10.1 First Amendment to Fourth Amended and Restated Revolving Loan Agreement, dated as of June 30, 2004, among Alexandria Real Estate Equities, Inc., Alexandria Real Estate Equities, L.P., ARE-QRS Corp., ARE Acquisitions, LLC, the other borrowers then and thereafter a party thereto, the banks therein named, the other banks which may become parties thereto, Fleet National Bank, as Administrative Agent, Fleet Securities, Inc. and JP Morgan Securities, Inc., as Co-Lead Arrangers, JP Morgan Securities, Inc. and Societe Generale, as Co-Syndication Agents, CommerzBank AG, New York and Grand Cayman Branches, and KeyBank National Association, as Co-Documentation Agents and Eurohypo AG, New York Branch, as Senior Managing Agent.

10.2 First Amendment to Term Loan Agreement, dated as of June 30, 2004, among Alexandria, the Operating Partnership, ARE-QRS Corp., ARE Acquisitions, LLC, the Other Borrowers Then or Thereafter a Party Thereto, the Banks therein named, the Other Banks Which May Become Parties Thereto, Fleet National Bank, as Managing Agent, and Fleet Securities, Inc., as Arranger.

12.1 Computation of Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(*) Incorporated by reference

(b) Reports on Form 8-K

We filed a current report on Form 8-K on April 28, 2004, in which we provided certain additional information regarding our fees billed by Ernst & Young LLP for 2003.

We filed a current report on Form 8-K on May 3, 2004, pursuant to which we furnished to the Securities and Exchange Commission our earnings release dated May 3, 2004, regarding our quarter ended March 31, 2004 financial results.

We filed a current report on Form 8-Kon June 2, 2004, in which we reported our intention to redeem all of our outstanding shares of 9.50% Series A Cumulative Redeemable Preferred Stock.

We filed a current report on Form 8-K on June 21, 2004, in which we reported our entering of an underwriting agreement for the sale of 5,185,500 shares of our 8.375% Series C Cumulative Redeemable Preferred Stock.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 9, 2004.

ALEXANDRIA REAL ESTATE EQUITIES, INC.

/s/ Joel S. Marcus

Joel S. Marcus
Chief Executive Officer
(Principal Executive Officer)

/s/ Peter J. Nelson

Peter J. Nelson
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)