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Alexandria Real Estate Equities, Inc. Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions). And we will take our first question with Will Marks [ph] from JMP Securities. Please go ahead

Will Marks – JMP Securities

Hello Joel, hello Dean.

Joel Marcus

Good afternoon.

Will Marks – JMP Securities

Good afternoon. I wanted to dig a little deeper into a couple of your markets. First your comments on San Diego, the softness there, can you talk about – my understanding is that there are considerable barriers to entry with land and just talk about potential supply there as a benefit to you? And second on the Mission Bay and South San Francisco markets, can you comment also on what Shorenstein and others have in terms of availability? I know there is not a whole lot of construction. And then lastly in South San Francisco what – if there is any action there? I know that Amgen sublease has put some pressure maybe a cap on rents there, any thoughts, is there action on that space?

Joel Marcus

Well, actually three good questions, I will take the first and ask Steve to take the two San Francisco questions. Yes, I think what we're seeing in San Diego is there is not particularly a large excess supply and there is obviously a highly constrained land situation. What I think we are seeing much more and rental rates aren't plunging, they have really kind of settled down from where they that much like what happened in San Francisco.

The land market hasn't seen the up tick steeply as office did nor has it seen the downtick as deeply as office has. But I think it is fair to say what is missing in San Diego that we see in the other clusters although they are each a little bit different is, big pharma really is not growing or focused on San Diego for the past number of years. Pfizer has slimmed down, Merck has exited that market, and a number of others who are there, J&J, Novartis, and so forth, have maintained presence, but clearly not expanding. That is substantially different than you have seen in the Bay Area or the Massachusetts area.

I think secondly the biotech side of the equation has been pretty tepid or pretty I should say pretty quiet in the San Diego area, partially due to I think the lack of robust venture capital that you see more traditionally in the Bay Area and in the Massachusetts area. And then I think finally the institutions who are actually the backbone of the market, our presence is heavily in – but the institutions have not seen a lot of expansion, you see ST, Scripps, Burnham et cetera. We did sign a big lease with Burnham in the fourth quarter about 76,000 ft.² but a number of those entities have spent a lot of growth time in Florida over the past couple of years.

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