ALEXANDRIA REAL ESTATE EQUITIES INC
Form 424B5
January 03, 2018

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

Subject to Completion
Preliminary Prospectus Supplement, dated January 3, 2018

PROSPECTUS SUPPLEMENT
(To prospectus dated December 18, 2017)

6,000,000 Shares

Alexandria Real Estate Equities, Inc.

Common Stock

This is a public offering of common stock of Alexandria Real Estate Equities, Inc. We expect to enter into a forward sale agreement with each of Bank of America, N.A., JP Morgan Chase Bank, N.A., London Branch, and Citibank, N.A., which we refer to in this capacity as the forward purchasers. In connection with the forward sale agreements, the forward purchasers or their affiliates are borrowing from third parties and selling to the underwriters an aggregate of 6,000,000 shares of our common stock (or an aggregate of 6,900,000 shares of our common stock if the underwriters' option to purchase additional shares is exercised in full) that will be delivered in this offering.

We will not initially receive any proceeds from the sale of shares of our common stock by the forward purchasers. We expect to physically settle the forward sale agreements (by the delivery of shares of our common stock) and receive proceeds from the sale of those shares of our common stock upon one or more forward settlement dates no later than April 8, 2019. We may also elect to cash settle or net share settle all or a portion of our obligations under a forward sale agreement if we conclude it is in our best interest to do so. If we elect to cash settle a forward sale agreement, we may not receive any proceeds and we may owe cash to the relevant forward purchaser in certain circumstances. If we elect to net share settle a forward sale agreement, we will not receive any proceeds, and we may owe shares of our common stock to the relevant forward purchaser in certain circumstances. See "Underwriting (Conflicts of Interest) Forward Sale Agreements."

If any forward purchaser or its affiliate does not sell on the anticipated closing date of this offering all of the shares of our common stock to be sold by it to the underwriters, we will issue and sell to the underwriters a number of shares of our common stock equal to the number of shares of our common stock that the forward purchaser or its affiliate did not sell and the number of shares underlying the relevant forward sale agreement will be decreased in respect of the number of shares that we issue and sell.

Our common stock is listed on the New York Stock Exchange under the symbol "ARE." The last reported sale price of our common stock on the New York Stock Exchange on January 2, 2018 was $129.93 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-8 of this prospectus supplement and "Risk Factors" beginning on page 2 of the accompanying prospectus.

	Per Share	**Total**
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us(2)	$	$

(1) See "Underwriting (Conflicts of Interest)."

(2) We expect to receive net proceeds from the sale of the shares of our common stock, before fees and estimated expenses, of $ million upon full physical settlement of the forward sale agreements, which we expect to occur no later than April 8, 2019. For the purposes of calculating the aggregate net proceeds to us, we have assumed that the forward sale agreements will be fully physically settled based on the initial forward sale price of $ per share, which is the public offering price less the underwriting discount shown above. The forward sale price is subject to adjustment pursuant to the terms of each of the forward sale agreements, and the actual proceeds, if any, to us will be calculated as described in this prospectus supplement. Although we expect to settle the forward sale agreements entirely by the full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under any forward sale agreement. See "Underwriting (Conflicts of Interest) Forward Sale Agreements" for a description of the forward sale agreements.

We have granted the underwriters a 30-day option from the date of this prospectus supplement, exercisable in whole or in part from time to time, to purchase up to an additional 900,000 shares of our common stock at the initial price to the public less the underwriting discount. Upon any exercise of such option, we may elect that such additional shares of common stock be sold by the forward purchasers or their respective affiliates to the underwriters, in which case we will enter into additional forward sale agreements with the forward purchasers in respect of the number of shares that are subject to the exercise of such option. Unless the context requires otherwise, the term "forward sale agreement" as used in this prospectus supplement includes any additional forward sale agreement that we enter into in connection with the exercise, by the underwriters, of their option to purchase additional shares of our common stock. In the event that we enter into any additional forward sale agreement, if any forward purchaser or its affiliates does not deliver and sell all of the shares of our common stock to be sold by it in connection with the exercise of such option, we will issue and sell to the underwriters a number of shares of our common stock equal to the number of shares that the forward purchaser or its affiliates does not deliver and sell, and the number of shares underlying the relevant forward sale agreement will not be increased in respect of the number of shares that we issue and sell.

Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission or other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about January , 2018 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

BofA Merrill Lynch **J.P. Morgan** **Citigroup**

The date of this prospectus supplement is January , 2018

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any "free writing prospectus" we authorize to be delivered to you. We, the underwriters and the forward purchasers (and their affiliates) have not authorized anyone else to provide you with different or additional information. If anyone provides you with different or additional information you should not rely on it. We, the underwriters and the forward purchasers (and their affiliates) are not, making an offer of these securities or soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, and any authorized "free writing prospectus" is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. The descriptions set forth in this prospectus supplement replace and supplement, where inconsistent, the description of the general terms and provisions set forth in the accompanying prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," "projected," or "anticipates," or the negative of those words or similar words. Forward- looking statements involve inherent risks and uncertainties regarding events, conditions, and financial trends that may affect our future plans of operation, business strategy, results of operations, and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by the forward-looking statements, including, but not limited to the following:

- Worldwide economic recession, lack of confidence, and/or high structural unemployment;
- Recent financial and economic trouble in emerging-market economies;
- Regional and local economic crises which could adversely impact global markets, such as those experienced in China, Greece, and Puerto Rico;
- Negative impact on economic growth resulting from the combination of federal income tax increases, debt policy and government spending restrictions;
- Failure of the U.S. federal government to manage its fiscal matters or to raise or further suspend the debt ceiling, and changes in the amount of federal debt;
- Potential and further downgrade of the U.S. credit rating;
- The continuation of the ongoing economic crisis in Europe;
- Monetary policy actions by the Federal Reserve;
- Potential and further downgrades of the credit ratings of major financial institutions, or their perceived creditworthiness;
- Changes in laws, regulations, and financial accounting standards;
- The seizure or illiquidity of credit markets;
- Failure to meet market expectations for our financial performance;
- Our inability to obtain capital (debt, construction financing, and/or equity) or refinance debt maturities;

Potential negative impact of capital plan objectives to reduce our balance sheet leverage;

Our inability to comply with financial covenants in our debt agreements;

Increased interest rates and operating costs;

Financial, banking, and credit market conditions;

Inflation or deflation;

Prolonged period of stagnant growth;

Adverse economic or real estate developments in our markets;

Our failure to successfully complete and lease our existing space held for redevelopment and new properties acquired for that purpose and any properties undergoing development;

Significant decreases in our active development, active redevelopment, or preconstruction activities, resulting in significant increases in our interest, operating, and payroll expenses;

Our failure to successfully operate or lease acquired properties;

The nature and extent of future competition;

General and local economic conditions;

Adverse developments concerning the science and technology industries and/or our science and technology tenants;

Tenant base concentration within the science and technology industries;

Risks affecting our life science industry tenants, including, but not limited to, high levels of regulation, the safety and efficacy of their products, funding requirements for product research and development, and changes in technology, patent expiration and intellectual property protection;

Risks affecting our technology industry tenants, including, but not limited to, an uncertain regulatory environment, rapid technological changes, a dependency on the maintenance and security of the Internet infrastructure, significant funding requirements for product research and development, and inadequate intellectual property protections;

Potential decreases in government funding for our U.S. government tenants;

Government-driven changes to the healthcare system that may reduce pricing of drugs, negatively impact healthcare coverage, or negatively impact reimbursement of healthcare services and products;

Potential decreases in funding for the U.S. Food & Drug Administration, U.S. National Institute of Health and other government agencies;

Lower rental rates and/or higher vacancy rates;

Failure to renew or replace expiring leases;

Defaults of leases by tenants;

Our failure to comply with laws or changes in the law;

Compliance with environmental laws;

The financial condition of our insurance carriers;

Extreme weather conditions or climate change;

Terrorist attacks;

Availability of and our ability to attract and retain qualified personnel;

Our failure to maintain our status as a real estate investment trust ("REIT") for federal tax purposes;

Certain ownership interests outside the United States that may subject us to different or greater risks than those associated with our domestic operations;

Fluctuations in foreign currency exchange rates;

Security breaches through cyber-attacks or cyber-intrusions;

The ability of our third-party managers to provide quality services and amenities with respect to our properties;

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Changes in the method of determining the London Interbank Offered Rate or the replacement of LIBOR with an alternative reference rate;

Potential changes to the U.S. tax laws; and

Potential developments from recent political events.

This list of risks and uncertainties is not exhaustive. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" contained in this prospectus supplement beginning on page S-8, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 beginning on page 6 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 beginning on page 121, and the other information contained in our reports filed with the SEC. We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

INCORPORATION OF DOCUMENTS BY REFERENCE

In addition to the documents that are listed in the section entitled "Where You Can Find More Information Incorporation of Documents by Reference" in the accompanying prospectus, the Company hereby incorporates into this prospectus supplement, the information contained in slides 173 to 176, 178 to 185 and 187 to 191 of Exhibit 99. 1 entitled "Certain information presented at Alexandria Real Estate Equities, Inc.'s Investor Day Conference on November 29, 2017" attached to the Company's Form 8-K furnished to the SEC on November 29, 2017.

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SUMMARY

The following summary may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus, and the documents incorporated by reference into the accompanying prospectus carefully before deciding whether to invest in our common stock. In this prospectus supplement and the accompanying prospectus, unless otherwise indicated, the "Company," "Alexandria," "we," "us," and "our" refer to Alexandria Real Estate Equities, Inc. and its subsidiaries, and "GAAP" refers to generally accepted accounting principles in the United States. Unless otherwise indicated, the information in this prospectus supplement is as of December 31, 2016, and assumes that the underwriters do not exercise their option to purchase up to 900,000 additional shares of common stock as described in "Underwriting (Conflicts of Interest)."

Alexandria Real Estate Equities, Inc.

Overview

We are a Maryland corporation formed in October 1994 that has elected to be taxed as a REIT for federal income tax purposes. We are an S&P 500® urban office REIT uniquely focused on collaborative life science and technology campuses in AAA innovation cluster locations with a total market capitalization of $16.1 billion and an asset base in North America of 28.6 million square feet as of September 30, 2017. The asset base in North America includes 20.6 million rentable square feet ("RSF") of operating properties, including 1.5 million RSF of development and redevelopment of new Class A properties currently undergoing construction. Additionally, the asset base in North America includes 8.0 million square feet of future development projects, including 1.1 million square feet of near-term projects undergoing marketing for lease and pre-construction activities and 3.3 million square feet of intermediate-term development projects. Founded in 1994, we pioneered this niche and have since established a significant market presence in key locations, including Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. We are known for our high-quality and diverse tenant base, with approximately 50% of our annual rental revenue as of September 30, 2017, generated from investment-grade tenants. We have a longstanding and proven track record of developing Class A properties clustered in urban life science and technology campuses that provide our innovative tenants with highly dynamic and collaborative environments that enhance their ability to successfully recruit and retain world-class talent and inspire productivity, efficiency, creativity, and success. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term asset value.

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

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The following table represents a summary of our new Class A development and redevelopment projects that we expect to place into service during 2018-2020:

		PROJECT RSF			PERCENTAGE				OCCUPANCY	
PROPERTY | MARKET | SUBMARKET	**OUR OWNERSHIP INTEREST**	**IN SERVICE**	**CIP**	**TOTAL**	**LEASED**	**NEGOTIATING**	**TOTAL**	**PROJECT START(1)**	**INITIAL**	**STABILIZED**
Developments under construction										
100 Binney Street | Greater Boston | Cambridge	100%	341,776	91,155	432,931	100%	%	100%	3Q15	3Q17	1Q18
399 Binney Street | Greater Boston | Cambridge	100%		164,000	164,000	%	75%	75%	4Q17	4Q18	2019
1655 & 1715 Third Street | San Francisco | Mission Bay/SoMa	10%		580,000	580,000	100%	%	100%	2Q18	2019	2019
213 East Grand Avenue | San Francisco | South San Francisco	100%		300,930	300,930	100%	%	100%	2Q17	1Q19	2019
279 East Grand Avenue | San Francisco | South San Francisco	100%		199,000	199,000	%	52%	52%	4Q17	2019	2019
Menlo Gateway | San Francisco | Greater Stanford	49%(2)	252,000	521,000	773,000	100%	%	100%	4Q17	4Q19	4Q19
		593,776	1,856,085	2,449,861	85%	9%	94%			
Redevelopments under construction										
266 & 275 Second Avenue | Greater Boston | Route 128	100%	144,584	59,173	203,757	84%	%	84%	3Q17	2Q18	2018
9625 Towne Centre Drive | San Diego | University Town Center	50.1%(3)		163,648	163,648	100%	%	100%	3Q15	4Q18	2018
9900 Medical Center Drive | Maryland | Rockville	100%		45,039	45,039	%	%	%	3Q17	2Q18	2018
5 Laboratory Drive | Research Triangle Park | RTP	100%		175,000	175,000	%	39%	39%	2Q17	3Q18	2019
		144,584	442,860	587,444	57%	12%	69%			
Total		738,360	2,298,945	3,037,305	80%	10%	90%			