



Alexandria Real Estate Equities (ARE)

Updated July 22nd, 2025 by Quinn Mohammed

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------------|---|----------|
| Current Price: | \$80 | 5 Year CAGR Estimate: | 16.9% | Market Cap: | \$13.5 B |
| Fair Value Price: | \$125 | 5 Year Growth Estimate: | 3.0% | Ex-Dividend Date¹: | 09/30/25 |
| % Fair Value: | 64% | 5 Year Valuation Multiple Estimate: | 9.4% | Dividend Payment Date¹: | 10/15/25 |
| Dividend Yield: | 6.6% | 5 Year Price Target | \$145 | Years Of Dividend Growth: | 14 |
| Dividend Risk Score: | D | Sector: | Real Estate | Last Dividend Increase: | Hold |

Overview & Current Events

Founded in 1994 and named after Alexandria, Egypt - in homage to the scientific capital of the ancient world - Alexandria Real Estate Equities owns and operates life science, technology and agtech campuses across North America. Key locations for this Real Estate Investment Trust (REIT) include Boston, San Francisco, New York, San Diego, Seattle, Maryland, and the Research Triangle (North Carolina). The \$13.5 billion market cap company focuses on high quality properties in prime locations.

Alexandria's business model has taken on renewed importance as a result of the COVID-19 pandemic, as a significant number of the company's life science tenants are working on solutions for similar future crises.

On December 9th, 2024, Alexandria increased its quarterly dividend by 1.5% to \$1.32.

On July 21st, 2025, Alexandria reported second quarter 2025 results for the period ending June 30th, 2025. For the quarter, the company generated \$762 million in revenue, a 0.6% decrease compared to Q2 2024. Adjusted funds from operations (FFO) totaled \$396 million or \$2.33 per share compared to \$406 million or \$2.36 per share in Q2 2024.

Alexandria ended the quarter with \$4.6 billion in liquidity. And more than fifty percent of the company's tenants are investment-grade or publicly traded large cap businesses.

Alexandria updated its 2025 guidance, but still expects \$9.16 to \$9.36 in adjusted FFO, for a \$9.26 midpoint.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|----------------|
| AFFO | \$5.25 | \$5.51 | \$6.02 | \$6.60 | \$6.96 | \$7.30 | \$7.76 | \$8.42 | \$8.97 | \$9.47 | \$9.26 | \$10.73 |
| DPS | \$3.05 | \$3.23 | \$3.45 | \$3.73 | \$3.94 | \$4.18 | \$4.45 | \$4.72 | \$4.96 | \$5.19 | \$5.28 | \$6.12 |
| Shares² | 71.5 | 76.1 | 91.6 | 111.0 | 120.8 | 136.0 | 147.5 | 161.7 | 170.9 | 172.3 | 175 | 200 |

Note that we are using adjusted FFO instead of earnings-per-share, as this better reflects the underlying earnings power of a REIT. Dating back to 2015, Alexandria has increased FFO per share by an average compound rate of 6.8% per annum and the dividend by 6.1% per annum. Impressively, the company has not failed to grow its FFO every year in the last decade.

Moving forward we believe Alexandria can grow at a reasonable pace and we are expecting 3.0% intermediate-term growth, below the company's historical rate, partly due to a slowdown in re-leasing of expiring spaces. The company achieved \$1.4 billion in funding from dispositions and interest sales (non-core properties and properties which are not important to its mega campus strategy) from its value harvesting and asset recycling plan in 2024. It also expects to raise approximately \$1.95 billion from dispositions in 2025. This will enable the company to develop properties without requiring more joint venture partners. For 2025, Alexandria expects construction spending to be roughly \$1.75 billion.

The REIT has a unique "cluster model" which focuses on providing proximity to world-renowned academic institutions, leading scientific and managerial talent, and sophisticated investment capital. This, combined with new developments

¹ Estimate.

² In millions.

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and progress in life science, should provide a long runway for growth. Of course, issuing shares and managing the company's debt load are two counterbalancing factors.

Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| P/FFO | 17.7 | 16.8 | 20 | 18.2 | 19.7 | 21.6 | 24.2 | 19.7 | 13.6 | 12.4 | 8.6 | 13.5 |
| Avg. Yld. | 3.3% | 3.5% | 2.9% | 3.1% | 2.9% | 2.6% | 2.4% | 2.7% | 4.0% | 4.3% | 6.6% | 4.2% |

In the last decade, shares of Alexandria have traded hands with an average multiple of about 18.4 times FFO. We are using 13.5 times FFO as a starting fair value baseline. Shares are presently trading at 8.6 times expected FFO, which implies the potential for a moderate valuation tailwind in the next five years.

Meanwhile, the dividend has been increasing at a solid rate and should continue to aid in shareholder returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 58% | 59% | 57% | 57% | 57% | 57% | 57% | 56% | 55% | 55% | 57% | 57% |

Alexandria has put its competitive advantage on display in its FFO and dividend record during the past decade. This stems from focusing on quality properties in prime locations in a needed and growing industry. Moreover, the cluster model is a unique attribute that Alexandria continues to leverage very well.

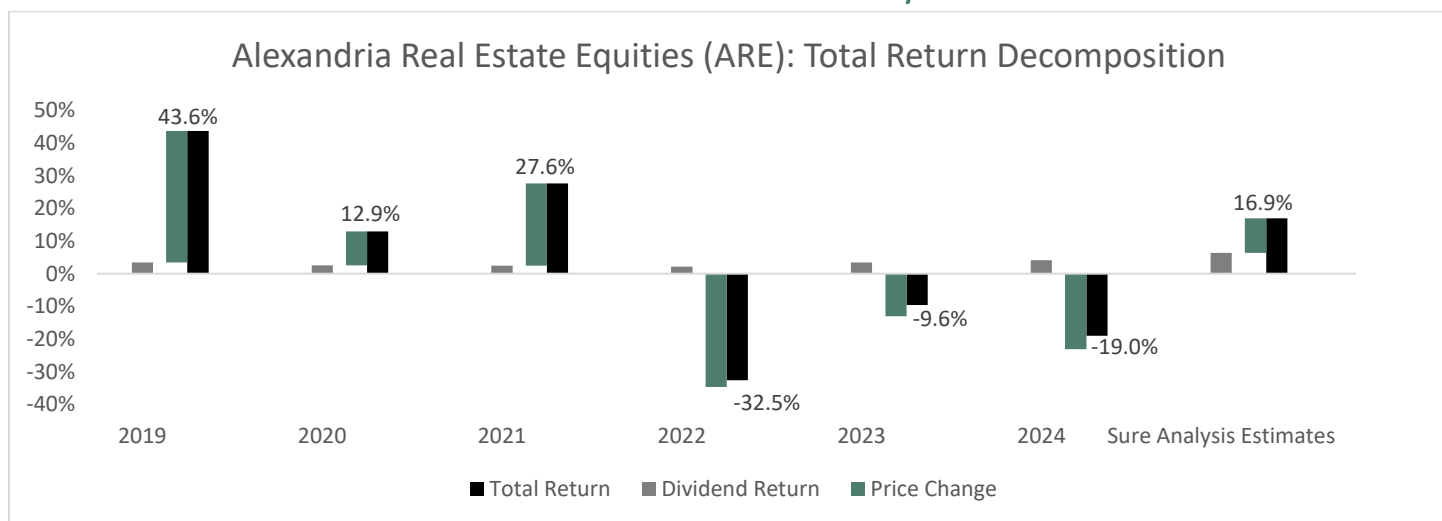
As of the last quarterly report, Alexandria had a net debt and preferred stock to adjusted EBITDA ratio of 5.9X and a fixed-charge ratio of 4.1X, which compares to its year-end goals of less than or equal to 5.2X and 4.0X to 4.5X. We are encouraged by the quality of the company's tenants along with the fact that only 9% of the company's total debt matures through 2027 and the weighted average remaining debt term is 12.0 years.

During the last recession, FFO dipped -23% in 2010 and the dividend was slashed from \$3.18 in 2008 to \$1.50 in 2010. While the company performed well throughout the pandemic, this is something to keep in mind, nevertheless.

Final Thoughts & Recommendation

Shares have declined 37% in the trailing one-year period, and the stock now trades significantly below our fair value estimate, thus offering a healthy margin of safety. Alexandria offers quality properties in prime locations and has a very good track record. Total return potential comes in at 16.9% per annum, stemming from 3.0% FFO growth, a 6.6% starting yield and a potential valuation tailwind. ARE earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|------|------|-------|-------|-------|-------|
| Revenue | 820 | 922 | 1128 | 1327 | 1531 | 1886 | 2114 | 2589 | 2886 | 3116 |
| Gross Profit | 558 | 643 | 802 | 946 | 1086 | 1355 | 1491 | 1806 | 2027 | 2207 |
| Gross Margin | 68% | 70% | 71% | 71% | 71% | 72% | 70.5% | 69.8% | 70.2% | 70.8% |
| SG&A Exp. | 60 | 64 | 75 | 90 | 109 | 133 | 151 | 177 | 199 | 168 |
| D&A Exp. | 261 | 313 | 417 | 478 | 545 | 698 | 821 | 928 | 1000 | 1117 |
| Operating Profit | 237 | 266 | 311 | 378 | 432 | 524 | 518 | 626 | 734 | 836 |
| Operating Margin | 29% | 29% | 28% | 28% | 28% | 28% | 24.5% | 24.2% | 25.4% | 26.8% |
| Net Profit | 144 | -66 | 169 | 379 | 363 | 771 | 571 | 522 | 104 | 323 |
| Net Margin | 18% | -7% | 15% | 29% | 24% | 41% | 27% | 20.1% | 3.6% | 10.4% |
| Free Cash Flow | 343 | 393 | 451 | 570 | 684 | 883 | 1010 | 1294 | 1631 | 1505 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 8881 | 10355 | 12104 | 14465 | 18391 | 22830 | 30220 | 35523 | 36770 | 37530 |
| Cash & Equivalents | 125 | 125 | 254 | 234 | 190 | 569 | 361 | 825 | 618 | 552 |
| Accounts Receivable | 10 | 10 | 10 | 10 | 11 | 733 | 7.4 | 8 | 8 | 6 |
| Total Liabilities | 4601 | 4984 | 5632 | 6581 | 8236 | 9395 | 11190 | 12840 | 14150 | 15130 |
| Accounts Payable | 240 | 366 | 350 | 216 | 199 | 285 | 513 | 390 | 524 | 535 |
| Long-Term Debt | 3936 | 4164 | 4765 | 5478 | 6777 | 7563 | 8792 | 10160 | 11320 | 12240 |
| Shareholder's Equity | 3608 | 4679 | 5875 | 7278 | 8866 | 11730 | 16190 | 18972 | 18470 | 17890 |
| D/E Ratio | 0.99 | 0.85 | 0.80 | 0.75 | 0.76 | 0.65 | 0.54 | 0.54 | 0.61 | 0.68 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 1.7% | -0.7% | 1.5% | 2.9% | 2.2% | 3.7% | 2.2% | 1.6% | 0.29% | 0.87% |
| Return on Equity | 4.1% | -1.6% | 3.2% | 5.8% | 4.5% | 7.5% | 4.1% | 3.0% | 0.55% | 1.43% |
| ROIC | 1.8% | -0.7% | 1.6% | 3.1% | 2.4% | 4.1% | 2.3% | 1.7% | 0.31% | 0.94% |
| Shares Out. | 71.5 | 76.1 | 92.1 | 103.3 | 112.5 | 126.5 | 147.5 | 161.7 | 170.9 | 172.1 |
| Revenue/Share | 11.46 | 12.11 | 12.25 | 12.85 | 13.61 | 14.91 | 14.34 | 16.02 | 16.88 | 18.11 |
| FCF/Share | 4.79 | 5.17 | 4.90 | 5.52 | 6.08 | 6.98 | 6.85 | 8.01 | 9.54 | 8.74 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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