BioMed Realty Trust Inc
Form 10-Q
November 02, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
QUARTERLY REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011
Commission File Number: 1-32261 (BioMed Realty Trust, Inc.)
000-54089 (BioMed Realty, L.P.)
BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.
(Exact name of registrant as specified in its charter)

Maryland	**20-1142292 (BioMed Realty Trust, Inc.)**
(State or other jurisdiction of incorporation or organization)	**20-1320636 (BioMed Realty, L.P.)**
	(I.R.S. Employer Identification No.)

17190 Bernardo Center Drive	
San Diego, California	**92128**
(Address of Principal Executive Offices)	*(Zip Code)*

(858) 485-9840
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.

BioMed Realty Trust, Inc.	Yes þ	No o
BioMed Realty, L.P.	Yes þ	No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

BioMed Realty Trust, Inc.	Yes þ	No o
BioMed Realty, L.P.	Yes þ	No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

BioMed Realty Trust, Inc.:

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

BioMed Realty, L.P.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

BioMed Realty Trust, Inc.	Yes o	No þ
BioMed Realty, L.P.	Yes o	No þ

The number of outstanding shares of BioMed Realty Trust, Inc. s common stock, par value $0.01 per share, as of November 2, 2011 was 131,262,102.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2011 of BioMed Realty Trust, Inc., a Maryland corporation, and BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to we, us, our or our company refer to BioMed Realty Trust, Inc. together w its consolidated subsidiaries, including BioMed Realty, L.P. Unless otherwise indicated or unless the context requires otherwise, all references in this report to our operating partnership or the operating partnership refer to BioMed Realty, L.P. together with its consolidated subsidiaries.

BioMed Realty Trust, Inc. operates as a real estate investment trust, or REIT, and the general partner of BioMed Realty, L.P. As of September 30, 2011, BioMed Realty Trust, Inc. owned an approximate 97.8% partnership interest and other limited partners, including some of our directors, executive officers and their affiliates, owned the remaining 2.2% partnership interest (including long term incentive plan units) in BioMed Realty, L.P. As the sole general partner of BioMed Realty, L.P., BioMed Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership s day-to-day management and control.

There are a few differences between our company and our operating partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how BioMed Realty Trust, Inc. and BioMed Realty, L.P. operate as an interrelated consolidated company. BioMed Realty Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of BioMed Realty, L.P. As a result, BioMed Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of BioMed Realty, L.P., issuing public equity from time to time and guaranteeing certain debt of BioMed Realty, L.P. BioMed Realty Trust, Inc. itself does not hold any indebtedness but guarantees some of the secured and unsecured debt of BioMed Realty, L.P. BioMed Realty, L.P. holds substantially all the assets of the company and holds the ownership interests in the company s joint ventures. BioMed Realty, L.P. conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by BioMed Realty Trust, Inc., which are generally contributed to BioMed Realty, L.P. in exchange for partnership units, BioMed Realty, L.P. generates the capital required by the company s business through BioMed Realty, L.P. s operations, by BioMed Realty, L.P. s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests and stockholders equity and partners capital are the main areas of difference between the consolidated financial statements of BioMed Realty Trust, Inc. and those of BioMed Realty, L.P. The operating partnership and long term incentive plan units in BioMed Realty, L.P. that are not owned by BioMed Realty Trust, Inc. are accounted for as partners capital in BioMed Realty, L.P. s financial statements and as noncontrolling interests in BioMed Realty Trust, Inc. s financial statements. The noncontrolling interests in BioMed Realty, L.P. s financial statements include the interests of joint venture partners. The noncontrolling interests in BioMed Realty Trust, Inc. s financial statements include the same noncontrolling interests at the BioMed Realty, L.P. level as well as the limited partnership unitholders of BioMed Realty, L.P., not including BioMed Realty Trust, Inc. The differences between stockholders equity and partners capital result from the differences in the equity issued at the BioMed Realty Trust, Inc. and the BioMed Realty, L.P. levels.

We believe combining the quarterly reports on Form 10-Q of BioMed Realty Trust, Inc. and BioMed Realty, L.P. into this single report:

- better reflects how management and the analyst community view the business as a single operating unit,
- enhances investor understanding of our company by enabling them to view the business as a whole and in the same manner as management,
- is more efficient for our company and results in savings in time, effort and expense, and
- is more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

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To help investors understand the significant differences between our company and our operating partnership, this report presents the following separate sections for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P.:

- consolidated financial statements,
- the following notes to the consolidated financial statements:
  - Debt,
  - Equity / Partners Capital, and
  - Earnings Per Share / Unit,
- Liquidity and Capital Resources in Management s Discussion and Analysis of Financial Condition and Results of Operations, and
- Unregistered Sales of Equity Securities and Use of Proceeds.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P. in order to establish that the Chief Executive Officer and the Chief Financial Officer of BioMed Realty Trust, Inc. have made the requisite certifications and BioMed Realty Trust, Inc. and BioMed Realty, L.P. are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

BIOMED REALTY TRUST, INC. AND BIOMED REALTY, L.P.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011
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PART I FINANCIAL INFORMATION

ITEM 1. *CONSOLIDATED FINANCIAL STATEMENTS*

BIOMED REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Investments in real estate, net	$ 3,576,304	$ 3,536,114
Investments in unconsolidated partnerships	67,383	57,265
Cash and cash equivalents	16,351	21,467
Restricted cash	6,330	9,971
Accounts receivable, net	7,542	5,874
Accrued straight-line rents, net	123,564	106,905
Acquired above-market leases, net	24,015	30,566
Deferred leasing costs, net	116,811	125,060
Deferred loan costs, net	17,254	11,499
Other assets	73,475	55,033
Total assets	$ 4,029,029	$ 3,959,754
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 603,406	$ 657,922
Exchangeable senior notes, net	199,800	199,522
Unsecured senior notes, net	645,412	247,571
Unsecured line of credit	216,100	392,450
Security deposits	12,397	11,749
Dividends and distributions payable	30,500	27,029
Accounts payable, accrued expenses and other liabilities	86,658	98,826
Derivative instruments		3,826
Acquired below-market leases, net	6,853	7,963
Total liabilities	1,801,126	1,646,858
Equity:		
Stockholders equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized: 7.375% Series A cumulative redeemable preferred stock, $198,000,000 and $230,000,000 liquidation preference ($25.00 per share), 7,920,000 and 9,200,000 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	191,469	222,413
Common stock, $.01 par value, 200,000,000 shares authorized, 131,265,102 and 131,046,509 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	1,313	1,310
Additional paid-in capital	2,373,652	2,371,488
Accumulated other comprehensive loss	(61,912)	(70,857)
Dividends in excess of earnings	(285,996)	(221,176)

Total stockholders equity	2,218,526	2,303,178
Noncontrolling interests	9,377	9,718
Total equity	2,227,903	2,312,896
Total liabilities and equity	$ 4,029,029	$ 3,959,754

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended September 30, 2011	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
Revenues:				
Rental	$ 83,825	$ 72,971	$ 245,477	$ 215,950
Tenant recoveries	26,674	22,723	76,076	63,823
Other income	4,487	39	5,775	1,628
Total revenues	114,986	95,733	327,328	281,401
Expenses:				
Rental operations	23,172	19,998	64,850	54,926
Real estate taxes	10,883	9,408	31,902	26,832
Depreciation and amortization	36,295	27,774	105,919	83,159
General and administrative	7,682	6,805	21,797	19,523
Acquisition related expenses	136	420	789	2,388
Total expenses	78,168	64,405	225,257	186,828
Income from operations	36,818	31,328	102,071	94,573
Equity in net loss of unconsolidated partnerships	(735)	(308)	(1,849)	(686)
Interest income	71	55	274	126
Interest expense	(22,958)	(21,589)	(67,730)	(64,719)
Other expense	(3,802)		(4,627)	
Gain/(loss) on derivative instruments	64	(287)	(564)	(634)
Loss on extinguishment of debt	(521)	(22)	(814)	(2,286)
Net income	8,937	9,177	26,761	26,374
Net income attributable to noncontrolling interests	(106)	(104)	(281)	(321)
Net income attributable to the Company	8,831	9,073	26,480	26,053
Preferred stock dividends	(3,901)	(4,241)	(12,382)	(12,722)
Cost on redemption of preferred stock	(165)		(165)	
Net income available to common stockholders	$ 4,765	$ 4,832	$ 13,933	$ 13,331
Net income per share available to common stockholders:				
Basic and diluted earnings per share	$ 0.03	$ 0.04	$ 0.10	$ 0.12

Weighted-average common shares outstanding:				
Basic	129,872,349	112,910,694	129,834,429	107,003,096
Diluted	132,852,328	115,911,944	132,819,688	110,028,740

See accompanying notes to consolidated financial statements.

BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income available to common stockholders and noncontrolling interests	$ 4,871	$ 4,936	$ 14,214	$ 13,652
Other comprehensive income:				
Unrealized gain on derivative instruments, net	365	1,479	3,826	7,303
Amortization of deferred interest costs	1,754	1,776	5,279	5,343
Equity in other comprehensive income of unconsolidated partnerships	8	35	44	24
Deferred settlement payments on interest rate swaps, net	13	(11)	(75)	(495)
Reclassification of unrealized loss on equity securities	3,802		4,627	
Reclassification on sale of equity securities	21		21	(538)
Unrealized loss on equity securities	(883)		(4,575)	
Total other comprehensive income	5,080	3,279	9,147	11,637
Comprehensive income	9,951	8,215	23,361	25,289
Comprehensive income attributable to noncontrolling interests	(218)	(175)	(483)	(615)
Comprehensive income attributable to common stockholders	$ 9,733	$ 8,040	$ 22,878	$ 24,674

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share data)
(Unaudited)

	Series A Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)/Income	Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2010	$ 222,413	131,046,509	$ 1,310	$ 2,371,488	$ (70,857)	$ (221,176)	$ 2,303,178	$ 9,718	$ 2,312,896
Net issuances of unvested restricted common stock		197,322	2	(2,423)			(2,421)		(2,421)
Conversion of OP units to common stock		21,271	1	(50)			(49)	49	
Redemption of preferred stock	(30,944)					(165)	(31,109)		(31,109)
Vesting of share-based awards				5,554			5,554		5,554
Reallocation of equity to noncontrolling interests				(917)			(917)	917	
Common stock dividends						(78,753)	(78,753)		(78,753)
OP unit distributions								(1,790)	(1,790)
Net income						26,480	26,480	281	26,761
Preferred stock dividends						(12,382)	(12,382)		(12,382)
Reclassification on other-than-temporary impairment of marketable securities					4,525		4,525	102	4,627
Reclassification on sale of marketable securities					21		21		21
Unrealized loss on equity securities					(4,475)		(4,475)	(100)	(4,575)
Amortization of deferred interest costs					5,162		5,162	117	5,279
Unrealized gain on derivative instruments, net					3,712		3,712	83	3,795
Balance at September 30, 2011	$ 191,469	131,265,102	$ 1,313	$ 2,373,652	$ (61,912)	$ (285,996)	$ 2,218,526	$ 9,377	$ 2,227,903

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Operating activities:		
Net income	$ 26,761	$ 26,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	105,919	83,159
Allowance for doubtful accounts	2,194	108
Non-cash revenue adjustments	7,699	(905)
Other non-cash adjustments	10,442	11,208
Compensation expense related to restricted common stock and LTIP units	5,554	5,316
Distributions representing a return on capital from unconsolidated partnerships	1,573	1,195
Changes in operating assets and liabilities:		
Restricted cash	3,641	2,971
Accounts receivable	(2,614)	(3,306)
Accrued straight-line rents	(17,907)	(20,501)
Deferred leasing costs	(10,830)	(3,223)
Other assets	(5,450)	(14,639)
Security deposits	487	1,038
Accounts payable, accrued expenses and other liabilities	7,574	14,119
Net cash provided by operating activities	135,043	102,914
Investing activities:		
Purchases of interests in and additions to investments in real estate and related intangible assets	(156,421)	(309,869)
Contributions to unconsolidated partnerships, net	(14,351)	(4,318)
Purchases of equity securities	(2,125)	
Proceeds from the sale of equity securities	31	1,227
Funds held in escrow for acquisitions	(5,500)	(6,572)
Net cash used in investing activities	(178,366)	(319,532)
Financing activities:		
Proceeds from common stock offering		545,804
Payment of common stock offering costs		(22,048)
Redemption of Series A preferred stock	(31,109)	
Payment of deferred loan costs	(9,711)	(8,814)
Unsecured line of credit proceeds	400,075	366,992
Unsecured line of credit payments	(576,425)	(750,608)
Principal payments on mortgage notes payable	(52,554)	(5,514)
Secured term loan repayments		(250,000)
Repurchases of exchangeable senior notes due 2026		(26,410)

Proceeds from exchangeable senior notes due 2030		180,000
Proceeds from unsecured senior notes	397,460	247,443
Deferred settlement payments on interest rate swaps, net	(75)	(495)

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		Nine Months Ended September 30,		
		2011		2010
Distributions to operating partnership unit and LTIP unit holders		(1,702)		(1,305)
Dividends paid to common stockholders		(74,779)		(44,940)
Dividends paid to preferred stockholders		(12,973)		(12,722)
Net cash provided by financing activities		38,207		217,383
Net (decrease)/increase in cash and cash equivalents		(5,116)		765
Cash and cash equivalents at beginning of period		21,467		19,922
Cash and cash equivalents at end of period	$	16,351	$	20,687
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest (net of amounts capitalized of $5,308 and $4,136, respectively)	$	50,065	$	50,507
Supplemental disclosure of non-cash investing and financing activities:				
Accrual for preferred stock dividends declared	$	3,651	$	4,241
Accrual for common stock dividends declared		26,253		22,241
Accrual for distributions declared for operating partnership unit and LTIP unit holders		596		510
Accrued additions to real estate and related intangible assets		17,026		23,157

See accompanying notes to consolidated financial statements.

BIOMED REALTY, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Investments in real estate, net	$ 3,576,304	$ 3,536,114
Investments in unconsolidated partnerships	67,383	57,265
Cash and cash equivalents	16,351	21,467
Restricted cash	6,330	9,971
Accounts receivable, net	7,542	5,874
Accrued straight-line rents, net	123,564	106,905
Acquired above-market leases, net	24,015	30,566
Deferred leasing costs, net	116,811	125,060
Deferred loan costs, net	17,254	11,499
Other assets	73,475	55,033
Total assets	$ 4,029,029	$ 3,959,754
LIABILITIES AND CAPITAL		
Mortgage notes payable, net	$ 603,406	$ 657,922
Exchangeable senior notes, net	199,800	199,522
Unsecured senior notes, net	645,412	247,571
Unsecured line of credit	216,100	392,450
Security deposits	12,397	11,749
Distributions payable	30,500	27,029
Accounts payable, accrued expenses and other liabilities	86,658	98,826
Derivative instruments		3,826
Acquired below-market leases, net	6,853	7,963
Total liabilities	1,801,126	1,646,858
Capital:		
Partners capital:		
Preferred units, 7.375% Series A cumulative redeemable preferred units, $198,000,000 and $230,000,000 liquidation preference ($25.00 per unit), 7,920,000 and 9,200,000 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively	191,469	222,413
Limited partners capital, 2,979,979 and 3,001,250 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively	9,614	9,918
General partner s capital, 131,265,102 and 131,046,509 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively	2,087,459	2,150,314
Accumulated other comprehensive loss	(60,402)	(69,549)
Total partners capital	2,228,140	2,313,096
Noncontrolling interests deficit	(237)	(200)
Total capital	2,227,903	2,312,896

Total liabilities and capital	$	4,029,029	$	3,959,754

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except unit data)
(Unaudited)

	For the Three Months Ended September 30, 2011	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
Revenues:				
Rental	$ 83,825	$ 72,971	$ 245,477	$ 215,950
Tenant recoveries	26,674	22,723	76,076	63,823
Other income	4,487	39	5,775	1,628
Total revenues	114,986	95,733	327,328	281,401
Expenses:				
Rental operations	23,172	19,998	64,850	54,926
Real estate taxes	10,883	9,408	31,902	26,832
Depreciation and amortization	36,295	27,774	105,919	83,159
General and administrative	7,682	6,805	21,797	19,523
Acquisition related expenses	136	420	789	2,388
Total expenses	78,168	64,405	225,257	186,828
Income from operations	36,818	31,328	102,071	94,573
Equity in net loss of unconsolidated partnerships	(735)	(308)	(1,849)	(686)
Interest income	71	55	274	126
Interest expense	(22,958)	(21,589)	(67,730)	(64,719)
Other expense	(3,802)		(4,627)	
Gain/(loss) on derivative instruments	64	(287)	(564)	(634)
Loss on extinguishment of debt	(521)	(22)	(814)	(2,286)
Net income	8,937	9,177	26,761	26,374
Net loss attributable to noncontrolling interests	5	18	37	38
Net income attributable to the Operating Partnership	8,942	9,195	26,798	26,412
Preferred unit distributions	(3,901)	(4,241)	(12,382)	(12,722)
Cost on redemption of preferred units	(165)		(165)	
Net income available to unitholders	$ 4,876	$ 4,954	$ 14,251	$ 13,690
Net income per unit available to unitholders:				
Basic and diluted earnings per unit	$ 0.03	$ 0.04	$ 0.10	$ 0.12
Weighted-average units outstanding:				
Basic	132,793,468	115,768,368	132,759,427	109,882,418

Diluted	132,793,468	115,768,368	132,759,427	109,882,418

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income available to unitholders and noncontrolling interests	$ 4,871	$ 4,936	$ 14,214	$ 13,652
Other comprehensive income:				
Unrealized gain on derivative instruments, net	365	1,479	3,826	7,303
Amortization of deferred interest costs	1,754	1,776	5,279	5,343
Equity in other comprehensive income of unconsolidated partnerships	8	35	44	24
Deferred settlement payments on interest rate swaps, net	13	(11)	(75)	(495)
Reclassification of unrealized loss on equity securities	3,802		4,627	
Reclassification on sale of equity securities	21		21	(538)
Unrealized loss on equity securities	(883)		(4,575)	
Total other comprehensive income	5,080	3,279	9,147	11,637
Comprehensive income	$ 9,951	$ 8,215	$ 23,361	$ 25,289

See accompanying notes to consolidated financial statements.

BIOMED REALTY, L.P.
CONSOLIDATED STATEMENTS OF CAPITAL
(In thousands, except unit data)
(Unaudited)

	Preferred Series A		Limited Partners Capital		General Partner s Capital		Accumulated Other Comprehensive	Total Partner	Noncontrolling Interests	Tota
	Units	Amount	Units	Amount	Units	Amount	(Loss)/Income	Equity	Deficit	Equi
nce at mber 31, 2010	9,200,000	$ 222,413	3,001,250	$ 9,918	131,046,509	$ 2,150,314	$ (69,549)	$ 2,313,096	$ (200)	$ 2,312
ssuances of ted restricted nits					197,322	(2,421)		(2,421)		(2
ersion of OP			(21,271)	49	21,271	(49)				
mption of rred units	(1,280,000)	(31,109)						(31,109)		(31
ng of -based awards						5,554		5,554		5
ocation of equity ited partners				1,119		(1,119)				
butions		(12,382)		(1,790)		(78,753)		(92,925)		(92
ncome		12,547		318		13,933		26,798	(37)	26
ssification on -than-temporary rment of etable securities							4,627	4,627		4
ssification on f marketable ities							21	21		
alized loss on y securities							(4,575)	(4,575)		(4
rtization of red interest costs							5,279	5,279		5
alized gain on ative ments, net							3,795	3,795		3
nce at ember 30, 2011	7,920,000	$ 191,469	2,979,979	$ 9,614	131,265,102	$ 2,087,459	$ (60,402)	$ 2,228,140	$ (237)	$ 2,227

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Operating activities:		
Net income	$ 26,761	$ 26,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	105,919	83,159
Allowance for doubtful accounts	2,194	108
Non-cash revenue adjustments	7,699	(905)
Other non-cash adjustments	10,442	11,208
Compensation expense related to share-based payments	5,554	5,316
Distributions representing a return on capital from unconsolidated partnerships	1,573	1,195
Changes in operating assets and liabilities:		
Restricted cash	3,641	2,971
Accounts receivable	(2,614)	(3,306)
Accrued straight-line rents	(17,907)	(20,501)
Deferred leasing costs	(10,830)	(3,223)
Other assets	(5,450)	(14,639)
Security deposits	487	1,038
Accounts payable, accrued expenses and other liabilities	7,574	14,119
Net cash provided by operating activities	135,043	102,914
Investing activities:		
Purchases of interests in and additions to investments in real estate and related intangible assets	(156,421)	(309,869)
Contributions to unconsolidated partnerships, net	(14,351)	(4,318)
Purchases of equity securities	(2,125)	
Proceeds from the sale of equity securities	31	1,227
Funds held in escrow for acquisitions	(5,500)	(6,572)
Net cash used in investing activities	(178,366)	(319,532)
Financing activities:		
Proceeds from issuance of OP units		523,756
Redemption of Series A preferred units	(31,109)	
Payment of deferred loan costs	(9,711)	(8,814)
Unsecured line of credit proceeds	400,075	366,992
Unsecured line of credit payments	(576,425)	(750,608)
Principal payments on mortgage notes payable	(52,554)	(5,514)
Secured term loan repayments		(250,000)
Repurchases of exchangeable senior notes due 2026		(26,410)
Proceeds from exchangeable senior notes due 2030		180,000

Proceeds from unsecured senior notes	397,460	247,443

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	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Deferred settlement payments on interest rate swaps, net	(75)	(495)
Distributions paid to unitholders	(76,481)	(46,245)
Distributions paid to preferred unitholders	(12,973)	(12,722)
Net cash provided by financing activities	38,207	217,383
Net (decrease)/increase in cash and cash equivalents	(5,116)	765
Cash and cash equivalents at beginning of period	21,467	19,922
Cash and cash equivalents at end of period	$ 16,351	$ 20,687
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $5,308 and $4,136, respectively)	$ 50,065	$ 50,507
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for unit distributions declared	$ 26,849	$ 22,751
Accrual for preferred unit distributions declared	3,651	4,241
Accrued additions to real estate and related intangible assets	17,026	23,157

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization of the Parent Company and Description of Business

BioMed Realty Trust, Inc., a Maryland corporation (the Parent Company), was incorporated in Maryland on April 30, 2004. On August 11, 2004, the Parent Company commenced operations after completing its initial public offering. The Parent Company operates as a fully integrated, self-administered and self-managed real estate investment trust (REIT) focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry principally through its subsidiary, BioMed Realty, L.P., a Maryland limited partnership (the Operating Partnership and together with the Parent Company referred to as the Company). The Company s tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The Company s properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Francisco, Maryland, San Diego, New York/New Jersey, Pennsylvania and Seattle.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2011, owned a 97.8% interest in the Operating Partnership. The remaining 2.2% interest in the Operating Partnership is held by limited partners. Each partner s percentage interest in the Operating Partnership is determined based on the number of operating partnership units and long-term incentive plan units (LTIP units and together with the operating partnership units, the OP units) owned as compared to total OP units (and potentially issuable OP units, as applicable) outstanding as of each period end and is used as the basis for the allocation of net income or loss to each partner.

2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments necessary for a fair presentation of the financial statements for these interim periods have been recorded. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in the Company s annual report on Form 10-K for the year ended December 31, 2010.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, partnerships and limited liability companies it controls, and variable interest entities for which the Company has determined itself to be the primary beneficiary. All material intercompany transactions and balances have been eliminated. The Company consolidates entities the Company controls and records a noncontrolling interest for the portions not owned by the Company. Control is determined, where applicable, by the sufficiency of equity invested and the rights of the equity holders, and by the ownership of a majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority stockholder. If the minority stockholder holds substantive participating rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority stockholder simply holds protective rights (such as consent rights over certain actions), it does not overcome the presumption of control by the majority voting interest holder.

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Investments in Partnerships and Limited Liability Companies

The Company has determined that it is the primary beneficiary in six variable interest entities, or VIEs, consisting of single-tenant properties in which the tenant has a fixed-price purchase option, which are consolidated and reflected in the accompanying consolidated financial statements. Selected financial data of the VIEs at September 30, 2011 and December 31, 2010 consist of the following:

	September 30, 2011	December 31, 2010
Investment in real estate, net	$ 413,089	$ 375,428
Total assets	457,962	414,993
Total debt	147,000	147,000
Total liabilities	157,598	161,697

Investments in Real Estate, Net

Investments in real estate, net consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Land	$ 595,745	$ 578,753
Land under development	44,737	47,920
Buildings and improvements	3,257,987	3,160,392
Construction in progress	101,044	91,027
	3,999,513	3,878,092
Accumulated depreciation	(423,209)	(341,978)
	$ 3,576,304	$ 3,536,114

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset s use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Company is required to make subjective assessments as to whether there are impairments in the values of its investments in long-lived assets. These assessments have a direct impact on the Company s net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Company s strategy is to hold its properties over the long-term, if the Company s strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair-value, and such loss could be material. As of and through September 30, 2011, no assets have been identified as impaired and no such impairment losses have been recognized.

Accumulated Amortization

Deferred leasing costs, acquired above-market leases, acquired below-market leases, and lease incentives are recorded net of accumulated amortization. Accumulated amortization balances consisted of the following (in thousands):

	December 31,

	September 30, 2011	2010
Deferred leasing costs	$ 173,154	$ 150,702
Acquired above-market leases	19,733	12,572
Acquired below-market leases	33,303	32,193
Lease incentives	7,345	5,698

Investments

Investments in equity securities, which are included in other assets on the accompanying consolidated balance sheets, consisted of the following (in thousands):

		September 30, 2011		December 31, 2010
Available-for-sale securities, cost basis	$	6,032	$	4,133
Other-than-temporary unrealized loss		(4,516)		
Unrealized loss				(73)
Available-for-sale securities, fair-value(1)		1,516		4,060
Cost method securities, cost basis		2,125		
Total equity securities	$	3,641	$	4,060

(1) Determination of fair-value is classified as Level 1 in the fair-value hierarchy based on the use of quoted prices in active markets.

The Company s investments in available-for-sale securities of two publicly traded companies currently have fair market values that are less than the Company s initial cost basis in these securities due to decreases in their respective stock prices during the nine months ended September 30, 2011. During the three and nine months ended September 30, 2011, the Company reclassified to other expense from accumulated other comprehensive loss, an unrealized loss, considered to be other than temporary, of approximately $3.8 million and $4.6 million, respectively, relating to its investment in securities of these companies. Management will continue to periodically evaluate whether any investment, the fair-value of which is less than the Company s initial cost basis, should be considered other-than-temporarily-impaired. If other than temporary impairment is considered to exist, the related unrealized loss will be reclassified from accumulated other comprehensive income and recorded as a reduction of net income.

During the nine months ended September 30, 2010, the Company sold a portion of its available-for-sale securities, resulting in net proceeds of approximately $1.2 million and a realized gain on sale of approximately $865,000 (based on a specific identification of the securities sold), which was reclassified from accumulated other comprehensive loss and recognized in other income in the accompanying consolidated statements of income.

The Company s remaining investments consisted of securities in privately-held companies or funds, which are recorded at cost basis due to the Company s lack of control or significant influence over such companies or funds. The Company invested in equity securities of one privately-held company and one privately-held fund during the nine months ended September 30, 2011. There were no identified events or changes in circumstances that may have a significant adverse effect on the carrying value of the Company s cost basis investments, and, therefore, no evaluation of impairment was performed during the three months ended September 30, 2011 on the Company s cost basis investments.

Management s Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with GAAP. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts of revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions.

3. Equity of the Parent Company

During the nine months ended September 30, 2011, the Parent Company issued restricted stock awards to the Company s employees and directors totaling 336,044 and 15,085 shares of common stock, respectively (129,342 shares of common stock were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of restricted stock and 24,465 shares were forfeited during the same period), which are included in the total of common stock outstanding as of the period end.

Common Stock, Operating Partnership Units and LTIP Units

As of September 30, 2011, the Company had outstanding 131,265,102 shares of the Parent Company s common stock and 2,593,538 and 386,441 operating partnership and LTIP units, respectively. A share of the Parent Company s common stock and the operating partnership and LTIP units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership.

7.375% Series A Cumulative Redeemable Preferred Stock

As of September 30, 2011, the Company had outstanding 7,920,000 shares of the Parent Company s 7.375% Series A Cumulative Redeemable Preferred Stock, or Series A preferred stock. During the three months ended September 30, 2011, the Company completed the repurchase of 1,280,000 shares of the Parent Company s Series A preferred stock for approximately $31.1 million, or $24.30 per share, net of accrued dividends of approximately $250,000, or $0.20 per share. The repurchase of the Series A preferred stock resulted in the recognition of costs on extinguishment of preferred stock of approximately $165,000 for the three and nine months ended September 30, 2011 as a result of the difference between the carrying value and the price paid to repurchase the Series A preferred stock.

Dividends and Distributions

The following table lists the dividends and distributions declared by the Parent Company and the Operating Partnership during the nine months ended September 30, 2011:

Declaration Date	Securities Class	Amount Per Share/Unit	Period Covered	Dividend and Distribution Payable Date	Dividend and Distribution Amount (in thousands)
March 14, 2011	Common stock and OP units	$ 0.20000	January 1, 2011 to March 31, 2011	April 15, 2011	$ 26,846
March 14, 2011	Series A preferred stock/units	$ 0.46094	January 16, 2011 to April 15, 2011	April 15, 2011	$ 4,240
June 15, 2011	Common stock and OP units	$ 0.20000	April 1, 2011 to June 30, 2011	July 15, 2011	$ 26,848
June 15, 2011	Series A preferred stock/units	$ 0.46094	April 16, 2011 to July 15, 2011	July 15, 2011	$ 4,241
September 15, 2011	Common stock and OP units	$ 0.20000	July 1, 2011 to September 30, 2011	October 17, 2011	$ 26,849
September 15, 2011	Series A preferred stock/units	$ 0.46094	July 16, 2011 to October 15, 2011	October 17, 2011	$ 3,901

Total 2011 dividends and distributions declared through September 30, 2011 (in thousands):

Common stock and OP units	$ 80,543
Series A preferred stock/units	12,382
	$ 92,925

Noncontrolling Interests

Noncontrolling interests on the consolidated balance sheets of the Parent Company relate primarily to the OP units in the Operating Partnership that are not owned by the Parent Company. With respect to the noncontrolling interests in the Operating Partnership, noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock at the option of the issuer are further evaluated to determine whether temporary or permanent equity classification on the balance sheet is appropriate. Since the OP units comprising the noncontrolling interests contain such a provision, the Company evaluated this guidance, including the requirement to settle in unregistered shares, and determined that the OP units meet the requirements to qualify for presentation as permanent equity.

The Company evaluates individual redeemable noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any redeemable noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount, or (2) its redemption value as of the end of the period in which the determination is made.

The redemption value of the OP units not owned by the Parent Company, had such units been redeemed at September 30, 2011, was approximately $49.7 million based on the average closing price of the Parent Company s common stock of $16.69 per share for the ten consecutive trading days immediately preceding September 30, 2011.

The following table shows the vested ownership interests in the Operating Partnership were as follows:

	September 30, 2011		December 31, 2010	
	Operating Partnership Units and LTIP Units	Percentage of Total	Operating Partnership Units and LTIP Units	Percentage of Total
BioMed Realty Trust	129,872,349	97.8%	129,603,445	97.8%
Noncontrolling interest consisting of:				
Operating partnership and LTIP units held by employees and related parties	2,332,318	1.8%	2,268,873	1.7%
Operating partnership and LTIP units held by third parties	588,801	0.4%	588,801	0.5%
Total	132,793,468	100.0%	132,461,119	100.0%

4. Capital of the Operating Partnership

Operating Partnership Units and LTIP Units

As of September 30, 2011, the Operating Partnership had outstanding 133,858,640 operating partnership units and 386,441 LTIP units. The Parent Company owned 97.8% of the partnership interests in the Operating Partnership at September 30, 2011, is the Operating Partnership s general partner and is responsible for the management of the Operating Partnership s business. As the general partner of the Operating Partnership, the Parent Company effectively controls the ability to issue common stock of the Parent Company upon a limited partner s notice of redemption. In addition, the general partner of the Operating Partnership has generally acquired OP units upon a limited partner s notice of redemption in exchange for shares of the Parent Company s common stock. The redemption provisions of OP units owned by limited partners that permit the issuer to settle in either cash or common stock at the option of the issuer are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that these OP units meet the requirements to qualify for presentation as permanent equity.

The redemption value of the OP units owned by the limited partners, not including the Parent Company, had such units been redeemed at September 30, 2011, was approximately $49.7 million based on the average closing price of the Parent Company s common stock of $16.69 per share for the ten consecutive trading days immediately preceding September 30, 2011.

5. Debt

Debt of the Parent Company

The Parent Company does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, the Parent Company has guaranteed the Operating Partnership s Exchangeable Senior Notes due 2026 (the Notes due 2026), Exchangeable Senior Notes due 2030 (the Notes due 2030), Unsecured Senior Notes due 2016 (the Notes due 2016), Unsecured Senior Notes due 2020 (the Notes due 2020) and unsecured line of credit.

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Debt of the Operating Partnership

A summary of the Operating Partnership s outstanding consolidated debt as of September 30, 2011 and December 31, 2010 was as follows (dollars in thousands):

	Stated Fixed Interest Rate	Effective Interest Rate	Principal Balance September 30, 2011	Principal Balance December 31, 2010	Maturity Date
Mortgage Notes Payable					
Ardentech Court (1)	7.25%	5.06%	$	$ 4,237	July 1, 2012
Center for Life Science	Boston	7.75%	7.75%	343,031	345,577	June 30, 2014
500 Kendall Street (Kendall D)	6.38%	5.45%	62,765	64,230	December 1, 2018
6828 Nancy Ridge Drive	7.15%	5.38%	6,402	6,488	September 1, 2012
Road to the Cure (1)	6.70%	5.78%		14,696	January 31, 2014
10255 Science Center Drive (1)	7.65%	5.04%		10,800	July 1, 2011
Shady Grove Road	5.97%	5.97%	147,000	147,000	September 1, 2016
Sidney Street	7.23%	5.11%	26,655	27,395	June 1, 2012
Sorrento West (2)	7.42%	2.72%	13,043	13,247	November 10, 2011
9865 Towne Centre Drive (1)	7.95%	7.95%		17,636	June 30, 2013
900 Uniqema Boulevard	8.61%	5.61%	865	1,011	May 1, 2015
			599,761	652,317	
Unamortized premiums			3,645	5,605	
Mortgage notes payable, net			603,406	657,922	
Notes due 2026	4.50%	6.45%	19,800	19,800	October 1, 2026
Unamortized discount				(278)	
Notes due 2026, net (3)			19,800	19,522	
Notes due 2030	3.75%	3.75%	180,000	180,000	January 15, 2030
Exchangeable senior notes, net			199,800	199,522	
Notes due 2016	3.85%	3.99%	400,000		April 15, 2016
Unamortized discount (4)			(2,307)		
Notes due 2016, net			397,693		
Notes due 2020	6.13%	6.27%	250,000	250,000	April 15, 2020
Unamortized discount (5)			(2,281)	(2,429)	
Notes due 2020, net			247,719	247,571	
Unsecured senior notes, net			645,412	247,571	
Unsecured line of credit (6)	1.78%	1.78%	216,100	392,450	July 13, 2015
Total consolidated debt			$ 1,664,718	$ 1,497,465	

(1) During the nine months ended September 30, 2011, the Operating Partnership voluntarily prepaid in full the outstanding mortgage notes totaling approximately $47.2 million pertaining to the Ardentech Court, Road to the Cure, 10255 Science Center Drive and 9865 Towne Centre Drive properties, prior to their respective maturity dates.

(2) In October 2011, the Operating Partnership voluntarily prepaid in full the outstanding mortgage note pertaining to the Sorrento West property, in the amount of approximately $13.0 million, prior to its maturity date.

(3) As of September 30, 2011 and December 31, 2010, the carrying value of the equity component recognized was approximately $14.0 million. In October 2011, the Operating Partnership repurchased and redeemed in full the outstanding principal amount of the Notes due 2026.

(4) The unamortized debt discount will be amortized through April 15, 2016, the maturity date of the Notes due 2016.

(5) The unamortized debt discount will be amortized through April 15, 2020, the maturity date of the Notes due 2020.

(6) At September 30, 2011, the Operating Partnership had additional borrowing capacity under the unsecured line of credit of up to approximately $526.1 million (net of outstanding letters of credit issued by the Operating Partnership and drawable on the unsecured line of credit of approximately $7.8 million).

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Exchangeable Senior Notes due 2030

The exchange rate for the Notes due 2030 may be adjusted under certain circumstances, including the payment of cash dividends in excess of $0.14 per share of common stock. The increase in the quarterly cash dividend from the second quarter of 2010 through the second quarter of 2011 to $0.20 per share of common stock resulted in an increase in the exchange rate of the Notes due 2030 from 55.0782 to 55.6548 shares per $1,000 principal amount of Notes due 2030, effective as of June 28, 2011, the Company s ex-dividend date.

Unsecured Senior Notes due 2016, net

On March 30, 2011, the Operating Partnership issued $400.0 million aggregate principal amount of its Notes due 2016. The purchase price paid by the underwriters was 99.365% of the principal amount and the Notes due 2016 have been recorded on the consolidated balance sheet net of the discount. The Notes due 2016 are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. However, the Notes due 2016 are effectively subordinated to the Operating Partnership s existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Operating Partnership s subsidiaries, including guarantees provided by the Operating Partnership s subsidiaries under the Operating Partnership s unsecured line of credit. Interest at a rate of 3.85% per year is payable on April 15 and October 15 of each year, beginning on October 15, 2011, until the stated maturity date of April 15, 2016. The terms of the Notes due 2016 are governed by a base indenture and supplemental indenture, each dated March 30, 2011, among the Operating Partnership, as issuer, the Parent Company, as guarantor, and U.S. Bank National Association, as trustee.

The Operating Partnership may redeem the Notes due 2016, in whole or in part, at any time for cash at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes due 2016 being redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points, plus in each case, accrued and unpaid interest.

The terms of the indenture for the Notes due 2016 require compliance with various financial covenants, including limits on the amount of total leverage and secured debt maintained by the Operating Partnership and which require the Operating Partnership to maintain minimum levels of debt service coverage. Management believes that it was in compliance with these covenants as of September 30, 2011.

Unsecured Line of Credit

On July 14, 2011, the Operating Partnership entered into an unsecured credit agreement with KeyBank National Association, as administrative agent, and certain other lenders. The unsecured credit agreement provides for available borrowings under a revolving line of credit of $750.0 million and a maturity date of July 13, 2015. Subject to the administrative agent s reasonable discretion, the Operating Partnership may increase the amount of the revolving credit commitments to $1.25 billion upon satisfying certain conditions. In addition, the Operating Partnership, at its sole discretion, may extend the maturity date of the revolving line of credit to July 13, 2016 after satisfying certain conditions and paying an extension fee. The revolving line of credit bears interest at a floating rate equal to, at the Operating Partnership s option, either (1) reserve adjusted LIBOR plus a spread which ranges from 100 to 205 basis points, depending on the Company s credit ratings, or (2) the highest of (a) the prime rate then in effect plus a spread which ranges from 0 to 125 basis points, (b) the federal funds rate then in effect plus a spread which ranges from 50 to 175 basis points or (c) one month LIBOR plus a spread which ranges from 100 to 205 basis points, in each case, depending on the Company s credit ratings. In addition, a facility fee is payable on line capacity at an annual rate depending on the Company s credit rating, which is currently at 35 basis points.

The unsecured credit agreement includes certain restrictions and covenants which require compliance with financial covenants relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, overall leverage and unsecured leverage ratios, the maximum amount of secured indebtedness and certain investment limitations. Management believes that it was in compliance with these covenants as of September 30, 2011. The unsecured credit agreement specifies a number of events of default (some of which are subject to applicable cure periods), including, among others, the failure to make payments when due, noncompliance with covenants and defaults under other agreements or instruments of indebtedness. Upon the occurrence of an event of default, the lenders may terminate the revolving line of credit and declare all amounts outstanding to be immediately due and payable.

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As of September 30, 2011 principal payments due for the Operating Partnership s consolidated indebtedness (excluding debt premiums and discounts) were as follows (in thousands):

2011(1)	$ 34,984
2012	40,478
2013	8,291
2014	339,020
2015	222,353
Thereafter(2)	1,020,535
	$ 1,665,661

(1) Includes $19.8 million in principal payments of the Notes due 2026 which were repurchased and redeemed in full in October 2011.

(2) Includes $180.0 million in principal payments of the Notes due 2030 based on a contractual maturity date of January 15, 2030.

6. Earnings Per Share of the Parent Company

Through September 30, 2011 all of the Company s participating securities (including the OP units) received dividends/distributions at an equal dividend/distribution rate per share/unit. As a result, the portion of net income allocable to the weighted-average restricted stock outstanding for the three and nine months ended September 30, 2011 and 2010 has been deducted from net income available to common stockholders to calculate basic earnings per share. The calculation of diluted earnings per share for the three and nine months ended September 30, 2011 and 2010 includes the outstanding OP units (both vested and unvested) in the weighted-average shares, and net income attributable to noncontrolling interests in the Operating Partnership has been added back to net income available to common stockholders. For the three and nine months ended September 30, 2011 and 2010, the restricted stock was anti-dilutive to the calculation of diluted earnings per share and was therefore excluded. As a result, diluted earnings per share was calculated based upon net income available to common stockholders less net income allocable to unvested restricted stock and distributions in excess of earnings attributable to unvested restricted stock. No shares were issuable upon settlement of the excess exchange value pursuant to the exchange settlement feature of the Notes due 2026 as the common stock price at September 30, 2011 and 2010 did not exceed the exchange price then in effect. In addition, shares issuable upon settlement of the exchange feature of the Notes due 2030 were anti-dilutive and were not included in the calculation of diluted earnings per share based on the if converted method for the three and nine months ended September 30, 2011. No other shares were considered anti-dilutive for the three and nine months ended September 30, 2011 and 2010.

Computations of basic and diluted earnings per share (in thousands, except share data) were as follows:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Basic earnings per share:				
Net income available to common stockholders	$ 4,765	$ 4,832	$ 13,933	$ 13,331
Less: net income allocable and distributions in excess of earnings to participating securities	(278)	(239)	(854)	(615)

Net income attributable to common stockholders basic	$ 4,487	$ 4,593	$ 13,079	$ 12,716
Diluted earnings per share:				
Net income attributable to common stockholders basic	$ 4,487	$ 4,593	$ 13,079	$ 12,716
Add: net income attributable to noncontrolling interests in operating partnership	111	122	318	359
Net income attributable to common stockholders and participating securities	$ 4,598	$ 4,715	$ 13,397	$ 13,075
Weighted-average common shares outstanding:				
Basic	129,872,349	112,910,694	129,834,429	107,003,096
Incremental shares from assumed conversion:				
Operating partnership and LTIP units	2,979,979	3,001,250	2,985,259	3,025,644
Diluted	132,852,328	115,911,944	132,819,688	110,028,740
Basic and diluted earnings per share:				
Net income per share attributable to common stockholders, basic and diluted	$ 0.03	$ 0.04	$ 0.10	$ 0.12

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7. Earnings Per Unit of the Operating Partnership

Through September 30, 2011 all of the Operating Partnership s participating securities received distributions at an equal distribution rate per unit. As a result, the portion of net income allocable to the weighted-average unvested OP units outstanding for the three and nine months ended September 30, 2011 and 2010 has been deducted from net income available to unitholders to calculate basic earnings per unit. For the three and nine months ended September 30, 2011 and 2010 the unvested OP units were anti-dilutive to the calculation of earnings per unit and were therefore excluded from the calculation of diluted earnings per unit, and diluted earnings per unit is calculated based upon net income attributable to unitholders. No shares of common stock of the Parent Company were contingently issuable upon settlement of the excess exchange value pursuant to the exchange settlement feature of the Notes due 2026 as the common stock price at September 30, 2011 and 2010 did not exceed the exchange price then in effect. In addition, units issuable upon settlement of the exchange feature of the Notes due 2030 were anti-dilutive and were not included in the calculation of diluted earnings per unit based on the if converted method for the three and nine months ended September 30, 2011. No other units were considered anti-dilutive for the three and nine months ended September 30, 2011 and 2010.

Computations of basic and diluted earnings per unit (in thousands, except share data) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Basic earnings per unit:				
Net income available to unitholders	$ 4,876	$ 4,954	$ 14,251	$ 13,690
Less: net income allocable and distributions in excess of earnings to participating securities	(290)	(266)	(891)	(686)
Net income attributable to unitholders basic and diluted	$ 4,586	$ 4,688	$ 13,360	$ 13,004
Weighted-average units outstanding:				
Basic and diluted	132,793,468	115,768,368	132,759,427	109,882,418
Basic and diluted earnings per unit:				
Net income per unit attributable to unitholders, basic and diluted:	$ 0.03	$ 0.04	$ 0.10	$ 0.12

8. Investment in Unconsolidated Partnerships

The accompanying consolidated financial statements include investments in two limited liability companies with Prudential Real Estate Investors (PREI), and in 10165 McKellar Court, L.P. (McKellar Court), a limited partnership with Quidel Corporation, the tenant which occupies the McKellar Court property. General information on the PREI limited liability companies and the McKellar Court partnership (each referred to in this footnote individually as a partnership and collectively as the partnerships) as of September 30, 2011 was as follows:

Name	**Partner**	**Company s Ownership Interest**	**Company s Economic Interest**	**Date Acquired**
PREI I LLC(1)	PREI	20%	20%	April 4, 2007
PREI II LLC(2)	PREI	20%	20%	April 4, 2007
McKellar Court(3)	Quidel Corporation	22%	22%	September 30, 2004

(1) PREI I LLC owns a portfolio of six properties in Cambridge, Massachusetts comprised of laboratory/office buildings. At September 30, 2011, there were $199.3 million in outstanding borrowings on the PREI joint ventures secured acquisition and interim loan facility, with a contractual interest rate of 3.73% (including the applicable credit spread) which matures on February 10, 2012. At maturity, the PREI joint ventures may refinance the secured acquisition and interim loan facility, depending on market conditions and the availability of credit, or they may repay the principal balance through capital contributions of the members. During the three months ended September 30, 2011, a wholly owned subsidiary of the Company s joint venture with PREI I LLC entered into an agreement with certain lenders to extend the maturity date of its secured construction loan facility, extending the maturity date to August 13, 2013 and decreasing the borrowing capacity to $139.0 million, which required the repayment of approximately $67.0 million by capital contributions of the partners, including the Company s share of the repayment of approximately $13.4 million. At September 30, 2011, there was $139.0 million in outstanding borrowings on the secured construction loan facility, with a contractual interest rate of 3.23% (including the applicable credit spread).

(2) The Company s remaining investment in PREI II LLC (maximum exposure to losses) was approximately $818,000 at September 30, 2011.

(3) The Company s investment in the McKellar Court partnership (maximum exposure to losses) was approximately $12.4 million at September 30, 2011. The Company s economic interest in the McKellar Court partnership entitles it to 75% of the extraordinary cash flows after repayment of the partners capital contributions and 22% of the operating cash flows.

The Company acts as the operating member or partner, as applicable, and day-to-day manager for the partnerships. The Company is entitled to receive fees for providing construction and development services (as applicable) and management services to the PREI joint ventures. The Company earned approximately $244,000 and $758,000 in fees for the three and nine months ended September 30, 2011, respectively, and approximately $225,000 and $1.1 million in fees for the three and nine months ended September 30, 2010, respectively, for services provided to the PREI joint ventures, which are reflected in tenant recoveries and other income in the consolidated statements of income.

The condensed combined balance sheets for all of the Company s unconsolidated partnerships were as follows (in thousands):

	September 30, 2011	December 31, 2010
Assets:		
Investments in real estate, net	$ 604,297	$ 620,430
Cash and cash equivalents (including restricted cash)	10,150	7,914
Intangible assets, net	11,253	12,303
Other assets	24,161	26,412
Total assets	$ 649,861	$ 667,059
Liabilities and members equity:		
Mortgage notes payable and secured construction loan	$ 348,530	$ 415,933
Other liabilities	17,592	18,101
Members equity	283,739	233,025
Total liabilities and equity	$ 649,861	$ 667,059

Company s net investment in unconsolidated partnerships	$	67,383	$	57,265

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The condensed combined statements of operations for the unconsolidated partnerships were as follows (in thousands):

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Total revenues	$ 9,232	$ 9,967	$ 28,196	$ 26,981
Rental operations expenses and real estate taxes	5,971	5,251	16,926	14,531
Depreciation and amortization	4,716	4,166	14,023	10,931
Professional fees	207	399	574	950
Interest expense, net of interest income	3,403	2,997	10,123	8,011
Total expenses	14,297	12,813	41,646	34,423
Net loss	$ (5,065)	$ (2,846)	$ (13,450)	$ (7,442)
Company s equity in net loss of unconsolidated partnerships	$ (735)	$ (308)	$ (1,849)	$ (686)

9. Derivatives and Other Financial Instruments

As of September 30, 2011, the Company had deferred interest costs of approximately $50.9 million in accumulated other comprehensive loss related to forward starting swaps, which were settled with the corresponding counterparties in March and April 2009. The forward starting swaps were entered into to mitigate the Company s exposure to the variability in expected future cash flows attributable to changes in future interest rates associated with a forecasted issuance of fixed-rate debt, with interest payments for a minimum of ten years. The deferred interest costs will be amortized as additional interest expense over a remaining period of approximately eight years.

The following is a summary of the Company s derivative instruments and their fair-values, which are included in derivative instruments (liability account) or other assets based on their respective balances on the accompanying consolidated balance sheets (in thousands):

	Fair-Value(1) September 30, 2011	Fair-Value(1) December 31, 2010
Interest rate swaps (2)	$	$ (3,826)
Other (3)	13	26
Total derivative instruments	$ 13	$ (3,800)

(1) Fair-value of derivative instruments does not include any related accrued interest payable, which is included in accrued expenses on the accompanying consolidated balance sheets. Derivative valuations are classified in Level 2 of the fair-value hierarchy.

(2) Two interest rate swaps with an aggregate notional amount of $150.0 million expired on August 1, 2011.

(3) Includes stock purchase warrants that are recorded as derivative instruments and are reflected in other assets on the accompanying consolidated balance sheets. Changes in the fair-value of the stock purchase warrants are

included in earnings in the period in which they occur.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair-value of the derivative is initially reported in accumulated other comprehensive income (outside of earnings) and subsequently reclassified to earnings in the period in which the hedged forecasted transaction affects earnings. During the three and nine months ended September 30, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair-value of the derivatives is recognized directly in earnings.

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The Company s use of proceeds from its March 2011 unsecured debt offering to repay a portion of the outstanding indebtedness on its unsecured line of credit caused the amount of variable-rate indebtedness to fall below the combined notional value of the outstanding interest rate swaps on March 30, 2011, causing the Company to be overhedged. As a result, the Company re-performed tests to assess the effectiveness of its interest rate swaps. Although the interest rate swaps with an aggregate notional amount of $150.0 million passed the assessment tests and the $115.0 million swap continued to qualify for hedge accounting, the $35.0 million swap no longer qualified for hedge accounting due to the lack of variable rate debt expected to be outstanding during the remaining term of the swap. From the date that hedge accounting was discontinued on the $35.0 million swap, changes in the fair-value associated with this interest rate swap were recorded directly to earnings, resulting in the recognition of a gain of approximately $12,000 for the nine months ended September 30, 2011, which is included as a component of loss on derivative instruments. The Company accelerated the reclassification of amounts deferred in accumulated other comprehensive loss to earnings related to the hedged forecasted transactions that became probable of not occurring during the period in which the Company was overhedged. This resulted in a cumulative charge to earnings for the nine months ended September 30, 2011 of approximately $1.0 million.

During the three months ended September 30, 2011, the Company recorded total gain on derivative instruments of $64,000 primarily related to the increase in the amount of the variable-rate indebtedness relating to the remaining $150.0 million interest rate swaps (see above) and changes in the fair-value of other derivative instruments. During the nine months ended September 30, 2011, the Company recorded total loss on derivative instruments of $564,000, primarily related to the reduction in the amount of the variable-rate indebtedness relating to the remaining $150.0 million interest rate swaps (see above), hedge ineffectiveness on cash flow hedges due to mismatches in maturity dates and interest rate reset dates between the interest rate swaps and corresponding debt and changes in the fair-value of other derivative instruments. During the three and nine months ended September 30, 2010, the Company recorded total losses on derivative instruments of $287,000 and $634,000, respectively, primarily related to the discontinuance of hedge accounting for the Company s former $250.0 million interest rate swap, hedge ineffectiveness on cash flow hedges due to mismatches in maturity dates and interest rate dates between the interest rate swaps and corresponding debt and changes in the fair-value of other derivative instruments.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to earnings during the period in which the hedged forecasted transaction affects earnings. The change in net unrealized (loss)/gain on derivative instruments includes reclassifications of net unrealized losses from accumulated other comprehensive loss as (1) an increase to interest expense of $2.2 million and $8.7 million for the three and nine months ended September 30, 2011, respectively, and $3.5 million and $14.0 million for the three and nine months ended September 30, 2010, respectively, and (2) a gain on derivative instruments of $64,000 for the three months ended September 30, 2011, a loss on derivative instruments of $564,000 for the nine months ended September 30, 2011, and a loss on derivative instruments of $287,000 and $634,000 for the three and nine months ended September 30, 2010, respectively. During the next twelve months, the Company estimates that an additional $7.0 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense. In addition, approximately $41,000 and $236,000 for the three and nine months ended September 30, 2011, respectively, and approximately $65,000 and $646,000 for the three and nine months ended September 30, 2010, respectively, of settlement payments on interest rate swaps have been deferred in accumulated other comprehensive loss and will be amortized over the useful lives of the related development or redevelopment projects.

The following is a summary of the amount of loss recognized in other comprehensive income related to the derivative instruments (in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
Amount of loss recognized in other comprehensive income (effective portion):				
Cash flow hedges				

Interest rate swaps	$		$	415	$	104	$	1,933

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The following is a summary of the amount of loss reclassified from accumulated other comprehensive loss to interest expense related to the derivative instruments (in thousands):

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Amount of loss reclassified from accumulated other comprehensive loss to income (effective portion):				
Cash flow hedges				
Interest rate swaps(1)	$ (444)	$ (1,676)	$ (3,385)	$ (8,647)
Forward starting swaps(2)	(1,754)	(1,776)	(5,279)	(5,343)
Total interest rate swaps	$ (2,198)	$ (3,452)	$ (8,664)	$ (13,990)

(1) Amount represents payments made to swap counterparties for the effective portion of interest rate swaps that were recognized as an increase to interest expense for the periods presented (the amount was recorded as an increase and corresponding decrease to accumulated other comprehensive loss in the same accounting period).

(2) Amount represents reclassifications of deferred interest costs from accumulated other comprehensive loss to interest expense related to the Company s previously settled forward starting swaps.

The following is a summary of the amount of gain/(loss) recognized in income as a loss on derivative instruments related to the ineffective portion of the derivative instruments (in thousands):

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Amount of gain/(loss) recognized in income (ineffective portion and amount excluded from effectiveness testing):				
Cash flow hedges				
Interest rate swaps	$ 80	$ (301)	$	$ (245)
Ineffective interest rate swaps			(544)	(416)
Total interest rate swaps	80	(301)	(544)	(661)
Other derivative instruments	(16)	14	(20)	27
Total gain/(loss) on derivative instruments	$ 64	$ (287)	$ (564)	$ (634)

10. Fair-Value of Financial Instruments

The Company s disclosures of estimated fair-value of financial instruments at September 30, 2011 and December 31, 2010 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair-value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair-value amounts.

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, security deposits, accounts payable, accrued expenses and other liabilities approximate fair-value due to the short-term nature of these instruments.

The Company utilizes quoted market prices to estimate the fair-value of its fixed-rate and variable-rate debt, when available. If quoted market prices are not available, the Company calculates the fair-value of its mortgage notes payable and other fixed-rate debt based on a currently available market rate assuming the loans are outstanding through maturity and considering the collateral. In determining the current market rate for fixed-rate debt, a market credit spread is added to the quoted yields on federal government treasury securities with similar terms to debt. In determining the current market rate for variable-rate debt, a market credit spread is added to the current effective interest rate. The carrying value of interest rate swaps, as well as the underlying hedged liability, if applicable, are reflected at their fair-value. The Company receives quotations from a third party to use in estimating these fair-values.

At September 30, 2011 and December 31, 2010, the aggregate fair-value and the carrying value of the Company s financial instruments were as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Fair-Value	Carrying Value	Fair-Value	Carrying Value
Mortgage notes payable, net	$ 691,610	$ 603,406	$ 729,561	$ 657,922
Notes due 2026, net (1)	19,800	19,800	23,244	19,522
Notes due 2030	196,650	180,000	209,128	180,000
Notes due 2016, net	394,016	397,693		
Notes due 2020, net	265,090	247,719	262,950	247,571
Unsecured line of credit	212,530	216,100	388,567	392,450
Derivative instruments (2)	13	13	(3,800)	(3,800)
Available-for-sale securities	1,516	1,516	4,060	4,060

(1) In October 2011, the Operating Partnership repurchased and redeemed in full the outstanding principal amount of the Notes due 2026.

(2) The Company s derivative instruments are reflected in other assets and derivative instruments (liability account) on the accompanying consolidated balance sheets based on their respective balances (see Note 9).

ITEM 2. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

As used herein, the terms we, us, our or the Company refer to BioMed Realty Trust, Inc., a Maryland corporation, any of our subsidiaries, including BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner, which may be referred to herein as the operating partnership.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, esti or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: adverse economic or real estate developments in the life science industry or in our target markets, including the inability of our tenants to obtain funding to run their businesses; reductions in asset valuations and related impairment charges; our dependence upon significant tenants; our failure to obtain necessary outside financing on favorable terms or at all, including the continued availability of our unsecured line of credit; general economic conditions, including downturns in the national and local economies; volatility in financial and securities markets; defaults on or non-renewal of leases by tenants; our inability to compete effectively; increased interest rates and operating costs; our inability to successfully complete real estate acquisitions, developments and dispositions; risks and uncertainties affecting property development and construction; our failure to successfully operate acquired properties and operations; the loss of services of one or more of our executive officers; our failure to qualify or continue to qualify as a REIT; failure to maintain our investment grade credit ratings with the rating agencies; government approvals, actions and initiatives, including the need for compliance with environmental requirements; the effects of earthquakes and other natural disasters; lack of or insufficient amounts of insurance; and changes in real estate, zoning and other laws and increases in real property tax rates. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report. In addition, we discussed a number of material risks in our annual report on Form 10-K for the year ended December 31, 2010. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Overview

We operate as a fully integrated, self-administered and self-managed REIT focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. Our tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. Our properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Francisco, Maryland, San Diego, New York/New Jersey, Pennsylvania and Seattle.

At September 30, 2011, we owned or had interests in a portfolio with an aggregate of approximately 12.3 million rentable square feet.

The following reflects the classification of our properties between stabilized properties (operating properties in which more than 90% of the rentable square footage is under lease), lease up (operating properties in which less than 90% of the rentable square footage is under lease), long-term lease up (our Pacific Industrial Center, Pacific Research Center North and Pacific Research Center South properties), redevelopment (properties that are currently being prepared for their intended use), development (properties that are currently under development through ground up construction) and development potential (representing management s estimates of rentable square footage if development of these properties was undertaken) at September 30, 2011:

	Gross Book Value *(In thousands)*	Buildings	Rentable Square Feet	Weighted Average Leased (1)
Stabilized	$ 2,822,146	92	6,920,197	99.3%
Lease up	642,639	32	2,631,489	53.5%
Current operating portfolio	3,464,785	124	9,551,686	90.8%
Long-term lease up	309,062	10	1,389,517	42.9%
Total operating portfolio	3,773,847	134	10,941,203	86.9%
Redevelopment	49,432	9	357,817	55.5%
Unconsolidated partnership portfolio	67,383	7	954,558	53.7%
Development potential	176,233		3,667,000	
Total portfolio	$ 4,066,895	150	15,920,578	

(1) Calculated based on gross book value for each asset multiplied by the percentage leased.

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Acquisitions

During the nine months ended September 30, 2011, we acquired 265,000 rentable square feet of laboratory and office space, which was 100.0% leased at acquisition, and undeveloped land which we estimate can support up to approximately 696,000 rentable square feet of laboratory and office space, for $40.5 million:

Property	**Market**	**Closing Date**	**Rentable Square Feet**	**Investment**	**Percent Leased at Acquisition**
				(In thousands)	
1701 / 1711 Research Blvd	Maryland	May 9, 2011	104,743	$ 17,500	100.0%
450 Kendall Street (Kendall G) (1)	Boston	May 31, 2011		5,030	n/a
Ardsley Park	New York / New Jersey	June 23, 2011	160,500	18,000	100.0%
Total / weighted average			265,243	$ 40,530	100.0%

(1) Subsequent to quarter end, we anticipate paying $2.9 million for an additional 19,470 square feet of development potential, bringing our aggregate investment to approximately $8.0 million for approximately 53,000 square feet of development potential.

Factors Which May Influence Future Operations

Our long-term corporate strategy is to focus on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. As of September 30, 2011, our current operating portfolio was 90.8% leased on a weighted average basis to 150 tenants. As of December 31, 2010, our current operating portfolio was 88.6% leased on a weighted average basis to 149 tenants. The increase in the overall leased percentage was due to an increase in leased square feet related to increased leasing activity and a decrease in the total rentable square feet in our current operating portfolio due to the placement of one property into the redevelopment portfolio.

Leases representing less than 0.1% of our leased square footage expire during the fourth quarter of 2011 and leases representing 4.9% of our leased square footage expire during 2012. Our leasing strategy for 2011 focuses on leasing vacant space, negotiating renewals for leases scheduled to expire during the year, and identifying new tenants or existing tenants seeking additional space to occupy the spaces for which we are unable to negotiate such renewals. We may proceed with additional new developments and acquisitions, as real estate and capital market conditions permit.

As a direct result of the recent economic recession, we believe that the fair-values of some of our properties may have declined below their respective carrying values. However, to the extent that a property has a substantial remaining estimated useful life and management does not believe that the property will be disposed of prior to the end of its useful life, it would be unusual for undiscounted cash flows to be insufficient to recover the property s carrying value. We presently have the ability and intent to continue to own and operate our existing portfolio of properties and estimated undiscounted future cash flows from the operation of the properties are expected to be sufficient to recover the carrying value of each property. Accordingly, we do not believe that the carrying value of any of our properties is impaired. If our ability and/or our intent with regard to the operation of our properties otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair-value less costs to sell, and such loss could be material.

A discussion of additional factors which may influence future operations can be found below under Part II, Item 1A, Risk Factors and in our annual report on Form 10-K for the year ended December 31, 2010.

Critical Accounting Policies

A complete discussion of our critical accounting policies can be found in our annual report on Form 10-K for the year ended December 31, 2010.

Results of Operations

Comparison of the Three Months Ended September 30, 2011 to the Three Months Ended September 30, 2010

The following table sets forth the basis for presenting the historical financial information for same properties (all properties except redevelopment/development, new properties and corporate entities), redevelopment/development properties (properties that were entirely or primarily under redevelopment or development during either of the three months ended September 30, 2011 or 2010), new properties (properties that were not owned for each of the three months ended September 30, 2011 and 2010 and were not under redevelopment/development), and corporate entities (legal entities performing general and administrative functions and fees received from our PREI joint ventures), in thousands:

	Same Properties		Redevelopment/Development Properties		New Properties		Corporate	
	2011	2010	2011	2010	2011	2010	2011	2010
Rental	$ 71,845	$ 71,948	$ 2,278	$ 384	$ 9,700	$ 637	$ 2	$ 2
Tenant recoveries	23,728	22,218	164	111	2,497	166	285	228
Other income	4,507	33			1		(21)	6
Total revenues	$ 100,080	$ 94,199	$ 2,442	$ 495	$ 12,198	$ 803	$ 266	$ 236

Rental Revenues. Rental revenues increased $10.8 million to $83.8 million for the three months ended September 30, 2011 compared to $73.0 million for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010, and the commencement of leases.

Tenant Recoveries. Revenues from tenant reimbursements increased $4.0 million to $26.7 million for the three months ended September 30, 2011 compared to $22.7 million for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010, the commencement of new leases, and higher rental operations expenses. Same property tenant recoveries increased $1.5 million, or 6.8%, for the three months ended September 30, 2011 compared to the same period in 2010 primarily as a result of the commencement of new leases and higher rental operations expenses.

The percentage of recoverable expenses recovered at our properties increased to 78.3% for the three months ended September 30, 2011 compared to 77.3% for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010 and the commencement of new leases.

Other Income. During the three months ended September 30, 2011, we recorded approximately $4.1 million in lease termination income related to an early lease termination at one of our properties. See a further description of this lease termination below. In addition to the lease termination income, we also recorded a lease settlement with another former tenant for approximately $400,000. Other income for the three months ended September 30, 2010 primarily comprised development fees earned from our PREI joint ventures. Termination payments received for terminated leases for the three months ended September 30, 2011 and 2010 aggregated $4.4 million and $14,000, respectively.

The following table shows operating expenses for same properties, redevelopment/development properties, new properties, and corporate entities, in thousands:

	Same Properties		Redevelopment/Development Properties		New Properties		Corporate	
	2011	2010	2011	2010	2011	2010	2011	2010
Rental operations	$ 20,331	$ 18,238	$ 128	$ 64	$ 1,413	$ 149	$ 1,300	$ 1,547
Real estate taxes	9,245	9,264	238	44	1,400	100		
Depreciation and amortization	28,738	27,338	1,125	114	6,432	322		
Total expenses	$ 58,314	$ 54,840	$ 1,491	$ 222	$ 9,245	$ 571	$ 1,300	$ 1,547

Rental Operations Expense. Rental operations expense increased $3.2 million to $23.2 million for the three months ended September 30, 2011 compared to $20.0 million for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010 and increases in same property rental operations expense. Same property rental operations expense increased $2.1 million, or 11.5%, for the three months ended September 30, 2011 compared to 2010 primarily due to the commencement of new leases, higher bad debt expense and higher utility costs. For the three months ended September 30, 2011, we recorded bad debt expense of $1.3 million as compared to net bad debt recoveries of $145,000 for three months ended September 30, 2010. The increase in bad debt expense related to amounts considered uncollectible as a result of a lease termination discussed below during the three months ended September 30, 2011 as compared to the recovery of a previously recorded allowance in 2010.

Real Estate Tax Expense. Real estate tax expense increased $1.5 million to $10.9 million for the three months ended September 30, 2011 compared to $9.4 million for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010.

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Depreciation and Amortization Expense. Depreciation and amortization expense increased $8.5 million to $36.3 million for the three months ended September 30, 2011 compared to $27.8 million for the three months ended September 30, 2010. The increase was primarily due to properties acquired in 2010.

General and Administrative Expenses. General and administrative expenses increased $900,000 to $7.7 million for the three months ended September 30, 2011 compared to $6.8 million for the three months ended September 30, 2010. The increase was primarily due to an increase in aggregate compensation costs due to higher headcount as compared to the prior year.

Acquisition Related Expenses. Acquisition related expenses decreased to $136,000 for the three months ended September 30, 2011 compared to $420,000 for the three months ended September 30, 2010. The decrease was primarily due to a decrease in acquisition activities in 2011 as compared to the prior year.

Equity in Net Loss of Unconsolidated Partnerships. Equity in net loss of unconsolidated partnerships increased $427,000 to $735,000 for the three months ended September 30, 2011 compared to $308,000 for the three months ended September 30, 2010. The increased loss primarily reflects the commencement of depreciation and ceasing of interest capitalization on a vacant property that was under development in 2010 being placed into service.

Interest Expense. Interest cost incurred for the three months ended September 30, 2011 totaled $25.0 million compared to $22.8 million for three months ended September 30, 2010. Total interest cost incurred increased primarily as a result of the issuance of our Notes due 2016 in March 2011 and increases in the average interest rate on our outstanding borrowings due to the issuance of new fixed-rate indebtedness with a higher interest rate than the variable-rate indebtedness it replaced, partially offset by the expiration of derivative instruments and repayment of certain mortgage notes payable. Interest expense increased $1.4 million to $23.0 million for the three months ended September 30, 2011 compared to $21.6 million for the three months ended September 30, 2010. Interest expense increased primarily as the result of the increase in interest cost incurred partially offset by an increase in capitalized interest.

Interest expense consisted of the following (in thousands):

	Three Months Ended September 30,	
	2011	**2010**
Mortgage notes payable	$ 10,776	$ 11,838
Amortization of debt premium on mortgage notes payable	(428)	(476)
Amortization of deferred interest costs (see Note 9)	1,754	1,776
Derivative instruments (see Note 9)	444	1,676
Exchangeable senior notes	1,910	1,915
Unsecured senior notes	7,678	3,829
Amortization of debt discount	261	179
Unsecured line of credit	1,435	1,004
Amortization of deferred loan fees	1,125	1,039
Interest cost incurred	24,955	22,780
Capitalized interest	(1,997)	(1,191)
Total interest expense	$ 22,958	$ 21,589

Other Expense. Other expenses for the three months ended September 30, 2011 of $3.8 million related to the reclassification from accumulated other comprehensive loss of an unrealized loss, considered to be other-than-temporary, related to investments in available-for-sale securities in two publicly traded companies. See the lease termination section below for further discussion.

Gain/(Loss) on Derivative Instruments. The gain on derivative instruments for the three months ended September 30, 2011 of $64,000 was primarily related to an increase in our variable-rate indebtedness during the period resulting in other comprehensive income being reclassified to the consolidated income statement due to mismatches in forecasted transactions on interest rate swaps. The loss on derivative instruments for the three months ended September 30, 2010 of $287,000 was primarily related to a reduction in our variable-rate indebtedness during the period, resulting in other comprehensive loss being reclassified to the consolidated income statement due to mismatches in forecasted transactions on interest rate swaps.

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Loss on Extinguishment of Debt. During the three months ended September 30, 2011, we voluntarily prepaid in full the outstanding 7.95% mortgage note totaling approximately $17.5 million pertaining to the 9865 Towne Centre Drive property, prior to its maturity date. The prepayment resulted in the recognition of a loss on extinguishment of debt of approximately $521,000 (representing a prepayment penalty and the write-off of deferred loan fees). During the three months ended September 30, 2010, we repurchased $2.1 million face value of our Notes due 2026 at 100.3% of par. The repurchase resulted in the recognition of a loss on extinguishment of debt of approximately $22,000 (representing the write-off of deferred loan fees and unamortized debt discount).

Lease termination. During the three months ended September 30, 2011, we recorded approximately $4.1 million in lease termination income, which has been recorded as other income, related to an early lease termination at one of our properties. Consideration was in the form of marketable equity securities received from the former tenant and the recognition of previously deferred rental income related to the property. As a result of this lease termination, bad debt expense of approximately $1.0 million was recorded and the amortization of certain intangibles was accelerated resulting in an additional depreciation and amortization expense of approximately $700,000. The net impact of this lease termination for the three months ended September 30, 2011 increased net income by approximately $2.4 million. In addition, as described above, other expense includes an unrealized loss, considered to be other-than-temporary, related to investments in marketable securities of which approximately $3.6 million relates to an investment in the former tenant received in connection with a restructuring of the now terminated lease in a prior quarter. The net effect of all these transactions for the three months ended September 30, 2011 reduced net income by $1.2 million.

Comparison of the Nine Months Ended September 30, 2011 to the Nine Months Ended September 30, 2010

The following table sets forth the basis for presenting the historical financial information for same properties (all properties except redevelopment/development and new properties), redevelopment/development properties (properties that were entirely or primarily under redevelopment or development during either of the nine months ended September 30, 2011 or 2010), new properties (properties that were not owned for each of the nine months ended September 30, 2011 and 2010 and were not under redevelopment/development), and corporate entities (legal entities performing general and administrative functions and fees received from our PREI joint ventures), in thousands:

	Same Properties		Redevelopment/Development Properties		New Properties		Corporate	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Rental	$ 209,170	$ 211,965	$ 3,247	$ 639	$ 33,055	$ 3,341	$ 5	$ 5
Tenant recoveries	66,803	62,408	347	155	7,997	660	929	600
Other income	5,785	188	1	1	2		(13)	1,439
Total revenues	$ 281,758	$ 274,561	$ 3,595	$ 795	$ 41,054	$ 4,001	$ 921	$ 2,044

Rental Revenues. Rental revenues increased $29.5 million to $245.5 million for the nine months ended September 30, 2011 compared to $216.0 million for the nine months ended September 30, 2010. The increase was primarily due to properties acquired in 2010. Same property rental revenues decreased $2.8 million, or 1.3%, for the nine months ended September 30, 2011 compared to the same period in 2010. The decrease in same property rental revenues was primarily due to decreases in lease rates related to lease extensions at certain properties (which had the effect of decreasing rental revenue recognized on a straight-line basis), lease expirations, and the full amortization of below-market intangible assets in 2010, partially offset by the commencement of new leases in 2011 and 2010.

Tenant Recoveries. Revenues from tenant reimbursements increased $12.3 million to $76.1 million for the nine months ended September 30, 2011 compared to $63.8 million for the nine months ended September 30, 2010. The increase was primarily due to properties acquired in 2010, the commencement of new leases, and higher rental operations expenses. Same property tenant recoveries increased $4.4 million, or 7.0%, for the nine months ended September 30, 2011 compared to the same period in 2010 primarily as a result of the commencement of new leases and higher rental operations expenses.

The percentage of recoverable expenses recovered at our properties increased to 78.6% for the nine months ended September 30, 2011 compared to 78.1% for the nine months ended September 30, 2010. The increase in the recovery percentage in the current period is primarily due to properties acquired in 2010 and the commencement of new leases.

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Other Income. During the nine months ended September 30, 2011, we recorded approximately $4.1 million in lease termination income related to an early lease termination at one of our properties. See a further description of this lease termination below. In addition to the lease termination income, we also recorded a lease settlement with another former tenant for approximately $400,000. Other income for the nine months ended September 30, 2010 primarily comprised realized gains from the sale of equity investments of $865,000 and development fees earned from our PREI joint ventures. Termination payments received for terminated leases for the nine months ended September 30, 2011 and 2010 aggregated $5.3 million and $86,000, respectively.

The following table shows operating expenses for same properties, redevelopment/development properties, new properties, and corporate entities, in thousands:

Same Properties	Redevelopment/Development Properties	New Properties	Corporate