

Alexandria Real Estate Equities: Capital Recycling Under Pressure

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In early October, Alexandria Real Estate Equities (ARE) faced a capital-allocation question as its 2026 property-sale program moved through several stages. At June 30, its annualized net-debt-and-preferred-stock-to-Adjusted-EBITDA ratio stood at 7.0x, above management's year-end target range. The company had also reported declining occupancy and negative renewal rent changes, even as quarterly leasing volume rose. Its midpoint capital plan directed funds both to construction and lease-up and to debt reduction. Meanwhile, later financing and a new revolver amendment had changed the balance-sheet picture since June, and several planned asset transactions had not yet closed. Q3 results were not scheduled until October 26-27. [P2, P3, P4, P5, P7]

Assume you are advising ARE's senior management team on the sequence and controls for implementing the disclosed 2026 plan. The exercise does not reconstruct an actual internal meeting. Which work should proceed as transactions close, and what conditions should govern additional investment while sale proceeds and tenant demand remain uncertain?

The capital plan

ARE develops, owns and operates collaborative life-science campuses in major U.S. markets. Its operating model depends on specialized buildings, tenant relationships and investment before or during lease-up. In its Q2 2026 filing, management described a capital-recycling plan whose midpoint combined disposition and other capital sources with adjusted operating cash, then allocated funds between construction/lease-up and debt reduction. [P1, P2, P3]

Exhibit 1. 2026 midpoint capital plan

Sources	Midpoint (\$bn)
Dispositions, partial-interest sales and other capital sources	2.900
"Net cash provided by operating activities, as adjusted"	0.525
Total sources	3.425

Uses	Midpoint (\$bn)
Construction focused on highly leased developments and lease-up	1.750
Debt reduction toward the leverage goal	1.675

Uses	Midpoint (\$bn)
Total uses	3.425

The company's August 3 status table for the \$2.900 billion capital-source midpoint showed the following amounts. The "pending" category includes transactions associated with non-refundable deposits, signed letters of intent and/or purchase-and-sale agreement negotiations. [P2, printed p.71]

Disposition/other-capital status at report date	Amount (\$m)
Completed	170.350
Pending	1,158.626
In process	1,100.000
Multiple alternatives under evaluation	471.024
Total	2,900.000

The weighted-average projected completion date was September 2026. These were company-reported status categories and projections, not all completed sales. The filing does not match transaction proceeds to individual buildings or identify project-level committed, discretionary or cancellable spending. "Other capital sources" is broader than property sales. The \$525 million contribution is issuer-defined adjusted operating cash, not GAAP cash from operations. [P2, pp.52, 71; P3, earnings-release p.7; P5]

Leasing and development

At June 30, operating occupancy was 86.9%, down from 90.9% at year-end 2025. Including executed leases for space not yet occupied, the company reported 90.9% Q2 occupancy. Quarterly leasing volume increased from 647,356 rentable square feet (RSF) in Q1 to 1,038,917 RSF in Q2; 397,919 RSF of Q2 leasing was for previously vacant or development/redevelopment space. Those measures do not show how quickly all leased space becomes occupied or cash producing. [P2, pp.51-53, 66]

For leases renewed or re-leased in Q2, rental-rate changes were –0.7% including straight-line rent and –4.3% on a cash basis. For the six months ended June 30, the corresponding changes were –7.4% and –9.6%. Seventy-five percent of trailing-12-month leasing came from existing tenants. ARE's same-property rental revenue declined 8.9% in Q2 and 9.0% in the first half year over year. The same-property cohort is not the full portfolio. [P2, pp.66, 81-83, 86]

Management reported that life-science availability in its three largest markets had risen from about 4% in 2021 to about 29% in 2025, while average tenant space requirements had fallen by more than 60%. These are the company's market measures and explanations, not a forecast of any named project's leasing. [P2, pp.56-57]

The project pipeline contained opportunities with different timing and leasing profiles. One 426,927-RSF Bristol Myers Squibb project entered service during Q2 at 100% occupancy; management estimated \$57 million of annual NOI from that delivery. Another \$42 million in incremental annual NOI was anticipated in the second half of 2026. For projects expected to stabilize in 2027-28, the company reported 1,258,004 RSF and 68% leased or under negotiation; that status is not the same as fully executed leases. [P2, pp.54, 72]

ARE also disclosed five projects totaling 1.4 million RSF under business and financial strategy evaluation. The options named included continuing construction, repositioning to advanced-technology or non-lab use, selling, or pausing. Separately, another 1.4 million RSF was under construction, expected to enter service from July 2026 through 2028, with estimated future annual NOI of \$135 million and 71% leased or under negotiation. The filing does not disclose how these groups overlap the \$1.75 billion construction allocation, what cash remains to be spent, or which choices are contractually available. [P2, pp.57, 72]

One example of a change in use was the 159,947-RSF 3000 Minuteman Road lease pivot from potential lab/biomanufacturing use to advanced technology. Management expected that decision to reduce its aggregate construction budget by about \$80 million. It is a site-specific estimate, not a transferable savings rate. [P2, p.53]

Balance sheet and market signals

ARE's 7.0x Q2 leverage measure was quarterly annualized and issuer-defined. Management's year-end target range was 5.6x-6.2x. Q2 fixed-charge coverage was 3.3x against a stated year-end range of 3.6x-4.1x. These are guidance and company ratios, not debt covenants or cash balances. [P2, pp.51, 64; P3, pp.49, 54]

At June 30, reported liquidity was \$3.60 billion; 6% of total debt matured through 2028, weighted-average remaining debt term was 9.7 years, and 84.4% of debt was fixed rate. The issuer's liquidity definition includes available borrowing capacity. In August, ARE issued \$1 billion of 7.250% junior subordinated notes. The prospectus estimated net proceeds of \$985.3 million and listed several possible general corporate uses, including reducing commercial paper or credit-line borrowings, repaying other debt, or selective development. It did not disclose an actual allocation by the October cutoff. [P2, pp.60-64; P5]

The notes were issued after the June reporting date, when ARE disclosed approximately \$2.0 billion of commercial paper and no revolver balance. Effective September 24, a new \$5 billion unsecured revolving facility extended maturity to January 2032, with two conditional six-month extensions and a \$1 billion accordion. The amendment reduced the opening margin to 0.725% from 0.835% for the cited benchmark borrowings. Neither disclosure establishes current facility utilization, post-issuance leverage or how much of the new proceeds had been applied to debt. [P2, p.54; P4, Item 1.01; P5, pp.S-2, S-13]

Market evidence was mixed. CBRE's Boston life-science report showed positive Q2 absorption of 4,141 square feet but negative year-to-date absorption of 113,049 square feet, 32.8% availability and 28.7% vacancy; it described rents as declining for a fourth consecutive quarter. [P8] Two BXP properties were highly leased: its 572,578-RSF 290 Binney building was reported 100% leased to AstraZeneca at Q2 placement in service, and its 363,000-RSF Reservoir Place redevelopment was 89% pre-leased to Boston Dynamics. [P9] Healthpeak reported 78.5% Q2 occupancy for its Lab segment, up 80 basis points sequentially, with 222,000 RSF in new leases and 159,000 RSF in renewals. [P10] These disclosures give contrasting examples, but the markets, assets and portfolio definitions differ; none is a direct forecast for ARE.

The choice

Management could execute the stated allocation as transactions close, giving priority to debt reduction and projects nearing completion or supported by substantial leasing. That approach could help move the balance sheet toward its stated target while protecting tenant delivery, rent commencement and expected NOI. Its risks include transaction delays, asset pricing and the possibility that delaying projects sacrifices leasing or operating value.

Alternatively, management could condition truly discretionary future investment on transaction realization, tenant commitments and project-level economics while protecting contractual, safety and tenant obligations. This could preserve flexibility if market conditions or sale timing worsen. Delays could also push out rent and NOI, increase carrying costs or disrupt leases. The public filings do not show how much spending is actually discretionary or reversible.

ARE declared a \$0.72-per-share common dividend for Q3 2026, payable October 15 to holders of record September 30. That distribution is a scheduled cash use, though it does not identify project funding capacity. [P6]

Assignment

Recommend a sequence and a small set of decision gates for the disclosed capital plan. Address how your approach would change if disposition proceeds arrive later or at lower prices than expected. Identify the additional project, tenant, transaction and financing data management would need before setting asset-level thresholds. Do not assume all planned transactions close or that any stated construction amount is freely cancellable.

Sources

- **P1:** ARE 2025 Form 10-K, year ended Dec. 31, 2025; background only.
- **P2:** ARE Q2 2026 Form 10-Q, period ended June 30, 2026; cited printed pages appear in text.
- **P3:** ARE Q2 2026 results and supplement, released Aug. 3, 2026; earnings-release and supplemental pages are separately labeled in the source register.
- **P4:** ARE Sept. 24, 2026 Form 8-K, Item 1.01.
- **P5:** ARE Aug. 14, 2026 final prospectus supplement and Aug. 21 closing Form 8-K.
- **P6:** ARE Sept. 1, 2026 dividend announcement.
- **P7:** ARE Q3 2026 results call notice; results scheduled after the case cutoff.
- **P8:** CBRE Boston Metro Life Science Figures, Q2 2026.
- **P9:** BXP Q2 2026 results.
- **P10:** Healthpeak Q2 2026 results and supplement.