

Education Realty Trust, Inc.  
Form 10-K  
March 08, 2012

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

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **001-32417**

**Education Realty Trust, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)

20-1352180  
(IRS Employer  
Identification No.)

530 Oak Court Drive, Suite 300  
Memphis, Tennessee  
(Address of Principal Executive Offices)

38117  
(Zip Code)

Registrant's Telephone Number, Including Area Code (901) 259-2500

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class  
Common Stock, \$0.01 par value per share  
Securities registered pursuant to Section 12(g) of the Act: **None**

Name Of Each Exchange On Which Registered  
**New York Stock Exchange**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes   
No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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. Yes  No

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). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2011, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$612 million, based on the closing sales price of \$8.57 per share as reported on the New York Stock Exchange. (For purposes of this calculation all of the registrant's directors and executive officers are deemed affiliates of the registrant.)

As of March 1, 2012, the registrant had 93,117,547 shares of common stock outstanding.

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## DOCUMENTS INCORPORATED BY REFERENCE

To the extent stated herein, the Registrant incorporates by reference into Part III of this Annual Report on Form 10-K, or Annual Report, portions of its Definitive Proxy Statement on Schedule 14A for the 2012 Annual Meeting of Stockholders to be filed subsequently with the Securities and Exchange Commission.

## FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report on Form 10-K and the documents that are or will be incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations and funds from operations, our strategic plans and objectives, cost management, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated capital expenditures (and access to capital) required to complete projects, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and variations words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and/or could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

risks and uncertainties related to the current recession, the national and local economies, and the real estate industry in general and in our specific markets (including university enrollment conditions and admission policies, and our relationship with these universities);

volatility in the capital markets;  
rising interest and insurance rates;

competition from university-owned or other private collegiate housing and our inability to obtain new tenants on favorable terms, or at all, upon the expiration of existing leases;

availability and terms of capital and financing, both to fund our operations and to refinance our indebtedness as it matures;

legislative or regulatory changes, including changes to laws governing collegiate housing, construction and real estate investment trusts;

our possible failure to qualify as a real estate investment trust and the risk of changes in laws affecting real estate investment trusts;

our dependence upon key personnel whose continued service is not guaranteed;

our ability to identify, hire and retain highly qualified executives in the future;

availability of appropriate acquisition and development targets;

failure to integrate acquisitions successfully;

the financial condition and liquidity of, or disputes with, our joint venture and development partners;

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impact of ad valorem, property and income taxes;  
changes in generally accepted accounting principles;  
construction delays, increasing construction costs or construction costs that exceed estimates;  
potential liability for uninsured losses and environmental liabilities;  
lease-up risks; and  
the potential need to fund improvements or other capital expenditures out of operating cash flow.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. You should carefully review the risks described under Item 1A. Risk Factors below. New factors may also emerge from time to time that could materially and adversely affect us.

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**PART I**

**Item 1. Business.**

**Our Company**

Education Realty Trust, Inc., or we, us, our, EdR or the Trust, is a self-managed and self-advised real estate investment trust, or REIT, incorporated in July 2004 to develop, acquire, own and manage collegiate housing communities located near university campuses. We were formed to continue and expand upon the collegiate housing business of Allen & O Hara, Inc., a company with over 40 years of experience as an owner, manager and developer of collegiate housing. We selectively develop collegiate housing communities for our own account and also provide third-party development consulting services on collegiate housing development projects for universities and other third parties. As of December 31, 2011, we owned 37 collegiate housing communities located in 21 states containing 22,666 beds in 7,340 apartment units located on or near 34 university campuses. As of December 31, 2011, we provided third-party management services for 23 collegiate housing communities located in 11 states containing 11,534 beds in 3,779 apartment units located on or near 19 university campuses.

All of our assets are held by, and we conduct substantially all of our activities through Education Realty Operating Partnership, LP, our Operating Partnership, and its wholly- owned subsidiaries, EDR Management Inc., or our Management Company, and EDR Development LLC, or our Development Company. The majority of our operating expenses are borne by our Operating Partnership, our Management Company or our Development Company, as the case may be.

We are the sole general partner of our Operating Partnership. As a result, our Board of Directors effectively directs all of our Operating Partnership's affairs. We own 99.0% of the outstanding partnership units of our Operating Partnership, and 1.0% of the partnership units are held by the former owners of our initial properties and assets, including members of our management team.

University Towers Operating Partnership, LP, or the University Towers Partnership, which is our affiliate, holds, owns and operates our University Towers property located in Raleigh, North Carolina. We own 72.7% of the units in the University Towers Partnership, and the remaining 27.3% of the units in the

University Towers Partnership are held by the former owners of our initial properties and assets, including members of our management team.

**REIT Status and Taxable REIT Subsidiaries**

We have elected to be taxed as a REIT, for federal income tax purposes. With the exception of income from our taxable REIT subsidiaries, or our TRSs, income earned by the REIT is generally not subject to income taxes. In order to qualify as a REIT, a specified percentage of our gross income generally must be derived from real property sources, which would exclude our income from providing development and management services to third parties as well as our income from certain services afforded to our tenants. In order to avoid realizing such income in a manner that would adversely affect our ability to qualify as a REIT, we provide some services through our Management Company and our Development Company, with our Management Company being treated as a TRS. Our Management Company is wholly owned and controlled by our Operating Partnership, and our Management Company wholly owns our Development Company. Our Development Company is a disregarded entity for federal income tax purposes and all



assets owned and income earned by our Development Company are deemed to be owned and earned by our Management Company.

## **Business and Growth Strategy**

Our primary business objective is to achieve sustainable long-term growth in cash flow per share in order to maximize long-term stockholder value. We intend to achieve this objective by (i) acquiring collegiate housing communities nationwide that meet our focused investment criteria, (ii) maximizing net operating income from the operation of our owned properties through proactive and goal-oriented property management strategies, (iii) building our third-party business of management services and development consulting services and (iv) selectively developing properties for our own account.

Our business has three reportable segments that are indentified by their distinct customer base and service provided: collegiate housing leasing, development consulting services and management services. For a discussion of revenues, profit and loss and total assets by segment see [Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations](#) and [Note 11, Segments](#) to our accompanying consolidated financial statements.

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## Acquisition and Development Strategy

### Acquisitions

We seek to acquire high-quality, well-located communities with modern floor plans and amenities. Our ideal acquisition targets generally are located in markets that have stable or increasing collegiate populations and high barriers to entry. We also seek to acquire investments in collegiate housing communities that possess sound market fundamentals but are under-performing and would benefit from re-positioning, renovation and/or improved property management. We consider the following property and market factors to identify potential property acquisitions:

- university and campus reputation;
- competitive admissions criteria;
- limited number of on-campus beds and limited plans for expansion;
- distance of property from campus;
- property unit mix;
- competition;
- significant out-of-state enrollment;
- past operating performance;
- potential for improved management;
- ownership and capital structure;
- presence of desired amenities;
- maintenance and condition of the property;
- access to a university-sponsored or public transportation line; and
- parking availability.

Conversely, subject to appropriate market conditions, we may dispose of certain non-strategic collegiate housing communities. We continually assess all of our communities, the markets in which they are located and the colleges and universities they serve, to determine if any dispositions are necessary or appropriate.

### Joint Ventures

Starting in 2011, we began entering into joint venture agreements to develop, own and manage properties near the University of Alabama, Arizona State University and the University of Mississippi. We will have the majority ownership

interest in each property. This strategy enables us to accretively diversify our portfolio by expanding into geographic markets where we are not currently present with lower capital requirements than if we acquired the properties on our own. In some cases we hold a minority ownership interest in properties and earn a fee for the management of the properties. We expect to continue pursuing joint venture arrangements in the future.

### Developments

We develop collegiate housing communities for our ownership, and we plan to increase self-development activity going forward. The On-Campus Equity Plan, or The ONE Plan<sup>SM</sup>, is our private equity program for universities, which allows universities to use the Trust's equity and financial stability to develop and revitalize campus housing while preserving their credit capacity for other campus projects. The ONE Plan<sup>SM</sup> offers one service provider and one equity source to universities seeking to modernize on-campus housing to meet the needs of today's students. The Trust

has completed the development of a wholly-owned collegiate housing community located on the campus of Syracuse University in Syracuse, New York. The Trust owns and manages the community under a long-term ground lease from Syracuse University. In February 2011, Syracuse University selected the Trust to develop a second collegiate housing community under The ONE Plan<sup>SM</sup>. The Trust is also currently developing a high-rise apartment community near the campus of the University of Texas at Austin under The ONE Plan<sup>SM</sup>. EdR will own and manage the community under a long-term ground lease from the University of Texas. In December 2011, we were selected by the University of Kentucky to develop, own and manage a 600- bed on-campus undergraduate honors housing community under The ONE Plan<sup>SM</sup>.

The ONE Plan PLUS was created by EdR to improve those situations where the cost of real estate taxes may make it difficult to provide the desired quality housing at affordable rent levels. The same business structure and criteria apply as with The ONE Plan<sup>SM</sup>, but with the exception that, instead of acquiring a leasehold interest, we secure a second mortgage to make financing the project balance feasible, along with conventional construction financing. As a 501(c)(3) not-for-profit corporation, the university/other third party is often exempt from real-estate taxes, resulting in lower rental rates for residents as well as higher annual ground lease payments for the university. In July of 2010, we entered into an agreement to develop, finance and manage a \$60.7 million, 20-story, 572-bed

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collegiate housing complex at the Science + Technology Park at Johns Hopkins Medical Institute. The Trust will develop and manage the building, which will be constructed on land owned by Johns Hopkins University and leased to a subsidiary of East Baltimore Development, Inc., a nonprofit partnership of private and public entities dedicated to Baltimore's urban revitalization. This is the first community developed by the Trust under the ONE Plan PLUS. We believe the Trust will continue to enter into more partnerships under The ONE Plan<sup>SM</sup> and ONE Plan PLUS due to our years of success in the collegiate housing business. The ONE Plan<sup>SM</sup> and ONE Plan PLUS allow us to provide the perfect opportunity to universities to develop new housing and boost enrollment with a plan tailored to specific needs while simultaneously preserving the university's credit capacity.

We currently have nine active, owned and participating developments. This includes wholly-owned developments at the University of Connecticut and University of Colorado.

## **Operating Strategy**

We seek to maximize net operating income of the collegiate housing communities that we own and manage through the following operational strategies.

*Maximize property profitability.* We seek to maximize property-level profitability through the use of cost control systems and our focused on-site management personnel. Some of our specific cost control initiatives include:

- establishing internal controls and procedures for consistent cost control throughout our communities;
- operating with flat property-level management structures, minimizing multiple layers of management; and
- negotiating service-level pricing arrangements with national and regional vendors and requiring corporate-level approval of service agreements for each community.

*Maintain and develop strategic relationships.* We believe that establishing and maintaining relationships with universities and developers, owners and brokers of collegiate housing properties is important to the ongoing success of our business. We believe that these relationships will continue to provide us with referrals that enhance our leasing efforts, opportunities for additional acquisitions of collegiate housing communities and contracts for third-party services.

*Proactive marketing practices.* We have developed and implemented proactive marketing practices to enhance the visibility of our collegiate housing communities and to optimize our occupancy rates. We study our competitors, our residents and university policies affecting enrollment and housing. Based on our findings at each property, we formulate a marketing and sales plan for each academic leasing period. This plan is closely monitored and adjusted, if necessary, throughout the leasing period. We intend to continue to market our properties to students, parents and universities by emphasizing collegiate-oriented living areas, state-of-the-art technology and infrastructure, a wide variety of amenities and services and close proximity to university campuses.

*Develop and retain personnel.* We staff each collegiate housing community that we own or manage with a full-service on-site property management team. Each of our property management teams includes Community Assistants who plan activities and interact with residents, enhancing their college experiences. We have developed policies and procedures to train each team of on-site employees and to provide them with corporate-based support for each essential operating function. To retain employees, we have developed an incentive-based compensation structure that is available to all of our on-site personnel.

## Third-Party Services Strategy

In addition to developing communities for our ownership and managing our owned collegiate housing communities, we seek to provide development and management consulting services for universities and other third-party owners who rely upon the private sector for assistance in developing and managing their collegiate housing properties. We perform third-party services in order to enhance our reputation with universities and to benefit our primary goal of owning high quality collegiate housing communities. We perform third-party services for collegiate housing communities serving some of the nation's most prominent systems of higher education, including the University of North Carolina, the California State University System and the Pennsylvania State System of Higher Education. In order to comply with the rules applicable to our status as a REIT, we provide our third-party services through our Development Company and our Management Company. Unlike the income earned from our properties under the REIT, the income earned by our Development Company and our Management Company is subject to regular federal income tax and state and local income taxes where applicable.

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## **Third-party development consulting services**

We provide third-party development consulting services primarily to universities seeking to modernize their on-campus collegiate housing communities but also to other third-party investors. We typically are notified that we have been awarded development consulting services projects on the basis of a competitive award process and thereafter begin work on the project. In the case of tax exempt bond-financed projects, definitive contracts are not executed until bond closing. Our development consulting services typically include the following:

- market analysis and evaluation of housing needs and options;
- cooperation with university in architectural design;
- negotiation of ground lease, development agreement, construction contract, architectural contract and bond documents;
- oversight of architectural design process;
- coordination of governmental and university plan approvals;
- oversight of construction process;
- design of layout, purchase and installation of furniture;
- pre-opening marketing to potential residents; and
- obtaining final approvals of construction.

By providing these services, we are able to observe emerging trends in collegiate housing development and market acceptance of unit and community amenities. Our development consulting services also provide us with opportunities to obtain additional third-party property management contracts. Of the 21 clients we have provided development-consulting services to

since 2000, we currently offer third-party management services contracts for 12 clients with 9 property owners alternatively electing to manage the communities in-house under their existing infrastructure. In 2011, our fees from third-party development consulting services represented 4.7% of our revenues, excluding operating expense reimbursements.

Since 2000, we have provided third-party development consulting services to clients for projects totaling over \$1.3 billion in value. We are currently providing third-party development services pursuant to signed definitive contracts with projects under construction at East Stroudsburg University of Pennsylvania, Mansfield University of Pennsylvania and Johns Hopkins University. The aggregate project cost of these three projects is estimated to be approximately \$155.2 million.

## **Third-party management services**

We provide third-party management services for collegiate housing communities owned by educational institutions, charitable foundations and others. Our management services typically cover all aspects of operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. These services are comparable to the services that we provide for our owned properties. We typically provide these services pursuant to multi-year management agreements. These agreements typically have an initial term of two to five years with renewal options of like terms. We believe that providing these services allows us to increase cash flow with little incremental cost by leveraging our existing management expertise and infrastructure. For the year ended December 31, 2011, our fees from third-party management services represented 5.4% of our revenue, excluding operating expense reimbursements.



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The following table presents certain summary information regarding the collegiate housing communities that we managed for other owners as of December 31, 2011:

Property	University	# of Beds	# of Units
<b>On-campus properties</b>			
University Park Calhoun Street Apartments	University of Cincinnati	749	288
Reinhard Villages	Clarion University of Pennsylvania	656	180
University Park	Salisbury University (Maryland)	578	145
University Park Phase II	Salisbury University (Maryland)	312	108
Bettie Johnson Hall	University of Louisville	490	224
Herman & Heddy Kurz Hall	University of Louisville	402	224
Billy Minardi Hall	University of Louisville	38	20
Community Park	University of Louisville	358	101
University Village	California State University San Marcos	623	126
Arlington Park Apartments	University of Northern Colorado	394	179
Centennial Hall	SUNY College of Environmental Science and Forestry	454	213
<b>Total on-campus</b>		<b>5,054</b>	<b>1,808</b>
<b>Off-campus properties</b>			
Granville Towers	University of North Carolina at Chapel Hill	1,328	363
Honeysuckle Apartments	Bloomsburg University of Pennsylvania	407	104
Evergreen Commons	Lock Haven University of Pennsylvania	408	108
Campus Village	University of Colorado Denver	690	210
Upper Eastside Lofts	Sacramento State University	348	134
100 Midtown	Georgia Tech and Georgia State	332	118
The Courtyards	University of Michigan	896	320
Vulcan Village I	California University of Pennsylvania	432	108
Vulcan Village II	California University of Pennsylvania	338	91
University Village (1)	University of North Carolina Greensboro	600	203
The Reserve on Stinson (1)	University of Oklahoma	612	204
Wesley House	University of California Berkeley	89	8
<b>Total off-campus</b>		<b>6,480</b>	<b>1,971</b>
<b>Totals (for both on- and off-campus)</b>		<b>11,534</b>	<b>3,779</b>

(1) EdR holds a noncontrolling interest in the community pursuant to its joint venture arrangements.

## Our Operations

We staff each of our owned and managed collegiate housing communities with a full-service property management team. We typically staff each property with one Community Manager, a marketing/leasing manager, a resident services director, a maintenance supervisor, one on-site resident Community Assistant for each 50-85 residents and general office staff. Each property management team markets, leases and manages the community with a focus on maximizing its profitability. In addition, each property management team is trained to provide social and developmental opportunities for residents, enhancing the residents' college experiences as well as the desirability of our communities.

We have developed policies and procedures to carefully select and develop each team of on-site employees and to provide each team with corporate-based support for each essential operating area, including lease administration,



sales/marketing, community and university relations, student life administration, maintenance and loss prevention, accounting, human resources/benefits administration and information systems. The corporate level personnel responsible for each of these areas support each Community Manager's leadership role and are available as a resource to the Community Managers around the clock.

## **Residence Life and Student Development**

Our corporate director of residence life and student personnel development designs and directs our residence life program. Our programs are developed at the corporate level and

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implemented at each community by our Community Assistants, together with our other on-site personnel. We provide educational, social and recreational activities designed to help students achieve academic goals, promote respect and harmony throughout the community and help bridge interaction with the respective university. Examples of our residence life and student development programs include:

community-building and social activities geared to university-related events, holidays, public safety and education;  
study and attention skills counseling;  
career development, resume writing and employment search skill training;  
sponsorship of intramural sport teams, academic clubs and alumni-based activities;  
parent and resident appreciation events;  
community service activities including recycling, blood drives, food drives and student volunteer committees;  
lectures focused on social issues, including effective communication, multi-cultural awareness and substance abuse;  
university outreach activities; and  
voter registration, enrollment and education.

The Community Assistants perform key roles in the administrative functioning of the community and interface with residents through constructive programs, activities and listening to resident interests and concerns. Our on-site leadership selects residents to serve as Community Assistants who meet criteria established by our corporate director of residence life and student personnel development.

## **Marketing**

We begin our annual marketing campaign by thoroughly segmenting the student population attending each of the primary universities where our collegiate housing communities are located, and compiling market surveys of comparable collegiate apartment properties. With this information, we formulate a marketing/sales strategy that consists of a renewal campaign for current residents and a broader campaign directed at the eligible student population. We assess university regulations regarding housing requirements to avoid targeting

markets in which significant numbers of students are not eligible to live off-campus until they achieve certain credit hour levels.

We typically begin our renewal campaign between November and January of each year. Signage, social networking, direct mailings to the students and their parents, appreciation parties and staff selling incentives are key elements of the renewal campaign. The Community Assistant team plays a key role in communicating the renewal message throughout its assigned property area. We use a database of current resident demographic data to direct sales information to primary feeder high schools, particularly where new freshmen are eligible to live off-campus. Other database criteria include gender, high school location, prior apartment community, academic class standing, field of study and activity preferences.

We appeal to the greater university population through theme-based newspaper advertising campaigns, open house activities, housing fairs conducted by the university, web-based advertising and social networking media. Our professional leasing and marketing staff targets certain university-sponsored on-campus events to distribute handouts displaying our logo and offering incentives to visit our sales center. Wherever possible, our collegiate housing communities appear on university websites in listings of off-campus housing options, together with banner advertising where available.

## Leasing

Our standard lease begins in August and runs for approximately 11.5 months, ending July 31 or early August to coincide with the university's fall academic term. The primary exception to our standard lease term is our University Towers community, which we generally rent on nine-month academic year leases. Our standard lease is an agreement between the student and parental guarantor, and the specific collegiate housing community. All leases are for a bed in a private or shared bedroom, with rights to share common areas within the unit and throughout the community. The individual lease is a strong selling attraction as it limits a student's liability to the rental for one bedroom instead of burdening the student with shared liability for the entire unit rental amount.

We lease our units by floor plan type using internally-generated occupancy spreadsheets to maximize full leasing of entire units, avoiding spotty vacancies particularly in the four-bedroom units. We offer roommate-matching services to facilitate full occupancy. We develop waiting lists and monitor popular floor plans that fill to capacity early in the leasing season. If any fully

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vacant units remain available after the beginning of any academic semester, we seek to lease such units on a temporary basis to university-related visitors and our tenants' parents and family members, or keep them available for future leasing to students.

Unlike conventional apartment communities that have monthly move-outs and renewals, our collegiate housing community occupancies remain relatively stable throughout the academic year, but must be entirely re-leased at the beginning of each academic year. Because of the nature of leasing to students, we are highly dependent upon the success of our marketing and leasing efforts during the annual leasing season, generally November through August. Our leasing staff undergoes intensive annual professional training to maximize the success of our leasing efforts.

We typically require rent to be paid in 12 equal monthly payments throughout the lease term, with the first installment due on July 15. Residents of University Towers and residence halls that we manage for third parties typically pay their annual rent in two installments on July 1 and December 1. We replace contracted residents who fail to pay the first installment with people on our waiting list or from walk-in traffic while the market is still active with students seeking housing at the commencement of the academic year.

## **Strategic Relationships**

We assign high priority to establishing and nurturing relationships with the administration of each of the primary universities where our collegiate housing communities are located. Our corporate staff establishes this network, and on-site management then sustains it with follow-up by corporate staff during routine visits to the community. As a result of our strategic relationships, universities often refer their students to our properties, thus enhancing our leasing effort throughout the year. These networks create goodwill for our collegiate housing communities throughout the university administration, including departments of admissions, student affairs, public safety, athletics and international affairs.

Most universities promote off-campus housing alternatives to their student population. It is our intention to be among the most preferred off-campus residences and for universities to include our communities in listings and literature provided to students. We seek to obtain student mailing lists used by universities and to be featured in web-based collegiate housing listings wherever permitted by the institution and incorporate these initiatives into our marketing efforts. Our Community

Managers make scheduled personal visits to academic departments at the universities to further our community exposure at this level.

In addition to our university relationships, our management team has developed long-standing relationships with developers, owners and brokers of collegiate housing properties that allow us to identify and capitalize on acquisition opportunities. As a result, we have generated an internal database of contacts that we use to identify and evaluate acquisition candidates. As it is our intention to develop a diverse portfolio of collegiate housing communities, we also develop strategic relationships with equity investors in order to pursue acquisitions through joint venture arrangements.

## **Competition**

## **Competition from universities**

We typically compete for student tenants with the owners of on-campus collegiate housing, which is generally owned by educational institutions or charitable foundations. Educational institutions generally do not have to pay real estate taxes and borrow funds at lower interest rates, while we and other private sector operators pay full real estate tax rates and have higher borrowing costs. The competitive advantages of on-campus collegiate housing also include its physical proximity to the university campus and captive student body. Moreover, many universities have policies requiring students to live in their on-campus facilities during their freshman year.

On-campus housing is limited, however, and most universities are able to house only a small percentage of their students. As a result, educational institutions depend upon, and may serve as referral sources for, private providers of off-campus housing. In addition, off-campus housing facilities tend to offer more relaxed rules and regulations than on-campus properties and therefore tend to be more appealing to students. Off-campus collegiate housing offers freedom from restrictions, such as quiet hours or gender visitation limitations, and is especially appealing to upperclassmen who are transitioning towards independence.

## **Competition from private owners**

We compete with several regional and national owner-operators of off-campus collegiate housing, including two publicly-traded competitors, American Campus Communities, Inc. (ACC) and Campus Crest Communities, Inc. (CCG). We also compete with privately held developers and other real estate firms and in a number of markets with smaller local owner-operators. Currently, the industry is fragmented with no

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participant holding a dominant market share. We believe that a number of other large national companies with substantial financial resources may be potential entrants into the collegiate housing business. The entry of one or more of these companies could increase competition for residents and for the acquisition, management and development of collegiate housing properties.

## **Environmental Matters**

As a current or prior owner, manager and developer of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our properties. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage, or adversely affect our ability to sell, lease or develop the real property or to borrow using the real property as collateral. These and other risks related to environmental matters are described in more detail in Item 1A. Risk Factors below.

## **Employees**

As of December 31, 2011, we had approximately 1,077 employees, including:

- 948 on-site employees, including 435 Community Assistants;
- 21 people in our property management services department;
- 9 people in our development consulting services and construction departments; and
- 63 executive, corporate administration and financial personnel.

## **Available Information**

EdR files periodic and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. All filings made by EdR with the SEC may be copied and read at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC as EdR does. The website address of the SEC is <http://www.sec.gov>.

Additionally, a copy of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on EdR's website, [www.educationrealty.com](http://www.educationrealty.com), free of charge as soon as reasonably practicable after EdR electronically files such reports or amendments with, or furnishes them to, the SEC. The filings can be found in the SEC filings section of our website. EdR's website also contains its Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the committees of the Board of Directors. These items can be found in the Governance section of our website. Reference to EdR's website does not constitute incorporation by reference of the information contained on the website and should not be considered part of this Annual Report. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Education Realty Trust, Inc., 530 Oak Court Drive, Suite 300, Memphis, Tennessee 38117.



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## Item 1A. Risk Factors

### **Risks Related to Our Properties, Our Business and the Real Estate Industry**

#### **Adverse macroeconomic and business conditions may significantly and negatively affect our cash flows, profitability and results of operations.**

The United States is currently experiencing an economic downturn that has resulted in higher unemployment, weakening of consumer financial condition, large-scale business failures and tight credit markets. Our results of operations may be sensitive to changes in overall economic conditions that impact tenant leasing practices. A continuation of ongoing adverse economic conditions affecting disposable tenant income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs and other matters, could reduce overall tenant leasing or cause tenants to shift their leasing practices. At this time, it is difficult to determine the breadth and duration of the economic and financial market problems and the many ways in which they may affect our tenants and our business in general. A general reduction in the level of tenant leasing could adversely affect our growth and profitability.

We own, directly or indirectly, interests in collegiate housing communities located near major universities in the United States. Accordingly, we are dependant upon the levels of student enrollment and the admission policies of the respective universities, which attract a significant portion of our leasing base. As a result of the overall market quality deterioration, many students may be unable to obtain student loans on favorable terms. If student loans are not available or their costs are prohibitively high, enrollment numbers for universities may decrease. The demand for, occupancy rates at, rental income from and value of our properties would be adversely affected if student enrollment levels become stagnant or decrease in the current environment. Accordingly, a continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our cash flows, profitability and results of operations.

#### **Our performance and the value of our real estate assets are subject to risks associated with real estate assets and with the real estate industry.**

Our performance and ability to make distributions to our stockholders depends on our ability to generate cash revenues in excess of expenses, scheduled debt service obligations and capital expenditure requirements. Events and conditions

generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties.

These events include:

local oversupply of collegiate housing units, increased competition or reduction in demand for collegiate housing;



inability to collect rent from tenants;  
the need for capital expenditures at our communities;  
vacancies or our inability to lease beds on favorable terms;  
inability to finance property development and acquisitions on favorable terms;  
increased operating costs, including insurance premiums, utilities and real estate taxes;  
costs of complying with changes in governmental regulations;  
the relative illiquidity of real estate investments;  
changing student demographics;  
decreases in student enrollment at particular colleges and universities;  
changes in university policies related to admissions;  
national, regional and local economic conditions; and  
rising interest rates.

**Our results of operations are subject to the following risks inherent in the collegiate housing industry: leasing cycles, concentrated lease-up period, seasonal cash flows and increased risk of student defaults during the summer months of 11.5 month leases.**

We generally lease our properties under 11.5 month leases, but we may also lease for terms of nine months or less. Furthermore, all of our properties must be entirely re-leased each year, exposing us to increased leasing risk. We may not be able to relet the property on similar terms, if we are able to relet the property at all. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to us than the prior lease. If we are unable to relet all or a substantial portion of our properties, or if the rental rates upon such reletting are

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significantly lower than expected rates, our cash flow from operations and our ability to make distributions to stockholders and service indebtedness could be adversely affected.

In addition, we are subject to increased leasing risk on properties that we acquire that we have not previously managed due to our lack of experience leasing those properties and unfamiliarity with their leasing cycles. Collegiate housing communities are typically leased during a leasing season that begins in November and ends in August of each year. We are therefore highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this season. Prior to the commencement of each new lease period, mostly during the first two weeks of August but also during September at some communities, we prepare the units for new incoming tenants. Other than revenue generated by in-place leases for returning tenants, we do not generally recognize lease revenue during this period referred to as Turn as we have no leases in place. In addition, during Turn, we incur significant expenses making our units ready for occupancy, which we recognize immediately. This lease Turn period results in seasonality in our operating results during the third quarter of each year. As a result, we may experience significantly reduced cash flows during the summer months at properties leased for terms shorter than twelve months.

In addition, students leasing under 11.5 month leases may be more likely to default on their rental payments during the summer months. Although we typically require a student's parents to guarantee the student's lease, we may have to spend considerable effort and expense in pursuing payment upon a defaulted lease, and our efforts may not be successful.

## **We rely on our relationships with universities, and changes in university personnel and/or policies could adversely affect our operating results.**

In some cases, we rely on our relationships with universities for referrals of prospective tenants or for mailing lists of prospective tenants and their parents. The failure to maintain good relationships with personnel at these universities could therefore have a material adverse effect on us. If universities refuse to make their lists of prospective student-tenants and their parents available to us or increase the costs of these lists, the increased costs or failure to obtain such lists could also have a material adverse effect on us.

We may be adversely affected by a change in university admission policies. For example, if a university reduces the number of student admissions, the demand for our properties

may be reduced and our occupancy rates may decline. In addition, universities may institute a policy that a certain class of students, such as freshmen, must live in a university-owned facility, which would also reduce the demand for our properties. While we may engage in marketing efforts to compensate for such policy changes, we may not be able to effect such marketing efforts prior to the commencement of the annual lease-up period or at all.

It is also important that the universities from which our communities draw tenants maintain good reputations and are able to attract the desired number of incoming students. Any degradation in a university's reputation could inhibit its ability to attract students and reduce the demand for our communities.

## **We face significant competition from university-owned collegiate housing and from other private collegiate housing**

Our results of operations are subject to the following risks inherent in the collegiate housing industry: leasing cycles,

## **communities located within close proximity to universities.**

Many students prefer on-campus housing to off-campus housing because of the closer physical proximity to campus and integration of on-campus facilities into the academic community. Universities can generally avoid real estate taxes and borrow funds at lower interest rates, while we and other private-sector operators pay full real estate tax rates and have higher borrowing costs. Consequently, universities often can offer more convenient and/or less expensive collegiate housing than we can, which can adversely affect our occupancy and rental rates.

We also compete with other national and regional owner-operators of off-campus collegiate housing in a number of markets as well as with smaller local owner-operators. There are a number of purpose-built collegiate housing properties that compete directly with us located near or in the same general vicinity of many of our collegiate housing communities. Such competing collegiate housing communities may be newer than our collegiate housing communities, located closer to campus, charge less rent, possess more attractive amenities, or offer more services, shorter lease terms or more flexible leases. The construction of competing properties or decreases in the general levels of rents for housing in competing properties could adversely affect our rental income.

We believe that a number of other large national companies may be potential entrants in the collegiate housing business. In some cases, these potential competitors possess substantially greater financial and marketing resources than we do. The entry

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of one or more of these companies could increase competition for student tenants and for the acquisition, development and management of other collegiate housing communities.

### **We may not be able to recover our costs for our development consulting services.**

We typically are awarded development consulting services business on the basis of a competitive award process, but definitive contracts are typically not executed until the formal approval of the transaction by the institution's governing body at the completion of the process. In the intervening period, we may incur significant predevelopment and other costs in the expectation that the development consulting services contract will be executed. These costs could range up to \$2.0 million or more per project and typically include architects' fees to design the property and contractors' fees to price the construction. We typically seek to enter into a reimbursement agreement with the institution that requires the institution to provide a guarantee of our advances. However, we may not be successful in negotiating such an agreement. In addition, if an institution's governing body does not ultimately approve our selection and the underlying terms of a pending development, we may not be able to recover these costs from the institution. In addition, when we are awarded development consulting business, we generally receive a significant percentage of our fees for development consulting services upon closing of the project financing, a portion of the fee over the construction period and the balance upon substantial completion of construction. As a result, the recognition and timing of revenues will, among other things differ from the timing of payments and be contingent upon the project owner's successful structuring and closing of the project financing as well as the timing of construction.

### **Our contractual obligations arising under third-party development consulting agreements expose us to risks related to the total project cost and on-time completion of the project.**

We typically enter into development agreements with universities and other third-parties as developer at risk. At the same time, we enter into guaranteed maximum price contracts with a general contractor for the construction of the project. In our capacity as developer at risk, we usually guarantee that a project will be completed within a certain maximum cost. Any additional costs which are not the responsibility of the contractor, under their guaranteed maximum price contract, or the result of changes by the university or other third-party, would be our responsibility to fund. We also typically guarantee that a project will be completed and ready for occupancy by a

date certain in order to meet housing needs for a particular school term. If completion of a project was delayed beyond such date certain, we would be exposed to claims for liquidated damages, which would usually include, but may not be limited to, the cost of housing prospective residents of the community until it was available for occupancy.

Although we generally transfer such risks to the general contractor who is responsible for the construction activities of a development project, if we were to experience significant cost-overruns or were to become subject to such a claim or claims, our financial condition, results of operations and/or cash flows could be materially and adversely impacted.

### **We may not be able to recover internal development costs.**

When developing collegiate housing communities for our ownership on university land, definitive contracts are not executed until the formal approval of the transaction by the institution's governing body at the completion of the process. In the intervening period, we may incur significant predevelopment and other costs in the expectation that a

ground lease will be executed. These costs could range up to \$1.0 million or more and typically include architects' fees to design the property and third party fees related to other predevelopment services. If an institution's governing body does not ultimately approve the lease we will not be able to recover these predevelopment costs.

**We may be unable to take advantage of certain disposition opportunities because of additional costs we have agreed to pay if we sell the University Towers collegiate housing community in a taxable transaction.**

We issued University Towers Partnership units for our interest in University Towers. So long as the contributing owners of such property hold at least 25% of the University Towers Partnership units, we have agreed to maintain certain minimum amounts of debt on the property so as to avoid triggering gain to the contributing owners. If we fail to do this, we will owe to the contributing owners the amount of taxes that they incur. In each case, the amount of tax is computed assuming the highest federal and state rates. As a result, these agreements may preclude us from selling the restricted property at the optimal time.

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**Our growth will be dependent upon our ability to acquire and/or develop, lease, integrate and manage additional collegiate housing communities successfully.**

We cannot assure you that we will be able to identify real estate investments, including joint ventures, that meet our investment criteria, that we will be successful in completing any acquisition we identify or that any acquisition we complete will produce a return on our investment.

Our future growth will be dependent upon our ability to successfully acquire new properties and enter into joint ventures on favorable terms, which may be adversely affected by the following significant risks:

we may be unable to acquire a desired property at all or at a desired purchase price because of competition from other purchasers of collegiate housing;

many of our future acquisitions are likely to be dependent on external financing, and we may be unable to finance an acquisition on favorable terms or at all;

we may be required to incur significant capital expenditures to improve or renovate acquired properties; we may incur an increase in operating costs or may not have the proceeds available to implement renovations or improvements at existing properties which are necessary to attract and retain tenants;

we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and we may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of the properties.

As we acquire additional properties, we will be subject to risks associated with managing new properties, including lease-up and integration risks. Newly acquired properties may not perform as expected, and newly acquired properties may have characteristics or deficiencies unknown to us at the time of acquisition.

**We may be unable to invest our capital resources on acceptable terms or at all.**

Our ability to achieve our expected levels of financial performance will depend significantly upon our ability to invest efficiently our available capital resources in accretive transactions. Although we seek to maintain a pipeline of suitable investment opportunities, we cannot assure you that we will be able to identify any acquisition and/or development opportunities or other investments that meet our investment objectives or that any investment that we make will produce a positive return. Moreover, our investment pipeline is generally subject to numerous uncertainties and conditions that make it difficult to predict if or when any such potential transactions will be consummated.

Accordingly, we may be unable to invest our available capital resources on acceptable terms within the time period that we anticipate, or at all, and these delays could result in additional dilution and may cause our financial results, including funds from operations, or FFO, per share, to fall short of analyst expectations. Moreover, we have significant flexibility in investing our capital resources, and we may use the resources in ways with which our stockholders may not agree or for purposes other than those that we originally contemplated.

We may be unable to take advantage of certain disposition opportunities because of additional costs we have agreed

**Our ownership of properties through ground leases exposes us to the loss of such properties upon breach or termination of the ground leases.**

We have acquired an interest in certain of our properties by acquiring a leasehold interest in the property on which the building is located (or under development), and we may acquire additional properties in the future through the purchase of interests in ground leases. As the lessee under a ground lease, we are exposed to the possibility of losing the property (or building we may be developing) upon termination of the ground lease or an earlier breach of the ground lease by us.

**We have limited time to perform due diligence on many of our acquired properties, which could subject us to significant unexpected liabilities and under-performance of the acquired properties.**

When we enter into an agreement to acquire a property, we often have limited time to complete our due diligence prior to

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acquiring the property. Because our internal resources are limited, we may rely on third parties to conduct a portion of our due diligence. To the extent these third parties or we underestimate or fail to identify risks and liabilities associated with the properties we acquire, we may incur unexpected liabilities, or the property may fail to perform in accordance with our projections. If, during the due diligence phase, we do not accurately assess the value of and liabilities associated with a particular property, we may pay a purchase price that exceeds the current fair value of the assets. As a result, material goodwill and other intangible assets would be recorded, which could result in significant charges to earnings in future periods. These charges, in addition to the financial impact of significant liabilities that we may assume, could materially and adversely impact our financial and operating results, as well as our ability to pay distributions.

### **Certain losses may not be covered by insurance or may be underinsured.**

We carry insurance covering comprehensive liability, fire, earthquake, terrorism, business interruption, vandalism and malicious mischief, extended coverage perils, physical loss perils, commercial general liability, personal injury, workers' compensation, business, automobile, errors and omissions, employee dishonesty, employment practices liability and rental loss with respect to all of the properties in our portfolio and the operation of our Management Company and Development Company. We also carry insurance covering flood (when the property is located in whole or in material part in a designated flood plain area) on some of our properties. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses (such as property damage from riots or wars, employment discrimination losses, punitive damage awards, or acts of God) that may be either uninsurable or not economically insurable. Some of our policies are subject to large deductibles or co-payments and policy limits that may not be sufficient to cover losses. In addition, we may discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are

subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

### **We could incur significant costs related to government regulation and private litigation over environmental matters.**

Under various environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property, and an entity that arranges for the disposal or treatment of a hazardous or toxic substance or petroleum at another property may be held jointly and severally liable for the cost to investigate and clean up such property or other affected property. Such parties are known as potentially responsible parties, or PRPs. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. PRPs are liable to the government as well as to other PRPs who may have claims for contribution. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party

We have limited time to perform due diligence on many of our acquired properties, which could subject us to significant



liability for personal injury or property damage, or adversely affect our ability to sell, lease or develop the real property or to borrow using the real property as collateral. We do not carry environmental insurance on any of the properties in our portfolio.

Environmental laws also impose ongoing compliance requirements on owners and operators of real property. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials, storage tanks, storm water and wastewater discharges, lead-based paint, wetlands and hazardous wastes. Failure to comply with these laws could result in fines and penalties and/or expose us to third-party liability. Some of our properties may have conditions that are subject to these requirements, and we could be liable for such fines or penalties and/or liable to third parties for those conditions.

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## **We could be exposed to liability and remedial costs related to environmental matters.**

Certain properties in our portfolio may contain, or may have contained, asbestos-containing building materials, or ACBMs. Environmental laws require that ACBMs be properly managed and maintained, and may impose fines and penalties on building owners and operators for failure to comply with these requirements. Also, certain properties may contain, or may have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Certain properties in our portfolio contain, or may have contained, elevated radon levels. Third parties may be permitted by law to seek recovery from owners or operators for property damage and/or personal injury associated with exposure to contaminants, including, but not limited to, petroleum products, hazardous or toxic substances and asbestos fibers. Also, some of the properties may contain regulated wetlands that can delay or impede development or require costs to be incurred to mitigate the impact of any disturbance. Absent appropriate permits, we can be held responsible for restoring wetlands and be required to pay fines and penalties.

Some of the properties in our portfolio may contain microbial matter such as mold and mildew. In addition, if any property in our portfolio is not properly connected to a water or sewer system, or if the integrity of such systems are breached, or if water intrusion into our buildings otherwise occurs, microbial matter or other contamination can develop. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. If this were to occur, we could incur significant remedial costs and we may also be subject to material private damage claims and awards. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. If we become subject to claims in this regard, it could materially and adversely affect us and our future insurability for such matters.

Independent environmental consultants conduct Phase I environmental site assessments on all of our acquisitions. Phase I environmental site assessments are intended to evaluate

information regarding the environmental condition of the surveyed property and surrounding properties based generally on visual observations, interviews and certain publicly available databases. These assessments do not typically take into account all environmental issues including, but not limited to, testing of soil or groundwater or the possible presence of asbestos, lead-based paint, radon, wetlands or mold. The results of these assessments are addressed and could result in either a cancellation of the purchase, the requirement of the seller to remediate issues or additional costs on our part to remediate the issue.

None of the previous site assessments revealed any past or present environmental liability that we believe would be material to us. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the assessments were conducted or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability. We cannot assure you that costs of future environmental compliance will not affect our ability to make distributions or that such costs or other remedial measures will not be material to us.

## **We may incur significant costs complying with the Americans with Disabilities Act and similar laws.**

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. For example, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. We have not conducted an audit or investigation of all of our properties to determine our compliance with present ADA requirements. Noncompliance with the ADA or FHAA could result in the imposition of fines or an award for damages to private litigants and also could result in an order to correct any non-complying feature. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHAA or other legislation. If we incur substantial costs to comply with the ADA, FHAA or any other legislation, we could be materially and adversely affected.

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In connection with the acquisition of certain of our properties, the previous owner disclosed to us in 2004 that, in June 2001, the United States Department of Justice, or DOJ, had notified the previous owner of an on-going investigation regarding possible violations of the ADA and the FHAA. The previous owner disclosed to us in 2004 that DOJ had reviewed the property plans for certain of its properties, that DOJ had not issued a report regarding its review, that in October 2002, DOJ had indicated to the previous owner that the investigation was being delayed for an undetermined period of time, and that DOJ had not contacted the previous owner between 2002 and August 2004. In February 2010 DOJ served a subpoena on us seeking access to one of the purchased properties in connection with a complaint filed by DOJ in March 2009 against the previous owner. The investigation has not been resolved and, at this point, no conclusion can be reached regarding what will be required to conclude it or whether it will result in a dispute or legal proceedings between us and DOJ or the previous owner. Noncompliance with the ADA and the FHAA could result in the imposition of injunctive relief, fines, awards of damages to private litigants or additional capital expenditures to remedy such noncompliance. We are unable to predict the outcome of the DOJ's investigation.

### **Reporting of on-campus crime statistics required of universities may negatively impact our communities.**

Federal and state laws require universities to publish and distribute reports of on-campus crime statistics, which may result in negative publicity and media coverage associated with crimes occurring in the vicinity of, or on the premises of, our on-campus communities. Reports of crime or other negative publicity regarding the safety of the students residing on, or near, our communities may have an adverse effect on both our on-campus and off-campus communities.

### **Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between our co-venturers and us.**

We have co-invested and anticipate that we will continue to co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we do not have sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved,

including the possibility that partners or co-venturers may become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers also may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our preferences, policies or objectives. Such investments also will have the potential risk of our reaching impasses with our partners or co-venturers on key decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and our partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our management team from focusing its time and effort exclusively on our business. In addition, we may in some circumstances be liable for the actions of our third-party partners or co-venturers.

## **Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties.**

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot ensure that we will have funds available to correct those defects or to make those improvements. In acquiring a property, we may agree to transfer restrictions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These transfer restrictions would impede our ability to sell a property even if we deem it necessary or appropriate.

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## **Risks Associated with Our Indebtedness and Financing**

### **We depend heavily on the availability of debt and equity capital to fund our business.**

In order to maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, as amended, or the Code, to distribute annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. To the extent that we satisfy this distribution requirement but distribute less than 100% of our net taxable income, including any net capital gains, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. Because of these distribution requirements, REITs are largely unable to fund capital expenditures, such as acquisitions, renovations, development and property upgrades from operating cash flow. Consequently, we will be largely dependent on the public equity and debt capital markets and private lenders to provide capital to fund our growth and other capital expenditures. We may not be able to obtain this financing on favorable terms or at all. Our access to equity and debt capital depends, in part, on:

- general market conditions;
- our current debt levels and the number of properties subject to encumbrances;
- our current performance and the market's perception of our growth potential;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, satisfy our debt service obligations or make cash distributions to our stockholders, including those necessary to maintain our qualification as a REIT.

### **Current market conditions could affect our ability to refinance existing indebtedness or obtain additional financing on acceptable terms and may have other adverse effects on us.**

The United States credit markets have in the recent past experienced significant dislocations and liquidity disruptions, including the bankruptcy, insolvency or restructuring of certain

financial institutions. These circumstances have impacted liquidity in the debt markets, making financing terms for certain borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Although we believe that our Master Secured Credit Facility and Third Amended Revolver (each defined below) are sufficient for our current operations, any reductions in our available borrowing capacity, or our inability to renew or replace these facilities when required or when business conditions warrant, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. Higher interest rates on newly incurred debt may negatively impact us as well. If interest rates increase, our interest costs and overall costs of capital will increase, which could adversely affect our transaction and development activity, financial condition, results of operation, cash flow, the market price of our stock, our ability to pay principal and interest on our debt and our ability to pay dividends to our stockholders.

If we are unable to secure additional financing or refinancing on favorable terms or our operating cash flow is insufficient, we may not be able to satisfy our outstanding financial obligations under our mortgage and construction debt. Furthermore, if financing is not available when needed, or is available on unfavorable terms, we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing. Such sources may not then be available and may require us to adjust our business plan accordingly or significantly cutback or curtail operations and development plans. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.

In addition, we mortgage most of our properties to secure payment of indebtedness. In 2012, \$48.1 million or 13.4%, of our mortgage and construction debt reaches maturity. If we are unable to service the debt, including in the event we are not successful in refinancing our debt upon maturity, then the properties securing the mortgages could be foreclosed upon or

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transferred to the mortgagee, or we might be forced to dispose of some of our properties on disadvantageous terms, with a consequent loss of income and asset value. A foreclosure of a mortgaged property could also cause cross defaults under the Master Secured Credit Facility or the Second Amended Revolver. A foreclosure or disadvantageous disposal on one or more of our properties could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

## **Our use of debt financing reduces cash available for distribution and may expose us to the risk of default under our debt obligations.**

Our charter and bylaws impose no limitation on the amount of debt we may incur. Our debt service obligations expose us to the risk of default and reduce (or eliminate) cash resources that are available to operate our business. The Third Amended Revolver contains customary affirmative and negative covenants and provides for potential availability of \$315 million upon satisfaction of certain conditions. The amount available to us and our ability to borrow from time to time under this facility is subject to certain conditions which includes borrowing base calculations that limit availability based upon the underlying value of the collateral and the satisfaction of specified financial and other covenants, which include, without limitation, limiting distributions to our stockholders. If the income generated by our properties and other assets fails to cover our debt service, we would be forced to reduce or eliminate distributions to our stockholders and may experience losses. Our level of debt and the operating limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

we may be unable to borrow additional funds as needed or on favorable terms;

we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

we may default on our payment or other obligations as a result of insufficient cash flow or otherwise, and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases; a default under the Master Credit Facility or the Third Amended Revolver may preclude further availability of credit from other sources; and

foreclosures could create taxable income without accompanying cash proceeds, a circumstance that could hinder our ability to meet the REIT distribution requirements.

## **A change in U.S. government policy with regard to Fannie Mae could materially impact our financial condition.**

In 2009 the U. S. Treasury removed the \$200 billion cap on the amount of financial aid available for Fannie Mae and extended its conservatorship of Fannie Mae through 2012. The Treasury also capped Fannie Mae's retained mortgage portfolio limitation at \$900 billion and required that this portfolio be reduced on a phased basis beginning in 2010. Through expansion of its off-balance sheet lending products, we believe that Fannie Mae's balance sheet limitations will not restrict its support of lending to the collegiate housing industry and to us in particular. Should loan availability be reduced, it could impact the value of collegiate housing assets and impair the value of our properties, and we would seek alternative sources of funding. We anticipate that additional capital may be available only at a higher cost and have less attractive terms, if available at all.

Our use of debt financing reduces cash available for distribution and may expose us to the risk of default under our



**A change in the value of our assets could cause us to experience a cash shortfall, be in default of our loan covenants, lose management control or incur a charge for the impairment of assets.**

We borrow on a secured basis under the Master Secured Credit Facility and the Third Amended Revolver. A significant reduction in value of the assets secured as collateral could require us to post additional collateral or pay down the balance of the facilities. While we believe that we have significant excess collateral and capacity, future asset values are uncertain. If we were unable to meet a request to add collateral to these facilities, this inability would have a material adverse affect on our liquidity and our ability to comply with our loan covenants. We may determine that the value of an individual asset, or group of assets, was irrevocably impaired, and that we need to record a charge to write-down the value of the asset to reflect its current estimated value based on its intended use.

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**Our collegiate housing communities have previously been, and in the future may be, subject to impairment charges, which could adversely affect our results of operations and funds from operations.**

We are required to periodically evaluate our properties for impairment indicators. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property, based on its intended use, is less than the carrying value of the property. These estimates of cash flows are based on factors such as expected future operating income, trends and prospects, as well as the effects of interest and capitalization rates, demand and occupancy, competition and other factors. Ongoing adverse market and economic conditions and market volatility make it difficult to value our collegiate housing communities. These factors may result in uncertainty in valuation estimates and instability in the estimated value of our collegiate housing communities which, in turn, could result in a substantial decrease in the value of the communities and significant impairment charges.

We continually assess our collegiate housing communities to determine if any dispositions are necessary or appropriate. No assurance can be given that we will be able to recover the current carrying amount of our collegiate housing communities in the future. Our failure to do so would require us to recognize additional impairment charges for the period in which we reached that conclusion, which could materially and adversely affect us and our results of operations and funds from operations.

**Variable rate debt is subject to interest rate risk.**

We have mortgage and construction debt with varying interest rates dependent upon London InterBank Offered Rate ( LIBOR ) plus an applicable margin. In addition, our Third Amended Revolver bears interest at a variable rate on all amounts drawn under the facility. As of December 31, 2011, we had a total of \$72.7 million outstanding in variable rate debt, or approximately 20% of our total debt. We may incur additional variable rate debt in the future. Increases in interest rates on variable rate debt would increase our interest expense, unless we make arrangements which hedge the risk of rising interest rates, which would adversely affect net income and cash available for payment of our debt obligations and distributions to stockholders.

**We may incur losses on interest rate hedging arrangements.**

Periodically, we have entered into agreements to reduce the risks associated with changes in interest rates, and we may continue to do so in the future. Although these agreements may partially protect against rising interest rates, they may also reduce the benefits to us if interest rates decline. If a hedging arrangement is not indexed to the same rate as the indebtedness which is hedged, we may be exposed to losses to the extent which the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Additionally, nonperformance by the other party to the hedging arrangement may subject us to increased credit risks.

**Broad market fluctuations could negatively impact the market price of our common stock.**

Our collegiate housing communities have previously been, and in the future may be, subject to impairment charges

As with other publicly traded equity securities, the value of our common stock depends on various market conditions, which may change from time to time. The stock market has recently experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that are outside of management's control. These broad market fluctuations could adversely impact the market price of our common stock. Accordingly, the market price of our common stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. Furthermore, our operating results and prospects may not meet the expectations of public market analysts and investors or may not be comparable to companies within our industry and with comparable market capitalizations. Any of these factors could lead to a material decline in the market price of our common stock.

## **Additional issuances of equity securities may be dilutive to stockholders.**

The interests of our stockholders could be diluted if we issue additional equity securities to finance future developments or acquisitions or to repay indebtedness. Our Board of Directors may authorize the issuance of additional equity securities without stockholder approval. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including revolving credit facilities and other forms of secured and unsecured debt, and equity financing, including the issuance of common equity.

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## **We may reduce the amount of dividends declared on our common stock.**

In order for EdR to continue to qualify as a REIT, we are required to distribute annual dividends generally equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. However, in the event of material deterioration in business conditions or tightening in the credit markets, among other factors, our Board of Directors may decide to reduce the amount of our dividend while ensuring compliance with the requirements of the Code related to REIT qualification.

## **Risks Related to Our Organization and Structure**

### **To maintain our REIT status, we may be forced to limit the activities of our Management Company and Development Company.**

To maintain our status as a REIT, no more than 25% of the value of our total assets may consist of the securities of one or more taxable REIT subsidiaries, such as our Management Company and our Development Company. Some of our activities, such as our third-party management, development consulting and food services, must be conducted through our Management Company and Development Company for us to maintain our REIT qualification. In addition, certain non-customary services such as cleaning, transportation, security and, in some cases, parking, must be provided by one of our taxable REIT subsidiaries or an independent contractor. If the revenues from such activities create a risk that the value of our Management Company and other TRSs, based on revenues or otherwise, approaches the 25% threshold, we will be forced to curtail such activities or take other steps to remain under the 25% threshold. Because the 25% threshold is based on value, it is possible that the Internal Revenue Service, or IRS, could successfully contend that the value of our Management Company and other TRSs exceed the 25% threshold even if our Management Company and other TRSs accounts for less than 25% of our consolidated revenues, income or cash flow, in which case our status as a REIT could be jeopardized.

### **Our charter contains restrictions on the ownership and transfer of our stock.**

Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (by value, by number of shares or by voting power, whichever is more restrictive) of the outstanding shares of our common stock or more than 9.8% (by value, by

number of shares or by voting power, whichever is more restrictive) of the outstanding shares of our capital stock, including both common and preferred stock. We refer to these restrictions collectively as the ownership limit. Generally, if a beneficial owner of our shares exceeds the ownership limit, such owner will be effectively divested of all ownership rights with respect to shares exceeding the limit and may suffer a loss on such investment.

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the

acquisition of less than 9.8% of our stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding common stock and thereby subject certain shares to the ramifications of exceeding the ownership limit. Our charter, however, permits exceptions to be made to this limitation if our Board of Directors determines that such exceptions will not jeopardize our tax status as a REIT. This ownership limit could delay, defer or prevent a change of control or other transaction that might otherwise result in a premium price for our common stock or otherwise be in the best interest of our stockholders.

## **Certain ownership limitations and anti-takeover provisions of our charter and bylaws may inhibit a change of our control.**

Certain provisions contained in our charter and bylaws and the Maryland General Corporation Law may discourage a third party from making a tender offer or acquisition proposal to us, or could delay, defer or prevent a change in control or the removal of existing management. These provisions also may delay or prevent our stockholders from receiving a premium for their shares of common stock over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by our Board of Directors;
- the right of our Board of Directors, without a stockholder vote, to increase our authorized shares and classify or reclassify unissued shares; and

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advance notice requirements for stockholder nomination of directors and for other proposals to be presented at stockholder meetings.

### **The Maryland business statutes also impose potential restrictions on a change of control of EdR.**

Various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to our stockholders. Our bylaws exempt us from some of those laws, such as the control share acquisition provisions, but our Board of Directors can change our bylaws at any time to make these provisions applicable to us.

### **We have the right to change some of our policies that may be important to our stockholders without stockholder consent.**

Our major policies, including our policies with respect to investments, leverage, financing, growth, debt and capitalization, are determined by our Board of Directors or those committees or officers to whom our Board of Directors has delegated that authority. Our Board of Directors also establishes the amount of any distributions that we make to our stockholders. Our Board of Directors may amend or revise the foregoing policies, our distribution payment amounts and other policies from time to time without a stockholder vote. Accordingly, our stockholders may not have control over changes in our policies.

### **The ability of our Board of Directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.**

Our charter provides that our Board of Directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

### **Our rights and the rights of our stockholders to take action against our directors and officers are limited.**

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be advisable and in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors

and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and that is material to the cause of action. Our bylaws require us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, our stockholders and we may have more limited rights against our directors and officers than might otherwise

Certain ownership limitations and anti-takeover provisions of our charter and bylaws may inhibit a change of control of our company.

exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

## **Our success depends upon key personnel whose continued service is not guaranteed.**

We depend upon the services of our key personnel, particularly Randy Churchey, President and Chief Executive Officer, Randall H. Brown, our Executive Vice President and Chief Financial Officer, Thomas Trubiana, our Executive Vice President and Chief Investment Officer, and Christine Richards, our Senior Vice President and Chief Operating Officer. Mr. Churchey's considerable experience as a senior executive officer of publicly traded real estate companies, including REITs, prior service to EdR as a member of the Board of Directors and familiarity with our operational and organizational structure are critical to the oversight and implementation of our strategic initiatives and the evaluation of our operational performance. In addition, Mr. Brown possesses detailed knowledge of and experience with our financial and ancillary support operations that are critical to our operations and financial reporting obligations as a public company. Mr. Trubiana has been in the collegiate housing business for over 30 years, and has developed a network of contacts and a reputation that attracts business and investment opportunities and assists us in negotiations with universities, lenders and industry personnel. Ms. Richards possesses detailed knowledge of our property operations that is critical to the oversight of our communities' performance and has considerable experience in the collegiate housing industry. We will continue to need to attract and retain qualified additional senior executive officers as we grow our business. The loss of the services of any of our senior executive officers, or our inability to recruit and retain qualified personnel could have a material adverse effect on our business and financial results.

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**Any weaknesses identified in our system of internal controls by us and our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business.**

Section 404 of the Sarbanes-Oxley Act of 2002 requires that public companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on management's evaluation of those controls. In future periods, we may identify deficiencies in our system of internal controls over financial reporting that may require remediation. There can be no assurances that any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods.

**Federal Income Tax Risks**

**Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.**

We intend to continue to be organized and to operate in a manner that will allow us to qualify as a REIT under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT. If we lose our REIT status, we will face serious tax consequences that could substantially reduce the funds available for distribution to our stockholders for each year that we fail to qualify as a REIT because:

we would not be allowed a deduction for distributions to stockholders in computing our taxable income and, therefore, such amounts would be subject to federal income tax at regular corporate rates;

we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, holds its assets through partnerships and limited liability companies. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the diversification of our assets and the sources of our gross income composition of our assets and two gross income tests. To satisfy the sources of gross income requirements, we must derive (a) at least 75% of our gross income in any year from qualified sources, such as rents from real property, mortgage interest, distributions from other REITs and gains from sale of such assets, and (b) at least 95% of our gross income from sources meeting the 75% gross income test above, and other passive investment sources, such as other interest and dividends and gains from sales of securities. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. In order to meet these requirements, we may be required to forgo investments we might otherwise make. Thus, compliance with the REIT requirements may hinder



our performance. In addition, new legislation, regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

## **We may be subject to federal and state income taxes that would harm our financial condition.**

Even if we maintain our status as a REIT, we may become subject to federal and state income taxes. For example, if we recognize a gain from a sale of dealer property or inventory or if our Management Company enters into agreements with us or our tenants on a basis that is determined to be other than an arm's length, that gain or income will be subject to a 100% penalty tax. If we believe that a sale of a property might be treated as a prohibited transaction, we will attempt to structure a sale through a taxable REIT subsidiary, in which case the gain from the sale would be subject to corporate income tax but not the 100% prohibited transaction tax. We cannot assure you, however, that the IRS would not assert successfully that sales of properties that we make directly, rather than through a taxable

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REIT subsidiary, were sales of dealer property or inventory, in which case the 100% penalty tax will apply. In addition, we may not be able to make sufficient distributions to avoid corporate income tax and/or the 4% excise tax on undistributed income. We may also be subject to state and local taxes on our income or property, either directly or at the level of our Operating Partnership or the University Towers Partnership or at a level of the other entities through which we indirectly own our properties that would adversely affect our operating results.

### **An investment in our common stock has various tax risks, including the treatment of distributions in excess of earnings and the inability to apply passive losses against distributions.**

Distributions in excess of current and accumulated earnings and profits, to the extent that they exceed the adjusted basis of an investor's common stock, will be treated as long-term capital gain (or short-term capital gain if the shares have been held for less than one year). Any gain or loss realized upon a taxable disposition of shares by a stockholder who is not a dealer in securities will be treated as a long-term capital gain or loss if the shares have been held for more than one year and otherwise will be treated as short-term capital gain or loss. Distributions that we properly designate as capital gain distributions (to the extent that they do not exceed our actual net capital gain for the taxable year) will be treated as taxable to stockholders as gains from the sale or disposition of a capital asset held for greater than one year. Distributions we make and gain arising from the sale or exchange by a stockholder of shares of our stock will not be treated as passive income, meaning stockholders generally will not be able to apply any passive losses against such income or gain.

### **Future distributions may include a significant portion as a return of capital.**

Our distributions have historically exceeded, and may continue to exceed, the amount of our net income as a REIT. Any distributions in excess of a stockholder's share of our current and accumulated earnings and profits will be treated as a return of capital to the extent of the stockholder's basis in our stock, and the stockholder's basis in our stock will be reduced by such amount. To the extent distributions exceed both the stockholder's share of our current and accumulated earnings and profits and the stockholder's basis in our stock, the stockholder will recognize capital gain, assuming the stock is held as a capital asset. If distributions by us result in a reduction of a

stockholder's adjusted basis in its stock, subsequent sales by such stockholder of its stock potentially will result in recognition of an increased capital gain or reduced capital loss due to the reduction in such stockholder's adjusted basis in its stock.

### **The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.**

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property held in inventory primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as inventory held for sale to customers in the ordinary course of our business, subject to certain statutory

safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

**If our Operating Partnership fails to maintain its status as a partnership for federal income tax purposes, its income may be subject to corporate-level income taxation.**

We intend for our Operating Partnership to maintain its status as a partnership for federal income tax purposes; however, if the IRS were to successfully challenge the status of our Operating Partnership as a partnership, our Operating Partnership would be taxable as a corporation. In such event, this would reduce the amount of distributions that our Operating Partnership could make to us. This could also result in our losing REIT status and becoming subject to a corporate-level income tax. This would substantially reduce our cash available to pay distributions to our stockholders. In addition, if any of the entities through which our Operating Partnership owns its properties, in whole or in part, loses its characterization as a partnership for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to our Operating Partnership. Such a re-characterization of an underlying property owner could also threaten our ability to maintain REIT status.

**Item 1B. Unresolved Staff Comments.**

None.

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## Item 2. Properties.

### General

As of December 31, 2011, our wholly-owned portfolio consisted of 37 communities located in 21 states containing 22,666 beds in 7,340 apartment units located near 34 universities.

Thirty-six of our 37 communities are modern apartments, with clusters of low-rise buildings that consist of collegiate housing units with fully-furnished private bedrooms and one or more bathrooms centered around a common area consisting of a fully-furnished living room, fully-equipped eat-in kitchen, and washers/dryers. University Towers is a high-rise residence hall that has a cafeteria on the premises and no individual kitchens in the units. We provide food services through our Management Company to residents of University Towers. Our collegiate

housing communities typically contain a swimming pool, recreational facilities and common areas, and each bedroom has individual locks, high-speed Internet access and cable television connections.

Our wholly-owned collegiate housing communities typically have the following characteristics:

- located in close proximity to university campuses (within two miles or less);
- median age of approximately 13 years;

- designed specifically for students with modern unit plans and amenities; and

supported by our long-standing Community Assistant program and other student-oriented activities and services that enhance the college experience.

### Communities

The following table provides certain summary information about our wholly-owned communities as of December 31, 2011, which are included in the collegiate housing leasing segment discussed in Note 11, Segments to our accompanying consolidated financial statements. All communities are owned in fee with the exception of University Towers, University Village on Colvin, GrandMarc at the Corner and GrandMarc at Westberry Place, which are operated pursuant to ground leases.

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(1) Average of the physical month-end occupancy rates.

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- Monthly revenue per available bed for 2011 is equal to total revenue, including tenant concessions, for the year ended December 31, 2011 divided by the sum of the total beds (including staff and model beds) at the property
- (2) each month. For properties acquired during the year, monthly revenue per available bed equals total revenue for the period subsequent to acquisition through December 31, 2011 divided by the sum of the total beds (including staff and model beds) at the property each month while owned.
- (3) Revenues and revenue per available bed for University Towers excludes revenue from food service operations.
- (4) The first phase of The Reserve at Saluki Pointe, which included 528 beds, was completed in August 2008. The second phase, which included 240 beds, was completed in August 2009.
- (5) Represents average year for all properties in our wholly-owned portfolio.

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TABLE OF CONTENTS**Mortgage and Construction Indebtedness**

The following table contains summary information concerning the mortgage and construction debt encumbering our wholly-owned communities as of December 31, 2011:

Property	Outstanding at December 31, 2011 (in thousands)	Interest Rate	Maturity Date	Amortization
University Towers	\$ 25,000	5.99 %	7/1/2013	30 Year
The Avenue at Southern/The Reserve at Columbia/ The Commons at Knoxville/College Grove	58,131	6.02 %	1/1/2019	30 Year
The Reserve at Perkins	14,940	5.99 %	1/1/2014	30 Year
The Lofts	27,000	5.59 %	5/1/2014	30 Year
College Station at W. Lafayette/The Pointe at Penn State/The Reserve at Star Pass	69,555	6.02 %	1/1/2016	30 Year
Campus Lodge	34,017	6.97 %	5/1/2012	30 Year
Pointe West	10,041	4.92 %	8/1/2014	30 Year
The Reserve on Frankford	7,485	4.96 %	1/1/2015	30 Year
The Reserve at Saluki Pointe Phase I	10,312	1.38 %	6/28/2012	30 Year
The Reserve at Saluki Pointe Phase II	4,135	2.28 %	6/28/2012	30 Year
University Village Apartments on Colvin	8,766	1.38 %	9/29/2013	30 Year
Carrollton Crossing/The Commons on Kinnear	16,920	5.45 %	1/1/2017	30 Year
River Pointe/Cape Trails/The Reserve on South College	22,705	5.67 %	1/1/2020	30 Year
The Oaks on the Square	928	2.48 %	10/30/2015	(1)
East Edge	11,630	2.68 %	7/1/2014	(2)
GrandMarc at Westberry Place	36,930	4.85 %	1/1/2020	30 Year
Total debt /weighted average rate	358,495	5.44 %		
Unamortized premium	9			
Total net of unamortized premium	358,504			
Less current portion	(52,288 )			
Total long-term debt, net of current portion	\$ 306,216			

The construction debt encumbering The Oaks on the Square is interest only through October 30, 2015, the initial (1) maturity date. The Trust has the ability to extend the construction loan two years if certain criteria are met on the initial maturity date.

(2) The construction debt encumbering East Edge is interest only through July 1, 2014, the initial maturity date. The Trust has the ability to extend the construction loan two years if certain criteria are met on the initial maturity date. The weighted average interest rate of the mortgage and construction indebtedness was 5.44% as of December 31, 2011. Each of these mortgages is a non-recourse obligation subject to customary exceptions. The loans generally do not allow prepayment prior to maturity. However, prepayment is allowed in certain cases subject to prepayment penalties.





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**Item 3. Legal Proceedings.**

In the normal course of business, we are subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain the ultimate outcome of such matters, in management's opinion, the liabilities, if any, in excess of amounts provided or covered by insurance, are not expected to have a material adverse effect on our financial position, results of operations or liquidity.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

TABLE OF CONTENTS**PART II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Our common stock trades on the New York Stock Exchange under the symbol EDR. There were approximately 602 holders of record of the 93,117,547 shares outstanding on March 1, 2012. On the same day, our common stock closed at \$10.40. The following table provides information on the high and low sales prices for our common stock on the NYSE and the dividends declared for 2010 and 2011:

	High	Low	Distributions Declared
Fiscal 2010			
Quarter 1	\$ 6.19	\$ 4.78	\$ 0.050
Quarter 2	7.38	5.47	0.050
Quarter 3	7.48	5.87	0.050
Quarter 4	8.09	7.09	0.050
Fiscal 2011			
Quarter 1	\$ 8.28	\$ 7.24	\$ 0.050
Quarter 2	8.78	7.89	0.070
Quarter 3	9.52	7.16	0.070
Quarter 4	10.34	8.04	0.070

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our stockholders. We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. For a description of restrictions on EdR regarding the payment of distributions, see

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Revolving Credit Facility and Other Indebtedness, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Distributions, and Note 10, Debt, to our accompanying consolidated financial statements.

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes. Distributions that are treated as a return of capital for federal income tax purposes will reduce the stockholder's basis in its shares (but not below zero) and therefore can result in the stockholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a stockholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

**Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan**

In June 2008, the Trust adopted the Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan,

or DRSP, which offers the following:

automatic reinvestment of some or all of the cash distributions paid on common stock, shares of other classes of stock that we might issue in the future and units of limited partnership interest;

an opportunity to make an initial purchase of our common stock and to acquire additional shares over time; and  
safekeeping of shares and accounting for distributions received and reinvested at no cost.

Shares of common stock purchased under the DRSP will be either issued by EdR or acquired directly from third parties in the open market or in privately negotiated transactions. Subject to certain conditions and at our sole discretion, the discount from market prices, if any, on all shares of common stock purchased directly from us will range from 0% to 5%.

We will determine the source of shares available through the DRSP based on market conditions, relative transaction costs and our need for additional capital. To the extent the DRSP acquires shares of common stock directly from EdR, we will receive additional capital for general corporate purposes.

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During the three months ended December 31, 2011, in connection with the DRSP, we directed the plan administrator to purchase 484 shares of our common stock for \$4,419 in the aggregate in the open market pursuant to the dividend reinvestment component of the DRSP with respect to our dividend for the fourth quarter of 2011. We also directed the plan administrator to purchase 607 shares of our common stock for \$5,700 in the aggregate in the open market for investors pursuant to the direct stock purchase component of the DRSP. The following chart summarizes these purchases of our common stock for the three months ended December 31, 2011.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - 31, 2011	129	\$ 9.28		
November 1 - 30, 2011	648	\$ 9.12		
December 1 - 31, 2011	314	\$ 9.55		
Total	1,091	\$ 9.27		

(1) All shares of common stock were purchased in the open market pursuant to the terms of our DRSP. Our Board of Directors authorized the issuance or purchase of 4,000,000 shares of common stock under the DRSP.

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# COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN\*

## Among Education Realty Trust, Inc., The S&P 500 Index

## And The MSCI US REIT Index

The following graph compares the cumulative total return of our common stock to the Standard & Poor's 500 Index, or the S&P 500, and to the Morgan Stanley Capital International U.S. REIT Index, or the MSCI US REIT Index.

\*\$100 invested on 12/31/06 in stock or in index, including reinvestment of dividends. Fiscal year ending December 31.

Index	<i>Period Ending</i>					
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Education Realty Trust, Inc.	100.00	80.65	41.30	41.20	68.20	92.29
S&P 500	100.00	105.49	66.46	84.05	96.71	98.76
MSCI US REIT	100.00	83.18	51.60	66.36	85.26	92.67

We cannot assure you that our share performance will continue into the future with the same or similar trends depicted in the graph above. We will not make or endorse any predictions as to future share performance.

The performance comparisons noted in the graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act or under the Exchange Act, except to the extent that we specifically incorporate this graph by reference, and shall not otherwise be deemed filed under the Securities Act and/or Exchange Act.

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## **Recent Sales of Unregistered Securities**

None.

## **Item 6. Selected Financial Data.**

The following table sets forth selected financial and operating data on a consolidated historical basis for EdR.

The following information presented below does not provide all of the information contained in our financial statements, including the related notes. You should read the information below in conjunction with the historical consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K.

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TABLE OF CONTENTS**STATEMENT OF OPERATIONS DATA**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share data)				
Revenues:					
Collegiate housing leasing revenue	\$109,404	\$96,510	\$93,359	\$90,754	\$84,257
Other leasing revenue				1,357	2,683
Third-party development services	4,103	2,483	8,178	8,303	5,411
Third-party management services	3,336	3,189	3,221	3,672	3,391
Operating expense reimbursements	8,604	14,519	9,722	10,796	9,330
Total revenues	125,447	116,701	114,480	114,882	105,072
Operating expenses:					
Collegiate housing leasing operations	50,610	46,293	45,582	45,855	41,261
General and administrative	16,522	17,401	15,752	16,348	14,561
Depreciation and amortization	29,105	25,021	22,787	22,923	25,462
Ground lease expense	5,498	1,528	207	105	
Loss on impairment	7,859			388	
Reimbursable operating expenses	8,604	13,603	9,722	10,796	9,330
Total operating expenses	118,198	103,846	94,050	96,415	90,614
Operating income	7,249	12,855	20,430	18,467	14,458
Nonoperating expenses	19,662	20,565	18,949	24,112	21,606
Income (loss) from continuing operations before equity in earnings (losses) of unconsolidated entities, income taxes and discontinued operations	(12,413 )	(7,710 )	1,481	(5,645 )	(7,148 )
Equity in earnings (losses) of unconsolidated entities	(447 )	(260 )	(1,410 )	(196 )	(277 )
Income (loss) before income taxes and discontinued operations	(12,860 )	(7,970 )	71	(5,841 )	(7,425 )
Income tax expense (benefit)	(95 )	442	1,905	1,102	256
Loss from continuing operations	(12,765 )	(8,412 )	(1,834 )	(6,943 )	(7,681 )
Discontinued operations:					
Income (loss) from operations of discontinued operations	(398 )	(34,490 )	(5,257 )	(1,132 )	681
Gain on sale of collegiate housing property	2,388	611			1,644
Income (loss) from discontinued operations	1,990	(33,879 )	(5,257 )	(1,132 )	2,325
Net loss	(10,775 )	(42,291 )	(7,091 )	(8,075 )	(5,356 )
Less: Net income (loss) attributable to the noncontrolling interests	239	(233 )	164	(128 )	60
Net loss attributable to Education Realty Trust, Inc.	\$(11,014 )	\$(42,058 )	\$(7,255 )	\$(7,947 )	\$(5,416 )
Earnings per share information:					
Income (loss) per share – basic and diluted					
Continuing operations	(0.17 )	(0.15 )	(0.05 )	(0.24 )	(0.28 )
Discontinued operations	0.02	(0.58 )	(0.13 )	(0.04 )	0.08
Net loss per share	\$(0.15 )	\$(0.73 )	\$(0.18 )	\$(0.28 )	\$(0.20 )
	75,485	57,536	40,496	28,513	28,103

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Weighted average common shares outstanding basic and diluted					
Distributions per common share	\$0.24	\$0.20	\$0.36	\$0.82	\$0.82
Amounts attributable to Education Realty Trust, Inc. common stockholders:					
Loss from continuing operations, net of tax	(12,979 )	(8,691 )	(2,157 )	(6,859 )	(7,646 )
Income (loss) from discontinued operations, net of tax	1,965	(33,367 )	(5,098 )	(1,088 )	2,230
Net loss	\$ (11,014 )	\$ (42,058 )	\$ (7,255 )	\$ (7,947 )	\$ (5,416 )

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TABLE OF CONTENTS**BALANCE SHEET DATA**

	As of December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Assets:					
Collegiate housing properties, net	\$ 860,167	\$ 698,793	\$ 749,884	\$ 733,507	\$ 732,979
Other assets, net	117,642	37,887	54,729	44,140	34,481
Total assets	\$ 977,809	\$ 736,680	\$ 804,613	\$ 777,647	\$ 767,460
Liabilities and equity:					
Mortgage and construction notes payable	\$ 358,504	\$ 367,631	\$ 406,365	\$ 442,259	\$ 420,940
Other indebtedness		3,700		32,900	11,500
Other liabilities	46,175	30,567	22,004	20,559	19,080
Total liabilities	404,679	401,898	428,369	495,718	451,520
Redeemable noncontrolling interests	9,776	10,039	11,079	11,751	14,879
Equity	563,354	324,743	365,165	270,178	301,061
Total liabilities and equity	\$ 977,809	\$ 736,680	\$ 804,613	\$ 777,647	\$ 767,460

**OTHER DATA (UNAUDITED)**

	As of December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share data and selected property information)				
Funds from operations (FFO)(1):					
Net loss attributable to Education Realty Trust, Inc.	\$(11,014)	\$(42,058)	\$(7,255 )	\$(7,947 )	\$(5,416 )
Gain on sale of collegiate housing property	(2,388 )	(611 )			(1,644 )
Impairment losses	7,859	33,610	3,173	2,021	
Loss on sale of collegiate housing assets				512	
Collegiate housing property depreciation and amortization of lease intangibles	29,101	29,940	28,522	28,819	32,490
Equity portion of real estate depreciation and amortization on equity investees	412	479	512	496	424
Equity portion of loss on sale of collegiate housing property on equity investee	256	137			
Noncontrolling interests	244	(233 )	164	(128 )	60
Funds from operations available to all share and unitholders	\$24,470	\$21,264	\$25,116	\$23,773	\$25,914
Other adjustments to FFO:					
Development cost write-off, net of tax benefit				417	
Acquisition costs	741	1,467			
Ground lease straightline	4,208	984			
Reorganization/severance costs, net of tax		447			
Loss (gain) on extinguishment of debt	757	1,426	(830 )	4,360	174
Impact of other adjustments to FFO	5,706	4,324	(830 )	4,777	174
FFO on participating developments:					

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Interest on loan to participating development	1,598	329			
Development fees on participating development, net of costs and tax	887	128			
FFO on participating developments	2,485	457			
Core funds from operations available to all share and unitholders(2)	\$32,661	\$26,045	\$24,286	\$28,550	\$26,088

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	As of December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share data and selected property information)				
Cash flow information:					
Net cash provided by operations	\$41,086	\$32,269	\$33,235	\$26,011	\$26,806
Net cash provided by (used in) investing	(220,098)	(46,314)	(41,638)	(31,656)	33,399
Net cash provided by (used in) financing	247,867	(10,166)	30,569	10,614	(62,598)
Per share and distribution data:					
Net loss per share basic and diluted	\$(0.15 )	\$(0.73 )	\$(0.18 )	\$(0.28 )	\$(0.20 )
Cash distributions declared per share/unit	0.26	0.20	0.36	0.82	0.82
Cash distributions declared	18,224	12,295	15,330	25,797	22,985
Selected community information(3):					
Units(4)	7,340	6,487	6,323	6,047	5,603
Beds(4)	22,666	20,522	19,882	19,216	17,488
Occupancy(5)	91.7 %	90.4 %	90.0 %	92.4 %	93.9 %
Revenue per available bed(6)	\$431	\$401	\$399	\$402	\$401

As defined by the National Association of Real Estate Investment Trusts ( NAREIT ), FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. In October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO and prior periods should be restated to be consistent with this guidance. Accordingly, we have restated all periods presented to reflect the current guidance. We present FFO available to all stockholders and unitholders because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. As such, we also exclude the impact of noncontrolling interest in our calculation. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. For a reconciliation of our FFO available to our stockholders and unitholders to our net loss for the years ended December 31, 2011, 2010, and 2009, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations.

Core FFO is defined as FFO adjusted to include the economic impact of revenue on participating projects for which recognition is deferred for GAAP purposes. The adjustment for this revenue is calculated on the same percentage of completion method used to recognize revenue on third-party development projects. Core FFO also includes adjustments to exclude the impact of straight-line adjustments for ground leases, gains/losses on extinguishment of debt, transaction costs related to acquisitions and reorganization or severance costs. We believe that these adjustments are appropriate in determining Core FFO as they are not indicative of the operating performance of the Trust's assets. In addition, management uses Core FFO in the assessment of the Trust's operating performance and comparison to its industry peers and believes that Core FFO is a useful supplemental measure for the investing community to use in comparing the Trust to other REITs as many REITs provide some form of adjusted or modified FFO.

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The selected community information represents all wholly-owned communities for 2011 (37), 2010 (31), 2009 (3)(30), 2008 (29), and 2007 (23) (2007 excludes the communities leased to Place Properties, Inc.). This information excludes property information related to discontinued operations for all years.

(4) Represents data as of December 31.

(5) Average of the month-end occupancy rates for the period.

Revenue per available bed is equal to the total revenue divided by the sum of the design beds (including staff and (6) model beds) at the property each month. Revenue and design beds for any acquired properties are included prospectively from acquisition date.

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## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is designed to provide a reader of our financial statements with a narrative on our financial condition, results of operations, liquidity and certain other factors that may affect our future results from the perspective of our management. Our MD&A is presented in twelve sections:

Overview
Our Business Segments
Trends and Outlook
Critical Accounting Policies
Results of Operations
Liquidity and Capital Resources
Distributions
Off-Balance Sheet Arrangements
Non GAAP Measures
Inflation
Recently Adopted Accounting Pronouncements
Recently Issued Accounting Pronouncements

We believe our MD&A should be read in conjunction with the Consolidated Financial Statements and related notes included in Item 8, *Financial Statements and Supplementary Data*, and the Risk Factors included in Item 1A. of this Annual Report.

Unless otherwise noted, this MD&A relates only to results from continuing operations. The years ended December 31, 2011, 2010 and 2009 reflect the classification of the following communities' financial results as discontinued operations: College Station (sold in April 2009); Reserve at Clemson (sold in November 2010); The Gables, Western Place, Berkeley Place and the Pointe at Southern (all sold in December 2010); Troy Place, The Reserve at Jacksonville, The Reserve at Martin, The Chase at Murray and Clemson Place (all sold in January 2011); Collegiate Village (sold in April 2011); and Clayton Station (sold in June 2011).

### **Overview**

We are a self-managed and self-advised REIT engaged in the ownership, acquisition, development and management of high-quality collegiate housing communities. We also provide collegiate housing management and development consulting services to universities, charitable foundations and other third parties. We believe that we are one of the largest private owners, developers and managers of high-quality collegiate housing communities in the United States in terms of total beds both owned and under management.

We earn income from rental payments we receive as a result of our ownership of collegiate housing communities. We also earn income by performing property management services and development consulting services for third parties through our Management Company and our Development Company, respectively.

We have elected to be taxed as a REIT for federal income tax purposes.

## Our Business Segments

We define business segments by their distinct customer base and the service provided. Management has identified three reportable segments: collegiate housing leasing, development consulting services and management services. We evaluate each segment's performance based on net operating income, which is defined as income before depreciation, amortization, ground leases, impairment losses, interest expense (income), gains (losses) on extinguishment of debt, equity in earnings of unconsolidated entities, noncontrolling interests and discontinued operations. The accounting policies of the reportable segments are described in more detail in the summary of significant accounting policies in the notes to the accompanying consolidated financial statements. Inter-company fees are reflected at contractually stipulated amounts.

### Collegiate housing leasing

Collegiate housing leasing revenue represented approximately 89.9% of our revenue, excluding operating expense reimbursements, for the year ended December 31, 2011.

Unlike multi-family housing where apartments are leased by the unit, collegiate-housing communities are typically leased by the bed on an individual lease liability basis. Individual lease liability limits each resident's liability to his or her own rent without liability for a roommate's rent. The number of lease contracts that we administer is therefore equivalent to the number of

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beds occupied instead of the number of apartment units occupied. A parent or guardian is required to execute each lease as a guarantor unless the resident provides adequate proof of income and/or pays a deposit, which is usually equal to two months rent.

Due to our predominantly private bedroom accommodations, the high level of student-oriented amenities, the fact that units are furnished and in most cases, rent includes utilities, cable television and internet service and because of the individual lease liability, we believe our communities can typically command higher per-unit and per-square foot rental rates than most multi-family communities in the same geographic markets. We are also typically able to command higher rental rates than on-campus collegiate housing, which tends to offer fewer amenities.

The majority of our leases commence mid-August and terminate the last day of July. These dates generally coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each community in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2011 and 2010, approximately 72.6% and 70.0%, respectively, of our leased beds were to students who were first-time residents at our communities. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in November and ends in August of each year. Our communities' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

Prior to the commencement of each new lease period, mostly during the first two weeks of August, but also during September at some communities, we prepare the units for new incoming tenants. Other than revenue generated by in-place leases for returning tenants, we do not generally recognize lease revenue during this period referred to as Turn, as we have no leases in place. In addition, we incur significant expenses during Turn to make our units ready for occupancy. These expenses are recognized when incurred. This Turn period results in seasonality in our operating results during the third quarter of each year.

## **Development consulting services**

For the year ended December 31, 2011, revenue from our development consulting services represented approximately 4.7% of our revenue, excluding operating expense

reimbursements. We provide development consulting services primarily to colleges and universities seeking to modernize their on-campus collegiate housing communities but also to the Trust and other third-party investors. Our development consulting services typically include the following:

- market analysis and evaluation of collegiate housing needs and options;
- cooperation with the client on architectural design;
- negotiation of ground lease, development agreement, construction contract, architectural contract and bond documents;
- oversight of architectural design process;
- coordination of governmental and university plan approvals;
- oversight of construction process;
- design, purchase and installation of furniture;
- pre-opening marketing to students; and
- obtaining final approvals of construction.

Fees for these services are typically 3 - 5% of the total cost of a project and are payable over the life of the construction period, which in most cases is one to two years in length. Occasionally, the development consulting contracts include

a provision whereby the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. As part of the development agreements, there are certain costs we pay on behalf of universities or third-party investors. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the universities or third-party investors. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our development consulting services business.

## **Management services**

For the year ended December 31, 2011, revenue from our management services segment represented approximately 5.4% of our revenue, excluding operating expense reimbursements. We provide management services for collegiate housing communities owned by educational institutions, charitable



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foundations, the Trust and others. Our management services typically cover all aspects of community operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. We provide these services pursuant to multi-year management agreements under which management fees are typically 3 – 5% of leasing revenue. These agreements usually have an initial term of two to five years with renewal options of like terms. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our management services business.

## **Trends and Outlook**

### **Rents and occupancy**

We manage our communities to maximize revenues, which are primarily driven by two components: rental rates and occupancy rate. We customarily adjust rental rates in order to maximize revenues, which in some cases results in a lower occupancy rate, but in most cases results in stable or increasing revenue from the community. As a result, a decrease in occupancy may be offset by an increase in rental rates and may not be material to our operations. Periodically, certain of our markets experience increases in new on-campus collegiate housing provided by colleges and universities and off-campus collegiate housing provided by private owners. This additional collegiate housing both on and off campus can create competitive pressure on rental rates and occupancy.

Our communities' occupancy rates are typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year. The same-community portfolio opened the 2011/2012 lease term 94.9% occupied, a 112 basis point improvement over the prior lease term, with a 4.6% increase in net rental rates. This compares to the 2010/2011 lease term that opened with a 2.3% improvement in occupancy and a 2.0% improvement in net rental rates. Preleasing for the 2012/2013 lease term is 259 basis points ahead of the prior year with the same-community portfolio 35.2% preleased. The results represent averages for the Trust's portfolio which are not necessarily indicative of every community in the portfolio.

Individual communities can and do perform both above and below these averages, and, at times, an individual community may experience a decline in total revenue due to local university and economic conditions. Our management focus is to assess these situations and address them as quickly as possible in an effort to minimize the Trust's exposure and reverse any negative trends.

### **Development consulting services**

The Trust has historically earned more than \$5.0 million annually in third-party development revenue. However, as a result of a deterioration in the credit markets, which began in late 2008, financing for new projects became harder to obtain, and the Trust's third-party development revenue declined from \$8.2 million for the year ended December 31, 2009 to \$2.5 million in 2010, and the Trust currently expects 2012 revenue to be as low as \$0.4 million. Beginning in the summer of 2010 our development team began seeing improvement in the credit markets and an increase in interest from colleges and universities considering new collegiate housing. We also continue to receive requests for proposals on new development projects. This improvement in the development consulting market over the prior year is evidenced by the Trust's active development projects, two third-party developments and one participating

development, and a 65% increase from 2010 in third-party development revenue to \$4.1 million for the year ended December 31, 2011.

The amount and timing of future revenues from development consulting services will be contingent upon our ability to successfully compete in public colleges and universities competitive procurement processes, our ability to successfully structure financing of these projects and our ability to ensure completion of construction within agreed upon construction timelines and budgets. To date, we have completed construction on all of our development projects in time for their targeted occupancy dates.

## **Collegiate housing operating costs**

The Trust implemented focused cost control measures in late 2008 that drove a same-community operating expense decline of 4.6% for the year ended December 31, 2009 and helped keep operating expenses relatively flat during 2010 with an increase of approximately 0.1%. For the year ended December 31, 2011, same-community operating expenses increased approximately 2.9% from 2010, which includes a 2.2% increase in direct operating expenses and a 5.9% increase

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in fixed costs primarily due to the impact of real estate tax refunds recorded in the second and third quarters of 2010.

### **General and administrative costs**

In the first half of 2010, we began a reorganization plan, and as a result, saw a 2.8% reduction in general and administrative expenses ( G&A ), before reorganization, development pursuit and acquisition costs, when compared to the same period in 2009. Historically, we have presented all G&A costs, including regional and corporate costs of supporting our communities, in G&A in our accompanying consolidated statement of operations. However, beginning in 2012 we intend to report the costs to manage our owned portfolio as part of our collegiate housing operating costs and not as part of G&A. We believe the new presentation will improve comparability within the industry and provide a better reflection of the total cost to operate a property. For the year ended December 31, 2011, G&A costs of \$15.9 million, before reorganization, development pursuit costs and acquisition costs, increased \$1.0 million or 6.4% when compared to the prior year. This increase is primarily attributable to payroll and benefits associated with the growth of the development consulting services segment.

### **Asset repositioning and capital recycling**

As previously reported, we completed the sale of five communities in January 2011. These transactions culminated a significant repositioning of our portfolio that began in the fourth quarter of 2010. The five communities had over 1,900 beds and were at mostly smaller universities with limited barriers to entry. With a total sales price of approximately \$46.1 million, the dispositions reduced outstanding debt by \$16.1 million and provided net cash proceeds, after costs, of approximately \$29.7 million (see Note 5 to the accompanying consolidated financial statements).

In the second quarter of 2011, we completed the sale of two non-core assets, Collegiate Village, serving Macon State University, and Clayton Station, serving Clayton State University, for an aggregate sale price of \$28.0 million (see Note 5 to the accompanying consolidated financial statements). The net proceeds of just under \$28.0 million was used to fund development and acquisition activity and for general working capital purposes.

In the first quarter of 2011, we executed an agreement with the Edwards Companies to develop, own and manage a new collegiate housing community at the University of Alabama in Tuscaloosa. The Edwards Companies is developing and

constructing the housing, which will be owned jointly by the two companies. We are the majority owner and managing member of the joint venture and will manage the community once completed.

During 2011, we completed the following collegiate housing community acquisitions (see Note 4 to the accompanying consolidated financial statements):

Wertland Square and Jefferson Commons, serving the University of Virginia in Charlottesville, Virginia for a purchase price of \$23.0 million;

Westminster House, serving the University of California at Berkeley in Berkeley, California for a purchase price of \$16.0 million;

University Village Towers, serving the University of California, Riverside in Riverside, California for a purchase price of \$38.1 million (we had a 10% equity interest in the community and managed the community prior to the acquisition);

Irish Row, serving the University of Notre Dame in South Bend, Indiana for a purchase price of \$27.5 million;

Lotus Lofts, serving the University of Colorado, Boulder in Boulder, Colorado for a purchase price of \$6.0 million (we are in the process of developing housing adjacent to the current building which has 40 beds; thus, adding 199 beds to the community);

GrandMarc at Westberry Place, serving Texas Christian University in Fort Worth, Texas for a purchase price of \$55.1 million; and

3949 Lindell, serving Saint Louis University in St. Louis, Missouri for a purchase price of \$28.5 million. Our weighted average capitalization rate for these acquisitions was 6.4%, ranging from 6.0% to 7.4%, based on estimated annual net operating income. Capitalization rate is defined as the ratio of net operating income (estimated GAAP revenues less property operating expenses for the year acquired) less estimated capital expenditures, to the purchase price on the date of acquisition.

In June 2011, we executed an agreement with Summa West, LLC to develop, own and manage a new collegiate housing community near Arizona State University Downtown Phoenix campus. Financing was finalized in March 2012;

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therefore, we are proceeding with the project. We are the majority owner and managing member of the joint venture and will manage the community once completed.

In December 2011, EdR was selected to negotiate the potential revitalization and expansion of more than 9,000 residence hall beds at the University of Kentucky (UK). Phase I includes the development, construction and ownership of a 601-bed, on-campus undergraduate honors housing community, to be available for occupancy by the fall 2013. In February 2012, a 50-year ground lease for the phase I development was approved by the University of Kentucky Board of Trustees. Simultaneously, formal discussions began regarding phase II, which is expected to include EdR assuming management of all the university's 6,000-bed housing portfolio in 2013. Phase II also includes planned phases of construction and demolition of the existing portfolio in order to add modern accommodations and attractive new living communities to the UK campus. Upon completion of both phases in the next seven years, UK's total bed count is anticipated to be close to 9,000 beds that will be privately funded and owned on land leased from the university. This project will be financed through The ONE Plan<sup>SM</sup>.

In January 2012, we completed the purchase of The Reserve on Stinson near the University of Oklahoma in Norman, Oklahoma for a purchase price of \$20.6 million. We had a 10% equity interest in the community and managed the community prior to the acquisition. The Reserve on Stinson has 612 beds and is less than a half mile from campus.

Also in January 2012, EdR partnered with Landmark Properties for the development of a 668-bed cottage-style community at the University of Mississippi. The development, which will be the first cottage-style community in EdR's portfolio, is expected to cost \$36.7 million and is targeted for a summer 2013 delivery.

We believe these transactions helped the Trust recycle capital from non-strategic assets to vibrant, younger collegiate communities at larger universities. We believe these steps improved the quality of the Trust's portfolio and position the Trust for better long-term growth potential.

We currently have six active, owned and participating developments that are all progressing on or ahead of schedule, which include projects at the University of Texas, University of Connecticut, Syracuse University, University of Alabama, Arizona State University-Phoenix and Johns Hopkins University.

On November 8, 2011, the Trust completed a follow-on offering of 14.4 million shares of its common stock, which includes 1.9 million shares purchased by the underwriters pursuant to an overallotment option. The Trust received approximately \$124.4 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. On January 10, 2011, the Trust completed a follow-on offering of 13.2 million shares of its common stock, which includes 1.7 million shares purchased by the underwrites pursuant to an overallotment option. The Trust received approximately \$91.7 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. The Trust is using the net proceeds to repay debt, fund its development pipeline, fund potential future acquisitions and for general corporate purposes.

## **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, or GAAP, requires management to make estimates and assumptions in certain circumstances that affect amounts reported in our financial statements and related notes. In preparing these financial statements, management has utilized all available information, including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the financial

statements, giving due consideration to materiality. The ultimate outcome anticipated by management in formulating its estimates may not be realized. Application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those companies.

## **Collegiate housing leasing revenue recognition**

Collegiate housing leasing revenue is comprised of all revenue related to the leasing activities at our collegiate housing communities and includes revenues from leasing apartments by the bed, food services, parking space rentals and certain ancillary services.

Students are required to execute lease contracts with payment schedules that vary from per semester to monthly. Generally, a parental guarantee must accompany each executed contract. Receivables are recorded when due, while leasing revenue and related lease incentives/concessions and nonrefundable application and service fees are recognized on a straight-line

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basis over the term of the contracts. Balances are considered past due when payment is not received on the contractual due date. Allowances for doubtful accounts are established by management when it is determined that collection is doubtful.

## **Revenue and cost recognition of development consulting services**

Costs associated with the pursuit of third-party development consulting contracts are expensed as incurred until such time as we have been notified of a contract award or reimbursement has been otherwise guaranteed by the customer. At such time, the reimbursable portion of such costs is recorded as a receivable. Development consulting revenues are recognized using the percentage of completion method as determined by construction costs incurred relative to the total estimated construction costs. Occasionally, our development consulting contracts include a provision whereby we can participate in project savings resulting from our successful cost management efforts. We recognize these revenues once all contractual terms have been satisfied and we have no future performance requirements. This typically occurs after construction is complete. Costs associated with development consulting services are expensed as incurred. We generally receive a significant percentage of our fees for development consulting services upon closing of the project financing, a portion of the fee over the construction period and the balance upon substantial completion of construction. Because revenue from these services is recognized for financial reporting purposes utilizing the percentage of completion method, differences occur between amounts received and revenues recognized. Differences also occur between amounts recognized for tax purposes and those recognized for financial reporting purposes.

We also periodically enter into joint venture arrangements whereby we provide development consulting services to third-party collegiate housing owners in an agency capacity. We recognize our portion of the earnings in each joint venture based on our ownership interest, which is reflected after net operating income in our accompanying consolidated statement of operations as equity in earnings of unconsolidated entities. Our revenue and operating expenses could fluctuate from period to period based on the extent to which we utilize joint venture arrangements to provide third-party development consulting services.

## **Collegiate housing property acquisitions and dispositions**

Land, land improvements, buildings and improvements and furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 15 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures, and equipment are depreciated over 3 to 7 years. Depreciation is computed using the straight-line method for financial reporting purposes.

Results of operations for acquired collegiate housing communities are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. The Trust recognizes pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a community when they are incurred.

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management uses an estimate of future undiscounted cash flows of the related asset based on its intended use to determine whether the carrying value is recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset

is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value (See Note 2 to the accompanying consolidated financial statements). Management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data.

When a collegiate housing community has met the criteria to be classified as held for sale, the fair value less cost to sell such asset is estimated. If fair value less cost to sell the asset is less than the carrying amount of the asset, an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a collegiate housing community has met the held for sale criteria. The related carrying value of the community is recorded as held for sale in the accompanying consolidated balance sheet and operations of collegiate housing communities that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented.

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## **Repairs and maintenance**

The costs of ordinary repairs and maintenance are charged to operations when incurred. Major improvements that extend the life of an asset beyond one year are capitalized and depreciated over the remaining useful life of the asset. Planned major repair, maintenance and improvement projects are capitalized when performed. In some circumstances, the lenders require us to maintain a reserve account for future repairs and capital expenditures. These amounts are not available for current use and are recorded as restricted cash on our accompanying consolidated balance sheets.

## **Use of estimates**

Significant estimates and assumptions are used by management in determining the recognition of third-party development consulting revenue under the percentage of completion method, useful lives of collegiate housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with collegiate housing property acquisitions, the determination of fair value for impairment assessments and in recording the allowance for doubtful accounts. Actual results could differ from those estimates.

We review our assets, including our collegiate housing communities, communities under development and goodwill for potential impairment indicators whenever events or circumstances indicate that the carrying value might not be recoverable. Impairment indicators include, but are not limited to, declines in our market capitalization, overall market factors, changes in cash flows, significant decreases in net operating income and occupancies at our operating properties, changes in projected completion dates of our development projects and sustainability of development projects. Our tests for impairment are based on the most current information available and if conditions change or if our plans regarding our assets change, it could result in additional impairment charges in the future. However, based on our plans with respect to our operating properties and those under development, we believe the carrying amounts are recoverable.

TABLE OF CONTENTS**Results of Operations for the Years Ended December 31, 2011 and 2010**

The following table presents our results of operations for the years ended December 31, 2011 and 2010 (amounts in thousands):

	Year Ended December 31, 2011					Year Ended December 31, 2010				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	\$109,404	\$	\$	\$	\$109,404	\$96,510	\$	\$	\$	\$96,510
Third-party development consulting services		5,682		(1,579)	4,103		2,788		(305)	2,483
Third-party management services			3,336		3,336			3,189		3,189
Intersegment revenues			3,270	(3,270)				3,762	(3,762)	
Operating expense reimbursements				8,604	8,604		916		13,603	14,519
Total segment revenues	109,404	5,682	6,606	3,755	125,447	96,510	3,704	6,951	9,536	116,701
Segment operating expenses:										
Collegiate housing leasing operations	50,610				50,610	46,293				46,293
General and administrative		2,998	6,873	(75)	9,796		2,885	7,255	(170)	9,970
Intersegment expenses	3,270			(3,270)		3,762		(3,762)		
Reimbursable operating expenses				8,604	8,604				13,603	13,603
Total segment operating expenses	53,880	2,998	6,873	5,259	69,010	50,055	2,885	7,255	9,671	69,866
Segment net operating income (loss) <sup>(1)</sup>	\$55,524	\$2,684	\$(267)	\$(1,504)	\$56,437	\$46,455	\$819	\$(304)	\$(135)	\$46,835

(1) The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated loss before income taxes and discontinued operations for the year ended December 31:

Net operating income for reportable segments	2011	2010
	\$ 56,437	\$ 46,835

Use of estimates

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Other unallocated general and administrative expenses	(6,726 )	(7,431 )
Depreciation and amortization	(29,105 )	(25,021 )
Ground leases	(5,498 )	(1,528 )
Loss on impairment of collegiate housing communities	(7,859 )	
Nonoperating expenses	(19,662 )	(20,565 )
Equity in earnings (losses) of unconsolidated entities	(447 )	(260 )
Loss before income taxes and discontinued operations	\$ (12,860 )	\$ (7,970 )

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TABLE OF CONTENTS**Collegiate housing leasing**

Collegiate housing operating statistics for wholly-owned communities and same-communities for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011(9)		Year Ended December 31, 2010(9)		Favorable (Unfavorable)
Wholly-owned communities:					
Occupancy					
Physical(1)	91.7	%	90.4	%	130bps
Economic(2)	87.4	%	86.6	%	80bps
NarPAB(3)	\$ 406		\$ 378		\$ 28
Other income per avail. bed(4)	\$ 25		\$ 23		\$ 2
RevPAB(5)	\$ 431		\$ 401		\$ 30
Operating expense per bed(6)	\$ 199		\$ 192		\$ (7 )
Operating margin(7)	53.7	%	52.0	%	170bps
Design Beds(8)	253,691		240,508		13,183
Same-communities(10):					
Occupancy					
Physical(1)	91.7	%	90.4	%	130bps
Economic(2)	87.8	%	86.3	%	150bps
NarPAB(3)	\$ 395		\$ 377		\$ 18
Other income per avail. bed(4)	\$ 23		\$ 23		\$
RevPAB(5)	\$ 418		\$ 400		\$ 18
Operating expense per bed(6)	\$ 198		\$ 193		\$ (5 )
Operating margin(7)	52.6	%	51.8	%	80bps
Design Beds(8)	238,641		238,585		56

(1) Physical occupancy represents a weighted average of the month-end occupancies for the respective period.

(2) Economic occupancy represents the effective occupancy calculated by taking net apartment rent accounted for on a GAAP basis for the respective period divided by market rent for the respective period.

(3) NarPAB represents GAAP net apartment rent for the respective period divided by the sum of the design beds in the portfolio for each of the included months.

(4) Represents other GAAP-based income for the respective period divided by the sum of the design beds in the portfolio for each of the included months. Other income includes service/application fees, late fees, termination fees, parking fees, transfer fees, damage recovery, utility recovery and other miscellaneous fees.

(5) Represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the design beds in the portfolio for each of the included months.

(6) Represents property-level operating expense excluding management fees, depreciation and amortization and ground/facility lease fees divided by the sum of the design beds for each of the included months.

(7) Represents operating income divided by revenue.

(8) Represents the sum of the monthly design beds in the portfolio during the period. Design beds are total beds (including staff and model beds) in the portfolio.

(9) This information excludes property information related to discontinued operations.

(10)

Represents operating statistics for communities that were operating for the full year ended December 31, 2011 and 2010.

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Total revenue in the collegiate housing leasing segment was \$109.4 million for the year ended December 31, 2011. This represents an increase of \$12.9 million, or 13.4%, from the same period in 2010. This increase included \$8.5 million related to the new communities, GrandMarc at the Corner, Wertland Square and Jefferson Commons, all located in Charlottesville, Virginia, Westminster House located in Berkeley, California, University Village Towers located in Riverside, California, Lotus Center located in Boulder, Colorado, Irish Row located in South Bend, Indiana, GrandMarc at Westberry Place located in Ft. Worth, Texas, and 3949 Lindell located in St. Louis, Missouri, and \$4.4 million from a 4.6% increase in same-community revenue. The same-community revenue growth was driven by a 0.9%

improvement in occupancies, a 3.5% increase in net rental rates and a 0.2% increase in other rental revenue.

Operating expenses in the collegiate housing leasing segment increased \$4.3 million, or 9.3%, to \$50.6 million for the year ended December 31, 2011 as compared to the same period in 2010. The nine new communities discussed above added \$3.0 million of operating expenses over the prior year. In addition, same-community operating expenses increased \$1.3 million, or 2.9%, over the same period in the prior year primarily due to real estate tax refunds recorded in the same period in 2010 and an increase in payroll, marketing and cable/internet expenses.

## **Development consulting services**

The following table represents the development consulting projects that were active during the years ended December 31, 2011 and 2010:

Development consulting services revenue increased \$2.9 million, or 103.8%, to \$5.7 million for the year ended December 31, 2011 as compared to the same period in 2010. Third-party development consulting revenue increased \$1.6 million from the prior year due to more development activity on two active third-party development consulting projects. The Science + Technology Park at Johns Hopkins (see Note 2 to the accompanying consolidated financial statements) contributed \$1.3 million of additional revenue. Due to the fact that the Trust is guaranteeing the construction loan and extending a second mortgage to the development, all revenue on the project is being deferred in the accompanying consolidated financial statements until the second mortgage is repaid and the Trust no longer guarantees the debt. Since management considers these fees when assessing the performance of the segment, they are included in the segment

financial statements above and deferred in the adjustments/eliminations column. If the construction loan and second mortgage had been repaid prior to December 31, 2011, the Trust would have recognized development services revenue net of costs of \$1.7 million, guarantee fee revenue of \$3.0 million and interest income of \$1.9 million since the commencement of the project.

General and administrative expenses increased \$0.1 million, or 3.9%, for the year ended December 31, 2011 compared to the same period in the prior year. This increase is primarily due to additional payroll costs related to the increased development activity. Internal development project costs related to the Science + Technology Park at Johns Hopkins discussed above are deferred in the accompanying consolidated financial statements until the revenue associated with this project is

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recognized. As such, these expenses are eliminated in the adjustments/eliminations column of the segment financial statements.

### **Management services**

Total management services revenue decreased \$0.3 million, or 5.0%, for the year ended December 31, 2011 when compared to the same period in 2010. This decrease is primarily due to the sale of the Fontainebleau collegiate housing community joint venture in the third quarter of 2010 offset by a net increase in fee revenue for existing contracts and a decline in intersegment revenues related to a reduction in the fee charged to our owned portfolio.

General and administrative costs for our management services segment decreased \$0.4 million or 5.3% for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to a reduction in payroll and benefits. Excluding the impact of restructuring costs recorded in 2010, general and administrative expenses increased 4.0% over the prior year.

### **Other unallocated general and administrative expenses**

For the year ended December 31, 2011, other unallocated general and administrative expenses decreased \$0.7 million or 9.5% to \$6.7 million compared to the prior year primarily due to \$1.5 million in acquisition costs related to the purchase of The GrandMarc at The Corner (Charlottesville) in the fourth quarter of 2010 offset by \$0.7 million in acquisitions costs for the purchase of various collegiate housing communities incurred during 2011.

### **Depreciation and amortization**

Depreciation and amortization increased \$4.0 million, or 16.3%, during the year ended December 31, 2011 over the same period in the prior year. This increase relates primarily to the purchase of nine new properties discussed above.

### **Ground lease expense**

For the year ended December 31, 2011, the cost of ground leases increased \$4.0 million, compared to the same period in the prior year, due to the addition of The GrandMarc at The Corner (Charlottesville) in the fourth quarter of 2010. This community is subject to a 99-year ground lease with a fixed-floor annual rent increase. The Trust recognizes ground lease expense on a straight-line basis over the life of the lease.

### **Loss on impairment**

During 2011 and 2010, management determined that the carrying value of various collegiate housing communities may not be recoverable due to a decline in estimated net operating income and/or the potential sale of these assets. The fair value of these properties was estimated and management recorded an impairment loss of \$7.9 million and \$33.6 million, respectively (see Note 6 to the accompanying consolidated financial statements). The 2010 impairment loss is included in discontinued operations.

## **Nonoperating expenses**

For the year ended December 31, 2011, interest expense declined \$1.5 million, or 7.8%, when compared to the same period in the prior year primarily due to the repayment of variable rate debt of \$35.5 million that was outstanding under the Master Secured Credit Facility with proceeds from the sale of five collegiate housing communities (see Note 10 to the accompanying consolidated financial statements) and the sale of the interest rate cap associated with this variable rate debt in January of 2011. These decreases were offset by the loss on extinguishment of debt of \$0.4 million incurred in the first quarter of 2011 (see Note 10 to the accompanying consolidated financial statements) and a decline in interest income of \$0.2 million.

## **Equity in earnings of unconsolidated entities**

Equity in earnings of unconsolidated entities represents our share of the net income or loss related to investments in unconsolidated entities that own collegiate housing communities. For the year ended December 31, 2011, equity in losses was \$0.4 million compared to \$0.3 million in the prior year.

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TABLE OF CONTENTS**Results of Operations for the Years Ended December 31, 2010 and 2009**

The following table presents our results of operations for the years ended December 31, 2010 and 2009 (amounts in thousands):

	Year Ended December 31, 2010					Year Ended December 31, 2009				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	\$96,510	\$	\$	\$	\$96,510	\$93,359	\$	\$	\$	\$93,359
Third-party development consulting services		2,788		(305 )	2,483		8,178			8,178
Third-party management services			3,189		3,189			3,221		3,221
Intersegment revenues			3,762	(3,762 )			1,129	3,629	(4,758 )	
Operating expense reimbursements		916		13,603	14,519				9,722	9,722
Total segment revenues	96,510	3,704	6,951	9,536	116,701	93,359	9,307	6,850	4,964	114,480
Segment operating expenses:										
Collegiate housing leasing operations	46,293				46,293	45,582				45,582
General and administrative		2,885	7,255	(170 )	9,970		3,261	7,135	(96 )	10,300
Intersegment expenses	3,762			(3,762 )		3,629			(3,629 )	
Reimbursable operating expenses				13,603	13,603				9,722	9,722
Total segment operating expenses	50,055	2,885	7,255	9,671	69,866	49,211	3,261	7,135	5,997	65,604
Segment net operating income (loss)(1)	\$46,455	\$819	\$(304 )	\$(135 )	\$46,835	\$44,148	\$6,046	\$(285 )	\$(1,033 )	\$48,876

(1) The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated income (loss) before income taxes and discontinued operations for the year ended December 31:

	2010	2009
Net operating income for reportable segments	\$ 46,835	\$ 48,876

Equity in earnings of unconsolidated entities

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Other unallocated general and administrative expenses	(7,431 )	(5,452 )
Depreciation and amortization	(25,021 )	(22,787 )
Ground leases	(1,528 )	(207 )
Nonoperating expenses	(20,565 )	(18,949 )
Equity in earnings (losses) of unconsolidated entities	(260 )	(1,410 )
Income (loss) before income taxes and discontinued operations	\$ (7,970 )	\$ 71

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TABLE OF CONTENTS**Collegiate housing leasing**

Collegiate housing operating statistics for wholly-owned communities and same-communities for the years ended December 31, 2010 and 2009 were as follows:

	Year Ended December 31, 2010(9)		Year Ended December 31, 2009(9)		Favorable (Unfavorable)
Wholly-Owned communities:					
Occupancy					
Physical(1)	90.4	%	90.0	%	40bps
Economic(2)	86.6	%	86.6	%	bps
NarPAB(3)	\$ 378		\$ 374		\$ 4
Other income per avail. bed(4)	\$ 23		\$ 25		\$ (2 )
RevPAB(5)	\$ 401		\$ 399		\$ 2
Property operating expense per bed(6)	\$ 192		\$ 195		\$ 3
Operating margin(7)	52.0	%	51.2	%	80bps
Design Beds(8)	240,508		233,898		6,610
Same communities(10):					
Occupancy					
Physical(1)	91.2	%	90.2	%	100bps
Economic(2)	87.6	%	87.1	%	50bps
NarPAB(3)	\$ 372		\$ 371		\$ 1
Other income per avail. bed(4)	\$ 23		\$ 25		\$ (2 )
RevPAB(5)	\$ 395		\$ 396		\$ (1 )
Property operating expense per bed(6)	\$ 194		\$ 193		\$ (1 )
Operating margin(7)	51.0	%	51.2	%	(20)bps
Design Beds(8)	224,185		224,202		(17 )

(1) Physical occupancy represents a weighted average of the month-end occupancies for the respective period.

(2) Economic occupancy represents the effective occupancy calculated by taking net apartment rent accounted for on a GAAP basis for the respective period divided by market rent for the respective period.

(3) NarPAB represents GAAP net apartment rent for the respective period divided by the sum of the design beds in the portfolio for each of the included months.

(4) Represents other GAAP-based income for the respective period divided by the sum of the design beds in the portfolio for each of the included months. Other income includes service/application fees, late fees, termination fees, parking fees, transfer fees, damage recovery, utility recovery and other miscellaneous fees.

(5) Represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the design beds in the portfolio for each of the included months.

(6) Represents property-level operating expense excluding management fees, depreciation and amortization and ground/facility lease fees divided by the sum of the design beds for each of the included months.

(7) Represents operating income divided by revenue.

(8) Represents the sum of the monthly design beds in the portfolio during the period. Design beds are total beds (including staff and model beds) in the portfolio.

(9) This information excludes property information related to discontinued operations.

(10)

Represents operating statistics for communities that were operating for the full years ended December 31, 2010 and 2009.

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Total revenue in the collegiate housing leasing segment was \$96.5 million for the year ended December 31, 2010, an increase of \$3.1 million, or 3.4%, from the same period in 2009. This increase represents an increase of \$3.5 million related to the new communities, University Village on Colvin (Syracuse) and The Reserve at Saluki Pointe (Carbondale) that opened in the third quarter of 2009 and The GrandMarc at The Corner (Charlottesville) that was purchased in the fourth quarter of 2010. Offsetting this increase was a decline in same-community revenue of \$0.4 million primarily due to a decrease in service and application fees, parking income and damage billings than in the prior year.

Operating expenses in the collegiate housing leasing segment increased \$0.7 million, or 1.6%, to \$46.3 million for the year ended December 31, 2010 as compared to the prior year. The new communities that opened in the third quarter of 2009 and the purchase of The GrandMarc at The Corner in the fourth quarter of 2010 contributed to \$0.7 million of the increase from the prior year. Same-community operating expenses increased \$40,000 primarily due to increases in payroll costs of \$0.3 million and an increase in utilities cost of \$0.8 million offset by a decline in the cost of resident phone, data and cable services of \$0.5 million, a decrease in real estate taxes of \$0.4 million and a decline in the cost of insurance.

## **Development consulting services**

The following table represents the development consulting projects that were active during the years ended December 31, 2010 and 2009:

Development consulting services revenue decreased \$6.5 million, or 70.0%, to \$2.8 million for the year ended December 31, 2010 as compared to the same period in 2009. Third-party development consulting revenue declined \$5.7 million from the prior year as credit market conditions in 2009 delayed the financing and the commencement of construction on previously awarded projects, resulting in only

four active third-party development jobs for the year ended December 31, 2010 compared to seven active projects in 2009. However, the decrease in active third-party development consulting revenue was partially offset by \$0.2 million in revenue related to consulting services that were unrelated to an active development project and \$0.3 million of fees related to the participating project at the Science + Technology Part at

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Johns Hopkins (see Note 2 to the accompanying consolidated financial statements). Due to the fact the Trust is guaranteeing the construction loan and extending a second mortgage to the development, all revenue on the project is being deferred in the accompanying consolidated financial statements until the second mortgage is repaid and the Trust no longer guarantees the debt. As such the fees are deferred in the eliminations column of the segment financial statements. During the year ended December 31, 2010, the Trust was reimbursed \$0.9 million for operating expenses related to the Johns Hopkins project that the Trust had incurred in prior years. This resulted in a difference between operating expense reimbursement revenue and operating expense reimbursement expenses, which typically have no markup, and an increase in net operating income for the year. Total development consulting service revenue was also impacted by a decline in intersegment revenue related to two internal developments that were completed in the third quarter of 2009. As these fees relate to development services performed on projects owned by the Trust, they are eliminated in the accompanying consolidated financial statements.

General and administrative expenses decreased \$0.4 million, or 11.5%, for the year ended December 31, 2010. This decrease is primarily due to a decline in third-party development pursuit costs and marketing and advertising expenses.

## **Management services**

Total management services revenue remained relatively flat for the year ended December 31, 2010 when compared to the prior year due to a consistent number of management contracts each period and relatively flat revenue at those projects.

General and administrative costs increased \$0.1 million or 1.7% compared to the prior year due to \$0.7 million of severance costs incurred in 2010. These severance costs were offset by the reduction in salary expense related to the reorganization plan implemented in 2010. Excluding the severance costs, general and administrative costs in the management services segment were reduced by 7.8% from the prior year.

## **Other unallocated general and administrative expenses**

For the year ended December 31, 2010, other unallocated general and administrative expenses increased \$2.0 million or 36.2% to \$7.4 million compared to the prior year primarily due to \$1.5 million in acquisition costs related to the purchase of The GrandMarc at The Corner (Charlottesville) in the

fourth quarter of 2010. Additionally, an increase in corporate payroll and benefits and costs related to the pursuit of company owned-developments contributed to the increase.

## **Depreciation and amortization**

For the year ended December 31, 2010, depreciation and amortization expense increased \$2.2 million or 9.8% to \$25.0 million compared to the prior year. The new communities that opened in the third quarter of 2009 and The GrandMarc at The Corner (Charlottesville) which was purchased in the fourth quarter of 2010, contributed \$1.2 million of the increase. The remainder of the increase can be attributed to higher capital spending in 2009 and 2010.

## Ground lease expense

For the year ended December 31, 2010, the cost of ground lease expense increased \$1.3 million compared to the prior year due to the opening and addition of the University Village on Colvin (Syracuse) and The GrandMarc at The Corner (Charlottesville) which are both subject to ground leases. The Trust recognizes the cost for these leases on a straight-line basis over the life of the lease.

## Nonoperating expenses

For the year ended December 31, 2010, interest expense increased \$0.5 million or 2.5% when compared to the same period in the prior year. This increase is primarily attributable to the decline in the value of the interest rate cap of \$0.4 million, as discussed in Note 10 to the accompanying consolidated financial statements, and the decrease in capitalized interest of \$0.5 million on owned developments compared to the prior year. These increases in interest expense were offset by the repayment of mortgage debt on certain communities in the fourth quarter of 2009.

A refund of defeasance costs in 2009 also contributed to the increase in nonoperating expenses. The refund resulted in an \$0.8 million gain on the extinguishment of debt related to the 2008 repayment of mortgage debt discussed above.

## Equity in earnings of unconsolidated entities

Equity in earnings (losses) of unconsolidated entities represents our share of the net income or loss related to four investments in unconsolidated entities that own collegiate housing communities. For the year ended December 31, 2010, equity in losses was \$0.3 million compared to \$1.4 million in the prior year. The decrease in equity in losses was primarily related to \$1.5 million of the Trust's share of an impairment loss related to

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the underlying collegiate housing assets of our joint venture property in Goleta, California in 2009. A decline in occupancy and increase in interest expense on our joint venture property in Greensboro, North Carolina offset this decrease.

## **Liquidity and Capital Resources**

### **Third Amended Revolver, Master Secured Credit Facility and other indebtedness**

On September 21, 2011, the Operating Partnership entered into a Third Amended and Restated Credit Agreement (the "Third Amended Revolver"). The Third Amended Revolver amended and restated the existing secured revolving credit facility dated November 20, 2009. The previous facility (the "Second Amended Revolver") had a maximum availability of \$95 million and was scheduled to mature on November 20, 2012. The Third Amended Revolver is unsecured, has a maximum availability of \$175 million and within the first three years of the agreement may be expanded to \$315 million upon satisfaction of certain conditions. The Third Amended Revolver matures on September 21, 2014, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions.

Availability under the Third Amended Revolver is limited to a borrowing base availability equal to the lesser of (i) 60% of the property asset value (as defined in the agreement) and (ii) the loan amount, which would produce a debt service coverage ratio of no less than 1.40. As of December 31, 2011, our borrowing base was \$175 million, we had no amounts outstanding under the Third Amended Revolver and we had a letter of credit outstanding of \$1.5 million (see Note 16 to our accompanying consolidated financial statements); thus, our remaining borrowing base availability was \$173.5 million.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Third Amended Revolver. The interest rate per annum applicable to the Third Amended Revolver is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage.

The Third Amended Revolver contains customary affirmative and negative covenants and contains financial covenants that, among other things, require the Trust and its subsidiaries to maintain certain minimum ratios of EBITDA (earnings before payment or charges of interest, taxes, depreciation, amortization or extraordinary items) as compared to interest expense and total fixed charges. The financial covenants also include

consolidated net worth and leverage ratio tests. As of December 31, 2011, the Trust was in compliance with all covenants discussed above.

We are prohibited from making distributions except to comply with all legal requirements to maintain our status as a REIT.

As of December 31, 2011, we had outstanding mortgage and construction indebtedness of \$358.5 million (excluding unamortized debt premium of \$9,508). Of the total, \$35.8 million relates to construction debt that is disclosed below, \$36.9 million relates to variable rate mortgage debt assumed in an acquisition that is disclosed below and \$96.1 million pertains to outstanding mortgage debt that is secured by the underlying collegiate housing properties or leaseholds bearing interest at fixed rates ranging from 4.92% to 6.97%. During the year ended December 31, 2011, we repaid \$18.8 million of this fixed rate debt bearing an interest rate of 5.55% that was due to mature in March 2012 (see Note 10 to the accompanying consolidated financial statements). The remaining \$189.7 million of the outstanding



mortgage indebtedness relates to the Fannie Mae master secured credit facility that the Trust entered into on December 31, 2008 and expanded on December 2, 2009 (the Master Secured Credit Facility), which bears interest at a weighted average fixed rate of 5.88%. During the year ended December 31, 2011, we repaid \$35.5 million of variable rate debt that was outstanding under the Master Secured Credit Facility with proceeds from the sale of five collegiate housing communities (see Note 10 to the accompanying consolidated financial statements).

In December 2011, we assumed \$36.9 million of variable rate mortgage debt in connection with the acquisition of the GrandMarc at Westberry Place collegiate housing community located at Texas Christian University. The interest rate per year applicable to the loan is equal to a base rate plus a 4.85% margin, in total not to exceed 7.5% per year, and principal and interest are paid on a monthly basis. The loan matures on January 1, 2020. As of December 31, 2011, the interest rate applicable to the loan was 4.85%.

As of December 31, 2011, we had borrowed \$0.9 million on a construction loan related to the development of a wholly-owned collegiate housing community in Storrs, Connecticut (The Oaks on the Square). The interest rate per year applicable to the loan is, at the option of the Trust, equal to a base rate plus a 1.25% margin or LIBOR plus a 2.25% margin and is interest only through October 30, 2015. On October 30, 2015, if certain conditions for extension are met, we have the

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option to extend the loan until October 31, 2016. On October 30, 2016, if certain conditions are met, we have the option to extend the loan until October 31, 2017. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2011, we had borrowed \$11.6 million on a construction loan related to the development of a jointly owned collegiate housing community in Tuscaloosa, Alabama (East Edge). We are the majority owner and managing member of the joint venture and will manage the community when completed. The loan bears interest equal to LIBOR plus a 240 basis point margin and is interest only through June 30, 2014. On June 15, 2014, if the debt service ratio is not less than 1.15 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, we can extend the loan until June 30, 2015. On June 15, 2015, if the debt service ratio is not less than 1.25 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, we can extend the loan until June 30, 2016. During the first and second extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2011, we had \$10.3 million and \$4.1 million outstanding on construction loans related to the development of a wholly-owned collegiate housing community near Southern Illinois University (The Reserve at Saluki Pointe-Carbondale). The loans bear interest equal to LIBOR plus 110 and 200 basis point margins, respectively, and were interest only through June 14, 2010. On June 14, 2010, we paid down \$5.0 million of the outstanding construction debt and extended the maturity date until June 28, 2012. Going forward, a debt service coverage ratio, calculated annually on a rolling 12 month basis, of not less than 1.25 to 1 must be maintained with principal and interest being repaid on a monthly basis.

As of December 31, 2011, we had \$8.8 million outstanding on a construction loan related to the development of a wholly-owned collegiate housing community at Syracuse University (University Village Apartments on Colvin). The loan bears interest equal to LIBOR plus a 110 basis point margin and was interest only through September 29, 2011. On September 29, 2011, we extended the maturity date until September 29, 2013. Going forward, a debt service coverage ratio, calculated annually on a rolling 12 month basis, of not less than 1.25 to 1 must be maintained with principal and interest being repaid on a monthly basis.

## **Liquidity outlook and capital requirements**

During the year ended December 31, 2011, we generated \$41.0 million of cash from operations, received proceeds of \$265.2 million from equity offerings, disposed of seven communities for net proceeds of \$57.5 million, assumed \$36.9 million of mortgage debt and borrowed \$12.6 million on construction loans. When combined with \$7.0 million of existing cash, we were able to invest \$22.1 million of capital into existing communities, acquire eight communities for an aggregate of \$193.4 million, repay \$3.7 million under the Second Amended Revolver, repay \$42.1 million of mortgage debt, invest \$54.0 million in assets under development, distribute \$18.2 million to our stockholders and unitholders, fund \$8.1 million of the second mortgage to East Baltimore Development, Inc. for the Johns Hopkins project and end the year with approximately \$75.8 million of cash.

Our current liquidity needs include funds for distributions to our stockholders and unitholders, including those required to maintain our REIT status and satisfy our current annual distribution target of \$0.28 per share/unit, funds for capital expenditures, funds for debt repayment and, potentially, funds for new property acquisition and development. We generally expect to meet our short-term liquidity requirements through cash provided by operations, debt refinancing, existing cash, recycling capital by way of potential asset sales and raising additional equity capital. We believe that these sources of capital will be sufficient to provide for our short-term capital needs.

Distributions for the year ended December 31, 2011 totaled \$18.2 million, or \$0.24 per weighted average share/unit, compared to cash provided by operations of \$41.0 million, or \$0.54 per weighted average share/unit. During the third quarter of 2011, our Board of Directors increased the annual dividend target 40% from \$0.20 to \$0.28 per share/unit becoming effective with the August 16, 2011 dividend.

Based on our closing share price of \$10.23 on December 31, 2011, our total enterprise value was \$1.2 billion. With net debt (total debt less cash) of \$282.7 million as of December 31, 2011, our debt to enterprise value was 22.9% compared to 43.9% as of December 31, 2010. With gross assets of \$1.1 billion, which excludes accumulated depreciation of \$166.3 million, our debt to gross assets ratio was 31.3% as of December 31, 2011 as compared to 41.5% as of December 31, 2010.

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Management believes that it has strengthened the Trust's balance sheet through the follow-on equity offerings in January and November of 2011, selling 13.2 million shares, including the underwriters' overallotment option, for net proceeds of \$91.7 million and 14.4 million shares, including the underwriters' overallotment option, for net proceeds of \$124.4 million, respectively. A portion of the net proceeds was used to repay approximately \$38.1 million of debt with the remaining proceeds used to fund the Trust's current developments and acquisitions, fund future acquisitions and developments and for general corporate purposes.

As discussed in Note 2 to the accompanying consolidated financial statements, we implemented an at-the-market equity distribution program during the second quarter of 2010. We could sell shares of our common stock having an aggregate offering amount of up to \$50 million. As of September 30, 2011, we had sold 4.1 million shares of common stock under the equity distribution program for net proceeds of approximately \$36.7 million and reached the aggregate offering amount of \$50 million. On September 20, 2011, we implemented the 2011 at-the-market equity distribution program having an aggregate offering amount of up to \$50 million. For the year ended December 31, 2011, we had sold 1.3 million shares of common stock under the 2011 equity distribution program for net proceeds of approximately \$11.4 million. The proceeds will be used to fund the Trust's current developments and acquisitions, fund future acquisitions and developments and for general corporate purposes.

An additional source of capital, subject to appropriate market conditions, is the targeted disposition of non-strategic properties. We continually assess all of our communities, the markets in which they are located and the colleges and universities they serve, to determine if any dispositions are necessary or appropriate. The net proceeds from the sale of any asset would provide additional capital that would most likely be used to pay down debt and possibly finance acquisition/development growth or other operational needs.

The Trust completed the sale of five communities in January 2011 (see Note 5 to the accompanying consolidated financial statements). These transactions culminated a significant repositioning of the Trust's portfolio that began in the fourth quarter of 2010. The five communities had over 1,900 beds and were at mostly smaller universities with limited barriers to entry. With a total sales price of approximately \$46.1 million, the

dispositions reduced outstanding debt by \$16.1 million and provided net cash proceeds, after costs, of approximately \$29.7 million.

In the second quarter of 2011, we completed the sale of two non-core assets, Collegiate Village, serving Macon State University, and Clayton Station, serving Clayton State University, for an aggregate sale price of \$28.0 million (see Note 5 to the accompanying consolidated financial statements). The net proceeds of approximately \$27.8 million will be used to fund development and acquisition activity and for general working capital purposes.

We intend to invest in additional communities only as suitable opportunities arise. We also plan to develop communities for our ownership and management. In the short term, we intend to fund any acquisitions or developments with working capital, borrowings under first mortgage property secured debt, construction loans or our Third Amended Revolver. We intend to finance property acquisitions and development projects over the longer term with cash from operations, the proceeds from potential asset sales, additional issuances of common or preferred stock, private capital in the form of joint ventures, debt financing and issuances of units in our Operating Partnership. There can be no assurance, however, that such funding will be obtained on reasonable terms, or at all, particularly in light of current capital market conditions.

We have eight active development projects that we are developing for our ownership with aggregate project costs of \$250.7 million. Through December 31, 2011, \$33.9 million of the costs have already been incurred and funded.

In January 2012, we completed the purchase of The Reserve on Stinson near the University of Oklahoma in Norman, Oklahoma for a purchase price of \$20.6 million. We previously had a 10% equity interest in the community and managed the community prior to the acquisition. The Reserve on Stinson has 612 beds and is less than a half mile from campus.

During the fourth quarter of 2011, we purchased Irish Row, serving the University of Notre Dame in South Bend, Indiana for a purchase price of \$27.5 million; Lotus Lofts, serving the University of Colorado, Boulder in Boulder, Colorado for a purchase price of \$6.0 million; GrandMarc at Westberry Place, serving Texas Christian University in Fort Worth, Texas for a purchase price of \$55.1 million; and 3949 Lindell, serving Saint Louis University in St. Louis, Missouri for a purchase price of \$28.5 million.

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On September 22, 2011, we completed the purchase of University Village Towers, adjacent to the University of California, Riverside, for a purchase price of \$38.1 million. The Operating Partnership had a 10% equity investment in the entity that owned University Village Towers and also managed the property prior to the acquisition. On May 23, 2011, we completed the purchase of Westminster House, adjacent to the University of California, Berkeley, for a purchase price of \$16.0 million. On March 15, 2011, we completed the purchase of two collegiate housing communities, Wertland Square and Jefferson Commons, adjacent to the University of Virginia, for an aggregate purchase price of \$23.0 million. Combined acquisition costs for all of the above purchases were \$1.5 million and are included in general and administrative costs in the accompanying consolidated statement of operations for the year ended December 31, 2011. We funded these acquisitions with existing cash, including cash proceeds generated by the January and November 2011 common stock offerings, the assumption of \$36.9 million in mortgage debt and sales of collegiate housing communities discussed above.

On October 21, 2011, the Trust filed a new universal shelf registration statement which permits us to issue up to \$500 million in securities, including equity or debt securities, from time to time in one or more transactions, depending on market conditions and terms. That universal shelf registration statement was declared effective on October 28, 2011. As of December 31, 2011, \$369.9 million of registered securities remained available for issuance.

## **Predevelopment expenditures**

Our third-party development consulting activities have historically required us to fund predevelopment expenditures such as architectural fees, permits and deposits. Because the closing of a development project's financing is often subject to third-party delay, we cannot always predict accurately the liquidity needs of these activities. We frequently incur these predevelopment expenditures before a financing commitment has been obtained and, accordingly, bear the risk of the loss of these predevelopment expenditures if financing cannot ultimately be arranged on acceptable terms. However, we typically obtain a guarantee of repayment of these predevelopment expenditures from the project owner, but no assurance can be given that we would be successful in collecting the amount guaranteed in the event that project financing is not obtained.

When we develop projects for our ownership, as opposed to our third-party development services, all exposure to risks and capital requirements for these developments remain with us.

## **Long-term liquidity requirements**

Our long-term liquidity requirements consist primarily of funds necessary for scheduled debt maturities, renovations and other non-recurring capital expenditures that are needed periodically for our communities. We expect to meet these needs through existing working capital, cash provided by operations, additional borrowings under our Third Amended Revolver, net proceeds from potential asset sales, the issuance of equity instruments, including common or preferred stock, Operating Partnership units or additional debt, if market conditions permit. We believe these sources of capital will be sufficient to provide for our long-term capital needs. Market conditions, however, may make additional capital more expensive for us. There can be no assurance that we will be able to obtain additional financing under satisfactory conditions, or at all, or that we will make any investments in additional communities. Our Third Amended Revolver is a material source to satisfy our long-term liquidity requirements. As such, compliance with the financial and operating debt covenants is material to our liquidity. As of December 31, 2011, we were in compliance with all covenants related to our Third Amended Revolver.

## Capital expenditures

The historical recurring capital expenditures, excluding discontinued operations, at our wholly-owned communities are set forth as follows:

	As of and for the Years Ended December 31,		
	2011	2010	2009
	(Amounts in thousands)		
Total units	6,143	6,143	6,143
Total beds	19,210	19,209	19,210
Total recurring capital expenditures	\$4,986	\$4,341	\$3,901
Average per unit	\$811.68	\$706.59	\$635.03
Average per bed	\$259.56	\$225.97	\$203.07

Recurring capital expenditures exclude capital spending on renovations, community repositioning or other major periodic projects. Capital expenditures associated with newly developed communities are typically capitalized as part of their development costs. As a result, such communities typically require little to no recurring capital expenditures until their second year of operation or later.

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Additionally, we are required by certain of our lenders to contribute contractual amounts annually to reserves for capital repairs and improvements at the mortgaged communities.

These contributions are typically less than but could exceed the amount of capital expenditures actually incurred during any given year at such communities.

**Commitments**

The following table summarizes our contractual obligations as of December 31, 2011 (amounts in thousands):

	Less than 1 Year	1 3 Years	3 5 Years	More than 5 Years	Total
Contractual Obligations:					
Long-Term Debt Obligations(1)	\$ 52,288	\$ 103,102	\$ 79,131	\$ 123,974	\$ 358,495
Contractual Interest Obligations(2)	18,526	30,159	18,778	15,745	83,208
Operating Lease and Future Purchase Obligations(3)	11,287	16,619	13,689	482,414	524,009
Capital Reserve Obligations(4)	1,269	2,365	1,690	1,469	6,793
Total	\$ 83,370	\$ 152,245	\$ 113,288	\$ 623,602	\$ 972,505

Includes required monthly principal amortization and amounts due at maturity on first mortgage debt secured by (1) collegiate housing properties and any amounts due under the Third Amended Revolver and construction loan agreements.

Includes contractual fixed-rate interest payments as well as estimates of variable rate interest payments based on (2) the variable interest rates effective as of December 31, 2011. The Trust has \$72,701 of variable rate debt as of December 31, 2011.

(3) Includes future minimum lease commitments under operating lease obligations (includes long-term ground leases) and future purchase obligations for advertising.

(4) Includes future annual contributions to the capital reserve as required by certain mortgage debt.

**Long-term indebtedness**

As of December 31, 2011, seventeen of our communities were unencumbered by mortgage debt.

As of December 31, 2011, we had outstanding mortgage and construction indebtedness of \$358.5 million (net of unamortized debt premium of \$9,508). The scheduled future maturities of this indebtedness as of December 31, 2011 were as follows (in thousands):

Year	
2012	\$52,288
2013	37,534
2014	65,568
2015	11,480
2016	67,651
Thereafter	123,974
Total	358,495
Debt premium	9
	\$358,504



Outstanding as of December 31, 2010, net of debt premium

As of December 31, 2011, the outstanding mortgage and construction debt had a weighted average interest rate of 5.44% and carried an average term to maturity of 4.15 years.

The Trust had no amount outstanding under the Third Amended Revolver as of December 31, 2011. The Third Amended Revolver has a term of three years and matures on September 21, 2014, and provides that the

Operating Partnership may extend the maturity date one year subject to certain conditions. The Third Amended Revolver requires interest only payments through maturity. The interest rate per annum applicable to the Third Amended Revolver is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage.

## Distributions

We are required to distribute 90% of our REIT taxable income (excluding the deduction for dividends paid and net capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to holders of our common stock and Operating Partnership units. All such distributions are authorized at the discretion of our Board of Directors. We may be required to use borrowings under our Third Amended Revolver, if necessary, to meet REIT distribution requirements, avoid the imposition of federal income and excise taxes and maintain our REIT status. Additionally, we may make certain distributions consisting of both cash and shares to meet REIT distribution requirements. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. During the third quarter of 2011, our Board of Directors increased the annual dividend target 40% from \$0.20 to \$0.28 per share/unit becoming effective with the August 16, 2011 dividend.

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Our Board of Directors declared a fourth quarter distribution of \$0.07 per share of common stock for the quarter ended on December 31, 2011. The distribution was paid on February 15, 2012 to stockholders of record at the close of business on January 31, 2012.

## **Off-Balance Sheet Arrangements**

The Operating Partnership entered into a letter of credit agreement in conjunction with the closing of the acquisition of a collegiate housing community at the University of Florida. The letter of credit remains outstanding in the amount of \$1.5 million as of December 31, 2011 and is secured by the Third Amended Revolver.

The Operating Partnership serves as non-recourse, carve-out guarantor for secured third party debt in the amount of \$24.4 million, held by one unconsolidated joint venture. The Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the operating agreement, the joint venture partner agreed to indemnify, defend and hold harmless the Trust with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, exposure under the guarantee for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates is not expected to exceed the Operating Partnership's proportionate interest in the related mortgage debt.

In connection with the development agreement entered into on July 14, 2010 for a project at the Science + Technology Park at Johns Hopkins Medical Institute (see Note 2 to the accompanying consolidated financial statements) the Trust has committed to provide a guarantee of repayment of a \$42.0 million third-party construction loan for a \$3.0 million fee. The guarantee fee will not be recognized until the second mortgage loan is repaid. The project will have a \$2.5 million reserve to fund any operating or debt service shortfalls that is to be replenished annually by East Baltimore Development, Inc., until a 1.10 debt service coverage ratio is achieved for twelve consecutive months. The second mortgage loan and related debt service are the first at risk if such reserve is not adequate to cover operating expenses and debt service on the construction loan.

In connection with the condominium agreement related to The Oaks on the Square project in Storrs, Connecticut (see Note 4 to the accompanying consolidated financial statements) the Operating Partnership and LeylandAlliance LLC have jointly committed to provide a guarantee of repayment of a \$46.4 million construction loan to develop the residential and retail portions of the project. As of December 31, 2011, \$1.4 million has been drawn on the construction loan of which \$0.5 million is attributable to our partner; thus, is not included in our accompanying consolidated financial statements.

## **Non GAAP Measures**

### **Funds From Operations (FFO)**

As defined by the National Association of Real Estate Investment Trusts ( NAREIT ), Funds from Operations, or FFO, represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. In October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO, and prior periods should be

restated to be consistent with this guidance. Accordingly, we have restated all periods presented to reflect the current guidance. We present FFO available to all stockholders and unitholders because we consider it to be an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. As such, we also exclude the impact of noncontrolling interests in our calculation. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income.

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We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999, April 2002 and by the October 2011 guidance described above), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments and uncertainties. We believe that net income is the most directly comparable GAAP measure to FFO available to stockholders and unitholders. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

The Trust also uses core funds from operations, or Core FFO, as an operating performance measure. Core FFO is defined as FFO adjusted to include the economic impact of revenue on participating projects for which recognition is deferred for GAAP purposes. The adjustment for this revenue is calculated on the same percentage of completion method used to recognize revenue on third-party development projects. Core FFO also includes adjustments to exclude the impact of straight-line adjustments for ground leases, gains/losses on extinguishment of debt, transaction costs related to acquisitions and reorganization or severance costs. We believe that these adjustments are appropriate in determining Core FFO as they are not indicative of the operating performance of the Trust's assets. In addition, management uses Core FFO in the assessment of the Trust's operating performance and comparison to its industry peers and believes that Core FFO is a useful supplemental measure for the investing community to use in comparing the Trust to other REITs as many REITs provide some form of adjusted or modified FFO.

The following table presents a reconciliation of FFO and Core FFO available to our stockholders and unitholders to net loss for the years ended December 31, 2011, 2010 and 2009 (amounts in thousands):

## **Net Operating Income (NOI)**

We believe NOI is a useful measure of our collegiate housing operating performance. We define NOI as rental and other revenues earned from our collegiate housing communities less

operating expenses and real estate taxes related to our collegiate housing communities. Other REITs may use different methodologies for calculating NOI, and accordingly, the Trust's NOI may not be comparable to other REITs. We believe that this measure provides an operating perspective not immediately

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apparent from GAAP operating income or net income. The Trust uses NOI to evaluate performance on a community-by-community basis because it allows management to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by property, have on the Trust's operating results. However, NOI should only be used as an alternative measure of the Trust's financial performance.

For the year ended December 31, 2011, wholly-owned community revenue increased 13.4%, or \$12.9 million, and operating expenses grew 9.3%, or \$4.3 million, resulting in a 17.1%, or \$8.6 million, increase in NOI. The new-communities acquired in 2011 contributed NOI of \$5.5 million, and same-communities contributed NOI of \$3.1 million due to strong leasing results for the 2011/2012 lease term and focused expense controls at the community level.

The following is a reconciliation of our GAAP operating income (loss) to NOI for years ended December 31, 2011, 2010 and 2009 (in thousands):

## Earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA is defined as net income or loss excluding: (1) straight line adjustment for ground leases; (2) acquisition costs; (3) depreciation and amortization; (4) loss on impairment of collegiate housing assets; (5) interest expense; (6) other non-operating expense (income); (7) income tax expense (benefit); (8) non-controlling interest; and (9) applicable expenses related to discontinued operations. We consider

EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. As of December 31, 2011, our net debt (total debt less cash) to EBITDA was 5.7x and our interest coverage ratio (EBITDA divided by interest expense) was 2.7x

The following is a reconciliation of our GAAP net loss to EBITDA for years ended December 31, 2011, 2010 and 2009 (in thousands):

	For the Year ended December 31,		
	2011	2010	2009
Net loss attributable to common shareholders	\$(11,014)	\$(42,058)	\$(7,255)
Straight line adjustment for ground leases	4,208	984	
Acquisition costs	741	1,467	
Depreciation and amortization	29,105	25,021	22,787
Loss on impairment of collegiate housing assets	7,859		
Interest expense, net	18,242	19,787	19,309
Interest expense - discontinued operations	76	2,392	5,276
Other nonoperating expense (income)	1,420	778	(360)
Income tax expense (benefit)	(95)	442	1,905
Non-controlling interest	239	(233)	164
Applicable expenses (income) related to discontinued operations	(1,513)	39,813	9,597
EBITDA	\$49,268	\$48,393	\$51,423



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### **Inflation**

Our collegiate housing leases typically do not have terms that extend beyond twelve months. Accordingly, although on a short-term basis we would be required to bear the impact of rising costs resulting from inflation, we have the opportunity to raise rental rates at least annually to offset such rising costs. However, our ability to raise rental rates may be limited by a weak economic environment, increased competition from new collegiate housing in our primary markets and/or a reduction in student enrollment at our principal colleges and universities.

### **Recently Adopted Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board, or FASB, issued new authoritative guidance which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010 and is applied prospectively. The adoption had no impact on the Trust's consolidated financial statements.

In December 2010, the FASB issued new authoritative guidance on the interpretation of pro forma revenue and earnings disclosure requirements for business combinations. The amendments in the guidance specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance is effective for financial statements issued for

fiscal years and interim periods beginning after December 15, 2010 and is applied prospectively. The adoption had no material impact on the Trust's consolidated financial statements.

### **Recently Issued Accounting Pronouncements**

In May 2011, the FASB issued new authoritative guidance resulting in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. Consequently some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2011 and is applied prospectively. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

In September 2011, the FASB issued new authoritative guidance to simplify how entities test for goodwill impairment. The new guidance allows an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a

reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. However, if the entity concludes otherwise, it is required to proceed with performing step one of the goodwill impairment test and step two if necessary. Under the new guidance, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value as previously permitted. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2011. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

In December 2011, the FASB updated the guidance related to *Property, Plant and Equipment - Real Estate Sales*, to eliminate diversity in practice regarding whether in substance real estate should be derecognized when the parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate because of a default of the subsidiary on its nonrecourse debt. The updated guidance clarifies the accounting for such transactions is based on their substance rather than



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their form, and a reporting entity generally would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse debt. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2012. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Trust's interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower its overall borrowing costs. To achieve this objective, the Trust manages its exposure to fluctuations in market interest rates for its borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable.

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest changes generally do not affect the fair market value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. As of December 31, 2011, we had fixed rate debt of \$285.8 million. Holding other variables constant, a 100 basis point increase in interest rates would cause a \$10.0 million decline in the fair value for our fixed rate debt. Conversely, a 100 basis point decrease in interest rates would cause a \$10.7 million increase in the fair value of our fixed rate debt. As of December 31, 2011, 79.7% of the outstanding principal amounts of our mortgage and construction notes payable on the properties we own have

fixed interest rates with a weighted average interest rate of 5.96% and an average term to maturity of 4.00 years.

As of December 31, 2011, we assumed \$36.9 million of variable rate mortgage debt in connection with the acquisition of the GrandMarc at Westberry Place collegiate housing community located at Texas Christian University. The interest rate per annum applicable to the loan is equal to a base rate plus a 4.85% margin, in total not to exceed 7.5% per annum, and principal and interest are paid on a monthly basis. The loan matures on January 1, 2020. As of December 31, 2011, the interest rate applicable to the loan was 4.85%.

As of December 31, 2011, we had borrowed \$35.8 million on construction loans related to the development of wholly owned collegiate apartment communities. These loans bear interest equal to a base rate or LIBOR plus an applicable margin with \$14.4 million, \$8.8 million, \$11.6 million and \$0.9 million maturing in 2012, 2013, 2014 and 2015, respectively.

Additionally, in 2008, we borrowed \$49.9 million to refinance mortgage debt. The loans bore interest at 30-day LIBOR plus an applicable margin and matured on January 1, 2014. In order to hedge the interest rate risk associated with these loans, we purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for \$0.1 million. The interest rate cap effectively limited the interest rate on \$49.9 million of the refinanced mortgage debt at 7.0% per annum through December 31, 2013. We had chosen not to designate the cap as a hedge and recognized all gain or loss associated with this derivative instrument in earnings. During the year ended December 31, 2011, we repaid the entire balance of this variable rate debt and sold the cap back to the bank for \$45,000.

We do not, and do not expect to, use derivatives for trading or speculative purposes, and we expect to enter into contracts only with major financial institutions.



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**Item 8. Financial Statements and Supplementary Data.**

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011 based upon the guidelines established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011. We reviewed the results of management's assessment with our Audit Committee.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report which appears on the following page.

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Education Realty Trust, Inc.  
Memphis, Tennessee

We have audited the accompanying consolidated balance sheets of Education Realty Trust, Inc. and subsidiaries (the Trust ) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. We also have audited the Trust's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Trust's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Trust's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of

changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

*/s/ DELOITTE & TOUCHE LLP*

Memphis, Tennessee  
March 6, 2012

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TABLE OF CONTENTS**CONSOLIDATED BALANCE SHEETS  
As of December 31,**

	2011	2010
	(Amounts in thousands, except share and per share data)	
Assets:		
Collegiate housing properties, net	\$803,519	\$ 652,603
Collegiate housing properties held for sale		45,044
Assets under development	56,648	1,146
Corporate office furniture, net	574	855
Cash and cash equivalents	75,813	6,958
Restricted cash	4,826	4,791
Student contracts receivable, net	347	309
Receivable from managed third parties	933	527
Notes receivable	18,000	9,872
Goodwill and other intangibles, net	3,965	3,284
Other assets	13,184	11,291
Total assets	\$977,809	\$ 736,680
Liabilities:		
Mortgage and construction loans, net of unamortized premium/discount	\$358,504	\$ 367,631
Revolving line of credit		3,700
Accounts payable	3,933	984
Accrued expenses	27,833	17,340
Deferred revenue	14,409	12,243
Total liabilities	404,679	401,898
Commitments and contingencies (see Note 16)		
Redeemable noncontrolling interests	9,776	10,039
Equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized, 91,800,688 and 58,657,056 shares issued and outstanding as of December 31, 2011 and 2010, respectively	918	587
Preferred shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	662,657	414,850
Accumulated deficit	(101,708)	(90,694 )
Total Education Realty Trust, Inc. stockholders equity	561,867	324,743
Noncontrolling interests	1,487	
Total equity	563,354	324,743
Total liabilities and equity	\$977,809	\$ 736,680
See accompanying notes to the consolidated financial statements.		

TABLE OF CONTENTS**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Years Ended December 31,**

	2011	2010	2009
	(Amounts in thousands, except share and per share data)		
Revenues:			
Collegiate housing leasing revenue	\$ 109,404	\$ 96,510	\$ 93,359
Third-party development services	4,103	2,483	8,178
Third-party management services	3,336	3,189	3,221
Operating expense reimbursements	8,604	14,519	9,722
Total revenues	125,447	116,701	114,480
Operating expenses:			
Collegiate housing leasing operations	50,610	46,293	45,582
Development and management services	5,506	5,268	5,933
General and administrative	11,016	12,133	9,819
Depreciation and amortization	29,105	25,021	22,787
Ground lease expense	5,498	1,528	207
Loss on impairment of collegiate housing properties	7,859		
Reimbursable operating expenses	8,604	13,603	9,722
Total operating expenses	118,198	103,846	94,050
Operating income	7,249	12,855	20,430
Nonoperating expenses:			
Interest expense	18,242	19,787	19,309
Amortization of deferred financing costs	1,244	1,192	939
Loss (gain) on extinguishment of debt	351		(830)
Interest income	(175)	(414)	(469)
Total nonoperating expenses	19,662	20,565	18,949
Income (loss) before equity in losses of unconsolidated entities, income taxes and discontinued operations	(12,413)	(7,710)	1,481
Equity in earnings (losses) of unconsolidated entities	(447)	(260)	(1,410)
Income (loss) before income taxes and discontinued operations	(12,860)	(7,970)	71
Income tax expense (benefit)	(95)	442	1,905
Loss from continuing operations	(12,765)	(8,412)	(1,834)
Discontinued operations:			
Loss from operations of discontinued operations	(398)	(34,490)	(5,257)
Gain on sale of collegiate housing property	2,388	611	
Income (loss) from discontinued operations	1,990	(33,879)	(5,257)
Net loss	(10,775)	(42,291)	(7,091)
Less: Net income (loss) attributable to the noncontrolling interests	239	(233)	164
Net loss attributable to Education Realty Trust, Inc.	\$(11,014)	\$(42,058)	\$(7,255)
Earnings (loss) per share information:			
Income (loss) attributable to Education Realty Trust, Inc. common stockholders per share basic and diluted:			
Continuing operations	\$(0.17)	\$(0.15)	\$(0.05)
Discontinued operations	0.02	(0.58)	(0.13)

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Net loss attributable to Education Realty Trust, Inc. common stockholders per share	\$ (0.15 )	\$ (0.73 )	\$ (0.18 )
Weighted average common shares outstanding basic and diluted	75,485,418	57,535,698	40,495,558
Amounts attributable to Education Realty Trust, Inc. common stockholders:			
Loss from continuing operations, net of tax	\$ (12,979 )	\$ (8,691 )	\$ (2,157 )
Income (loss) from discontinued operations, net of tax	1,965	(33,367 )	(5,098 )
Net loss	\$ (11,014 )	\$ (42,058 )	\$ (7,255 )
Distributions per common share	\$ 0.24	\$ 0.20	\$ 0.36
See accompanying notes to the consolidated financial statements.			

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## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Years Ended December 31,

### (Amounts in thousands, except shares)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interests	Total
	Shares	Amount				
Balance, December 31, 2008	28,475,855	\$ 285	\$308,356	\$(41,381 )	\$ 2,918	\$270,178
Proceeds from issuances of common stock, net of offering costs	28,175,000	282	115,851			116,133
Common stock issued to officers and directors	8,000		34			34
Amortization of restricted stock	36,750		617			617
Cash dividends			(14,491 )		(100 )	(14,591 )
PIU Repurchase			39		(39 )	
PIUs Issued					13	13
OP Unit Conversion	10,000		49			49
Net loss				(7,255 )	(13 )	(7,268 )
Balance, December 31, 2009	56,705,605	567	410,455	(48,636 )	2,779	365,165
Proceeds from issuances of common stock, net of offering costs	1,802,931	19	12,435			12,454
Common stock issued to officers and directors	34,000		336			336
Common stock issued to retire PIUs	50,826	1	196			197
Amortization of restricted stock	63,694		619			619
Cash dividends			(11,477 )		(22 )	(11,499 )
PIUs forfeited and redeemed			2,286		(2,767 )	(481 )
Net income (loss)				(42,058 )	10	(42,048 )
Balance, December 31, 2010	58,657,056	587	414,850	(90,694 )		324,743
Proceeds from issuances of common stock, net of offering costs	32,996,205	330	264,004			264,334
Common stock issued to officers and directors	44,280		360			360
Amortization of restricted stock	103,147	1	1,165			1,166
Cash dividends			(17,722 )			(17,722 )
Noncontrolling interests in joint ventures					1,487	1,487
Net loss				(11,014 )		(11,014 )
Balance, December 31, 2011	91,800,688	\$ 918	\$662,657	\$(101,708 )	\$ 1,487	\$563,354

See accompanying notes to the consolidated financial statements.

TABLE OF CONTENTS**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31,**

	2011	2010	2009
	(Amounts in thousands)		
Operating activities:			
Net loss	\$(10,775 )	\$(42,291)	\$(7,091 )
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	29,105	25,021	22,787
Depreciation included in discontinued operations	450	5,359	6,327
Deferred tax expense (benefit)	(197 )	(841 )	228
Loss on disposal of assets	22	32	28
Gain on sale of collegiate housing property	(2,388 )	(611 )	
Noncash rent expense related to the straight line adjustment for long-term ground leases	4,208	984	
Gain on redemption of noncontrolling interest			(60 )
Loss on impairment of collegiate housing properties	7,859		
Loss on impairment of collegiate housing properties included in discontinued operations		33,610	1,726
Loss (gain) on extinguishment of debt	351		(830 )
Loss on extinguishment of debt included in discontinued operations	406	1,426	
Amortization of deferred financing costs	1,243	1,192	939
Amortization of deferred financing costs included in discontinued operations	2	84	108
Loss (gain) on interest rate cap	5	235	(204 )
Amortization of unamortized debt premiums/discounts	(390 )	(398 )	(406 )
Distributions of earnings from unconsolidated entities	264	388	393
Noncash compensation expense related to stock-based incentive awards	1,502	783	677
Equity in losses of unconsolidated entities	447	260	1,410
Change in operating assets and liabilities (net of acquisitions):			
Student contracts receivable	(239 )	(20 )	112
Management fees receivable	(406 )	(250 )	124
Other assets	(1,497 )	(1,606 )	5,461
Accounts payable and accrued expenses	8,500	6,286	1,063
Accounts receivable (payable) affiliate		18	7
Deferred revenue	2,614	2,608	436
Net cash provided by operating activities	41,086	32,269	33,235
Investing activities:			
Property acquisitions, net of cash acquired	(193,393)	(45,500)	
Purchase of corporate furniture and fixtures	(173 )	(173 )	(209 )
Restricted cash	(35 )	(212 )	1,016
Insurance proceeds received from property damage			234
Investment in collegiate housing properties	(22,129 )	(17,978)	(11,298 )
Proceeds from sale of collegiate housing properties	57,515	25,682	210
Payments on notes receivable	75	2,148	
Loan to participating development	(8,128 )	(9,872 )	
Earnest money deposits	(75 )		

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Investment in assets under development	(54,015 )	(1,146 )	(31,098 )
Distributions from unconsolidated entities	285	777	
Investments in unconsolidated entities	(25 )	(40 )	(493 )
Net cash used in investing activities	(220,098)	(46,314)	(41,638)

See accompanying notes to the consolidated financial statements.

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	2011	2010	2009
	(Amounts in thousands)		
Financing activities:			
Payment of mortgage and construction notes	(42,130 )	(13,222)	(101,631)
Borrowings under mortgage and construction loans	49,488		66,143
Debt issuance costs	(1,527 )	6	(2,676 )
Debt extinguishment costs	(351 )	(629 )	830
Borrowings on line of credit		31,700	28,000
Repayments of line of credit	(3,700 )	(28,000)	(60,900 )
Proceeds from issuance of common stock	265,318	12,599	122,561
Payment of offering costs	(1,007 )	(158 )	(6,428 )
Redemption of noncontrolling interests		(167 )	
Dividends and distributions paid to common and restricted stockholders	(17,722 )	(11,477)	(14,491 )
Dividends and distributions paid to noncontrolling interests	(502 )	(818 )	(839 )
Net cash provided by (used in) financing activities	247,867	(10,166)	30,569
Net increase (decrease) in cash and cash equivalents	68,855	(24,211)	22,166
Cash and cash equivalents, beginning of period	6,958	31,169	9,003
Cash and cash equivalents, end of period	\$75,813	\$6,958	\$31,169
Supplemental disclosure of cash flow information:			
Interest paid	\$19,526	\$19,764	\$25,269
Income taxes paid	\$339	\$1,456	\$1,658
Supplemental disclosure of noncash activities:			
Redemption of noncontrolling interests from unit holder	\$	\$	\$109
Note receivable received in connection with sale of collegiate housing property	\$	\$	\$2,300
See accompanying notes to the consolidated financial statements.			

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in thousands, except share and per share data)**

### **1. Organization and description of business**

Education Realty Trust, Inc. (the Trust ) was organized in the state of Maryland on July 12, 2004 and commenced operations as a real estate investment trust ( REIT ) effective with the initial public offering (the Offering ) that was completed on January 31, 2005. Under the Trust s Articles of Incorporation, as amended, the Trust is authorized to issue up to 200 million shares of common stock and 50 million shares of preferred stock, each having a par value of \$0.01 per share.

The Trust operates primarily through a majority-owned Delaware limited partnership, Education Realty Operating Partnership, LP (the Operating Partnership ). The Operating Partnership owns, directly or indirectly, interests in collegiate housing communities located near major universities in the United States.

The Trust also provides real estate facility management, development and other advisory services through the following subsidiaries of the Operating Partnership:

EDR Management Inc. ( Management Company ), a Delaware corporation performing collegiate housing management activities; and

EDR Development LLC ( Development Company ), a Delaware limited liability company providing development consulting services for third party collegiate housing communities.

The Trust is subject to the risks involved with the ownership and operation of residential real estate near major universities throughout the United States. The risks include, among others, those normally associated with changes in the demand for housing by students at the related universities, competition for tenants, creditworthiness of tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

### **2. Summary of significant accounting policies**

#### **Basis of presentation and principles of consolidation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States ( GAAP ). The accompanying consolidated financial statements of the Trust represent the assets and liabilities and operating results of the Trust and its majority owned subsidiaries.

The Trust, as the sole general partner of the Operating Partnership, has the responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of the Operating Partnership, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Accordingly, the Trust accounts for the Operating Partnership using the consolidation method.

All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

## Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used by management in determining the recognition of third-party development consulting services revenue under the percentage of completion method, useful lives of collegiate housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with collegiate housing property acquisitions, the determination of fair value for impairment assessments and in the recording of the allowance for doubtful accounts. Actual results could differ from those estimates.

## Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. In the accompanying consolidated statements of operations, development and management services expenses had previously been included in general and administrative expenses and ground leases had previously been included in collegiate housing leasing operations expenses. The reclassification of development and management services expenses and ground leases to separate presentation in our statements of operations was not material to our consolidated financial statements and had no impact on our previously reported net income, changes in equity, financial position or net cash flows from operations.

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### **Cash and cash equivalents**

All highly-liquid investments with a maturity of three months or less when purchased are considered cash equivalents. Restricted cash is excluded from cash for the purpose of preparing the consolidated statements of cash flows. The Trust maintains cash balances in various banks. At times, the amounts of cash may exceed the amount the Federal Deposit Insurance Corporation ( FDIC ) insures. As of December 31, 2011, the Trust had \$38.6 million of cash on deposit that was uninsured by the FDIC or in excess of the FDIC limits.

### **Restricted cash**

Restricted cash includes escrow accounts held by lenders for the purpose of paying taxes, insurance, principal and interest and funding capital improvements.

### **Distributions**

The Trust pays regular quarterly cash distributions to stockholders. These distributions are determined quarterly by the Board of Directors ( Board ) based on the operating results, economic conditions, capital expenditure requirements, the REIT annual distribution requirements of the Internal Revenue Code of 1986, as amended (the Code ), leverage covenants imposed by our revolving credit facility and other debt documents, and any other matters the Board deems relevant.

### **Collegiate housing properties**

Land, land improvements, buildings and improvements, and furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 15 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures, and equipment are depreciated over 3 to 7 years. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful life.

Acquired collegiate housing communities' results of operations are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. Acquisition costs are expensed as incurred and are included in general and administrative costs in the accompanying consolidated statements of operations.

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management uses an estimate of future undiscounted cash flows of the related asset based on its intended use to determine whether the carrying value is recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value. Management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data.

When a collegiate housing community has met the criteria to be classified as held for sale, the fair value less cost to sell such asset is estimated. If the fair value less cost to sell the asset is less than the carrying amount of the asset, an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a collegiate

housing community has met the held for sale criteria. Operations of collegiate housing communities that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. During the years ended December 31, 2011, 2010 and 2009, thirteen properties were classified as part of discontinued operations in the accompanying consolidated statements of operations for all periods presented. Five of these properties were sold in the fourth quarter of 2010 and the remaining seven were sold in 2011 (see Note 5).

## Deferred financing costs

Deferred financing costs represent costs incurred in connection with acquiring debt facilities. The deferred financing costs incurred for years ended December 31, 2011 and 2009 were \$1.7 million and \$2.7 million, respectively, and are being amortized over the terms of the related debt using a method that approximates the effective interest method. There were no deferred financing costs incurred during the year ended December 31, 2010. Amortization expense totaled \$1.2 million, \$1.2 million, and \$0.9 million for the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011 and 2010, accumulated amortization totaled \$5.1 million and \$5.6 million, respectively. Deferred financing costs, net of amortization, are included in other assets in the accompanying consolidated balance sheets (see Note 7).



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### **Common stock issuances and offering costs**

Specific incremental costs directly attributable to the issuance of common stock are charged against the gross proceeds of the related issuance. Accordingly, underwriting commissions and other stock issuance costs are reflected as a reduction of additional paid-in capital in the accompanying consolidated statement of changes in equity.

On November 8, 2011, the Trust completed a follow-on offering of 14.4 million shares of its common stock, which includes 1.9 million shares purchased by the underwriters pursuant to an overallotment option. The Trust received approximately \$124.4 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. On January 10, 2011, the Trust completed a follow-on offering of 13.2 million shares of its common stock, which includes 1.7 million shares purchased by the underwriters pursuant to an overallotment option. The Trust received approximately \$91.7 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. The Trust is using the net proceeds to repay debt, fund its development pipeline, fund potential future acquisitions and for general corporate purposes.

On June 2, 2010, the Trust entered into two equity distribution agreements. Pursuant to the terms and conditions of the agreements, the Trust could issue and sell shares of its common stock having an aggregate offering amount of up to \$50 million. Sales of the common stock depended upon market conditions and other factors to be determined by the Trust and were made in transactions that are deemed to be at-the-market offerings as defined in Rule 415 under the Securities Act of 1933, as amended. The Trust had no obligation to sell any of the common stock, and could at any time suspend offers under the agreements or terminate the agreements. As of December 31, 2011 and 2010, the Trust had sold 4.1 million and 1.8 million shares of common stock under the equity distribution program for net proceeds of approximately \$36.7 million and \$12.4 million, respectively. As of December 31, 2011, the Trust had sold common stock equaling the aggregate offering amount of \$50 million. On September 20, 2011, the Trust entered into the 2011 equity distribution agreement. Similar to the equity distribution agreements discussed above, the Trust may issue and sell shares of its common stock having an aggregate offering amount of up to \$50 million. As of December 31, 2011, the Trust had sold 1.3 million shares of common stock under the 2011 equity distribution program for net proceeds of

approximately \$11.4 million. The Trust is using the net proceeds to repay debt, fund its development pipeline, fund potential future acquisitions and for general corporate purposes.

On May 19, 2010, the Trust's stockholders approved the Education Realty Trust, Inc. Employee Stock Purchase Plan (the ESPP) which became effective on July 1, 2010. Pursuant to the ESPP, all employees of the Trust are eligible to make periodic purchases of common stock through payroll deductions. Subject to the discretion of the compensation committee of the Board, the purchase price per share of common stock purchased by employees under the ESPP is 85% of the fair market value on the applicable purchase date. The Trust reserved 300,000 shares of common stock for sale under the ESPP. The aggregate cost of the ESPP (generally the 15% discount on the shares purchased) is recorded by the Trust as a period expense. For the years ended December 31, 2011 and 2010, total compensation expense relating to the ESPP was \$24,338 and \$12,605, respectively.

### **Debt premiums/discounts**

Differences between the estimated fair value of debt and the principal value of debt assumed in connection with collegiate housing property acquisitions are amortized over the term of the related debt as an offset to interest expense using the effective interest method. As of December 31, 2011 and 2010, the Trust had net unamortized debt premiums of \$9,508 and \$0.4 million, respectively. These amounts are included in mortgage and construction loans in the accompanying consolidated balance sheets.

## Income taxes

The Trust qualifies as a REIT under the Code. The Trust is generally not subject to federal, state and local income taxes on any of its taxable income that it distributes if it distributes at least 90% of its REIT taxable income for each tax year to its stockholders and meets certain other requirements. If the Trust fails to qualify as a REIT for any taxable year, the Trust will be subject to federal, state and local income taxes (including any applicable alternative minimum tax) on its taxable income.

The Trust has elected to treat certain of its subsidiaries, including the Management Company, as taxable REIT subsidiaries (each a TRS ). A TRS is subject to federal, state and local income taxes. The Management Company provides management services and through the Development Company, provides development services, which if directly provided by the Trust would jeopardize the Trust's REIT status. Deferred tax

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assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse.

The Trust had no unrecognized tax benefits as of December 31, 2011, 2010 and 2009. As of December 31, 2011, the Trust did not expect to record any unrecognized tax benefits. The Trust, and its subsidiaries, file federal and state income tax returns. As of December 31, 2011, open tax years generally included tax years for 2008, 2009 and 2010. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. As of December 31, 2011, 2010 and 2009 the Trust had no interest or penalties recorded related to unrecognized tax benefits.

## Noncontrolling interests

As of December 31, 2011, the Trust entered into two joint venture agreements to develop, own and manage properties near the University of Alabama and Arizona State University- Phoenix. The Trust is deemed to be the primary beneficiary of these communities. Accordingly, the Trust accounts for the joint ventures using the consolidation method. Our partners' capital contributions of \$1.5 million are accounted for as noncontrolling interests in the accompanying consolidated balance sheet and statement of changes in equity.

The units of limited partnership of the Operating Partnership ( Operating Partnership Units ), units of limited partnership of University Towers Operating Partnership, LP ( University Towers Operating Partnership Units ) and profits interest units ( PIUs ) (see Note 9) are referred to as noncontrolling interests. The Trust follows the guidance issued by the Financial Accounting Standards Board ( FASB ) regarding the classification and measurement of redeemable securities. The Operating Partnership Units and the University Towers Operating Partnership Units are redeemable at the option of the holder and essentially have the same characteristics as common stock as they participate in net income and distributions. Accordingly, the Trust has determined that the Operating Partnership Units and the University Towers Operating Partnership Units meet the requirements to be classified outside of permanent equity and are therefore classified as redeemable noncontrolling interests in the accompanying consolidated balance sheets and net income attributable to noncontrolling interests in the accompanying

consolidated statements of operations. The value of redeemable noncontrolling interests is reported at the greater of fair value or historical cost at the end of each reporting period. The following table sets forth the activity with the redeemable noncontrolling interests for the years ended December 31 (in thousands):

	2011	2010
Beginning balance - redeemable noncontrolling interests	\$10,039	\$11,079
Net income (loss) attributable to redeemable noncontrolling interests	239	(244 )
Distributions attributable to redeemable noncontrolling interests	(502 )	(796 )
Ending balance - redeemable noncontrolling interests	\$9,776	\$10,039

The PIUs were determined to be noncontrolling interests that were not redeemable and accordingly these amounts were classified in equity in the accompanying consolidated balance sheets and statements of changes in equity. The PIU holder's share of income or loss was reported in the accompanying consolidated statements of operations as net

income attributable to noncontrolling interests. In June 2010, all of the outstanding PIUs were redeemed by the Trust for \$0.2 million of cash and 50,826 shares of common stock that had a market value of \$0.3 million (see Note 9).

## Earnings per share

Basic earnings per share is calculated by dividing net earnings available to common stock by weighted average shares of common stock outstanding. Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. The Trust follows the authoritative guidance regarding the determination of whether certain instruments are participating securities. All unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are included in the computation of earnings per share under the two-class method. This results in shares of unvested restricted stock being included in the computation of basic earnings per share for all periods presented.

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As of December 31, 2011, 2010 and 2009, the following potentially dilutive securities were outstanding but were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive:

	2011	2010	2009
Operating Partnership Units	903,738	903,738	903,738
University Towers Operating Partnership Units	207,257	207,257	207,257
Profits Interest Units			275,000
Total potentially dilutive securities	1,110,995	1,110,995	1,385,995

A reconciliation of the numerators and denominators for the basic and diluted earnings per share computation is not presented, as the Trust reported a loss from continuing operations for all periods presented, and therefore the effect of the inclusion of all potentially dilutive securities would be anti-dilutive when computing diluted earnings per share; thus, the computation for both basic and diluted earnings per share is the same.

## Repairs, maintenance and major improvements

The costs of ordinary repairs and maintenance are charged to operations when incurred. Major improvements that extend the life of an asset are capitalized and depreciated over the remaining useful life of the asset. Planned major repair, maintenance and improvement projects are capitalized when performed. In some circumstances, the lenders require the Trust to maintain a reserve account for future repairs and capital expenditures. These amounts are classified as restricted cash in the accompanying consolidated balance sheets as the funds are not available for use.

## Goodwill and other intangible assets

Goodwill is tested annually for impairment as of December 31, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The accumulated impairment loss recorded by the Trust as of December 31, 2008 was \$0.4 million. No additional impairment has been recorded through December 31, 2011. The carrying value of goodwill was \$3.1 million as of December 31, 2011 and 2010, of which \$2.1 million was recorded on the management services segment and \$0.9 million was recorded on the development consulting services segment. Goodwill is not

subject to amortization. Other intangible assets generally include in-place leases and management contracts acquired in connection with acquisitions and are amortized over the estimated life of the lease/contract term. The carrying value of other intangible assets was \$0.9 million and \$0.2 million as of December 31, 2011 and 2010, respectively.

## Investment in unconsolidated entities

The Operating Partnership accounts for its investments in unconsolidated joint ventures, limited liability companies and limited partnerships using the equity method whereby the costs of an investment is adjusted for the Trust's share of earnings of the respective investment reduced by distributions received. The earnings and distributions of the unconsolidated joint ventures, limited liability companies and limited partnerships are allocated based on each owner's

respective ownership interests. These investments are classified as other assets or accrued expenses, depending on whether the distributions exceed the Trust's contributions and share of earnings in the joint ventures, in the accompanying consolidated balance sheets (see Note 8). As of December 31, 2011 and 2010, the Trust had investments, directly or indirectly, in the following unconsolidated joint ventures, limited liability companies and limited partnerships that are accounted for under the equity method:

University Village-Greensboro LLC, a Delaware limited liability company, 25% owned by the Operating Partnership; WEDR Riverside Investors V, LLC, a Delaware limited liability company, 10% owned by the Operating Partnership; and

WEDR Stinson Investors V, LLC, a Delaware limited liability company, 10% owned by the Operating Partnership.

## **Comprehensive income**

The Trust follows the authoritative guidance issued by the FASB relating to the reporting and display of comprehensive income and its components. For all periods presented, comprehensive income (loss) is equal to net income (loss).

## **Revenue recognition**

The Trust recognizes revenue related to leasing activities at the collegiate housing communities owned by the Trust, management fees related to managing third-party collegiate housing communities, development consulting fees related to the general oversight of third-party collegiate housing

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development and operating expense reimbursements for payroll and related expenses incurred for third-party collegiate housing communities managed by the Trust.

*Collegiate housing leasing revenue* Collegiate housing leasing revenue is comprised of all activities related to leasing and operating the collegiate housing communities and includes revenues from leasing apartments by the bed, food services, parking lot rentals and providing certain ancillary services. This revenue is reflected in collegiate housing leasing revenue in the accompanying consolidated statements of operations. Students are required to execute lease contracts with payment schedules that vary from annual to monthly payments. Generally, the Trust requires each executed leasing contract to be accompanied by a signed parental guarantee. Receivables are recorded when billed. Revenues and related lease incentives and nonrefundable application and service fees are recognized on a straight-line basis over the term of the contracts. At certain collegiate housing facilities, the Trust offers parking lot rentals to the tenants. The related revenues are recognized on a straight-line basis over the term of the related agreement.

Due to the nature of the Trust's business, accounts receivable result primarily from monthly billings of student rents. Payments are normally received within 30 days. Balances are considered past due when payment is not received on the contractual due date. Allowances for uncollectible accounts are established by management when it is determined that collection is doubtful. Such allowances are reviewed periodically based upon experience. The following table reconciles the allowance for doubtful accounts as of and for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Balance, beginning of period	\$ 129	\$ 207	\$ 141
Provision for uncollectible accounts	1,079	1,567	1,836
Deductions	(1,075)	(1,645)	(1,770)
Balance, end of period	\$ 133	\$ 129	\$ 207

*Third-party development services revenue* The Trust provides development consulting services in an agency capacity with third parties whereby the fee is determined based upon the total construction costs. Total fees vary from 3% to 5% of the total estimated costs, and the Trust typically receives a portion of the fees up front. These fees, including the up-front fee, are recognized using the percentage of completion method in proportion to the contract costs incurred by the owner over

the course of construction of the respective projects. Occasionally, the development consulting contracts include a provision whereby the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. For the years ended December 31, 2011 and 2009, there was \$0.5 million and \$3.3 million revenue recognized, respectively, related to cost savings agreements on development projects. There was no cost savings revenue recognized for the year ended December 31, 2010.

On July 14, 2010, the Trust entered into definitive agreements for the development, financing and management of a \$60.7 million, 20-story, 572-bed graduate collegiate housing complex at the Science + Technology Park at Johns Hopkins Medical Institute. The Trust will develop and manage the building, which will be constructed on land owned by Johns Hopkins University and leased to a subsidiary of East Baltimore Development, Inc., a nonprofit partnership of private and public entities dedicated to Baltimore's urban revitalization. Under terms of the agreements, the Trust will (a) receive development and construction oversight fees and reimbursement of pre-development expenses, (b) invest in the form of an \$18.0 million second mortgage, (c) receive a \$3.0 million fee for providing a repayment

guarantee of the construction first mortgage and (d) receive a 10-year management contract. As of December 31, 2011 and 2010, the note receivable for the second mortgage had a balance of \$18.0 million and \$9.9 million, respectively, and is recorded in notes receivable in the accompanying consolidated balance sheets (see Note 7). The Trust does not have an ownership interest of any form that would require consolidation. Due to its financing commitments to the project along with other factors, the Trust will not recognize the development services revenue, guarantee fee revenue and interest income earned on the second mortgage until the second mortgage is repaid, and the Trust no longer has a substantial continuing financial involvement. If the construction loan and second mortgage had been repaid prior to December 31, 2011, the Trust would have recognized development services revenue net of costs of \$1.7 million, guarantee fee revenue of \$3.0 million and interest income of \$1.9 million since the commencement of the project.

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*Third-party management services revenue* The Trust enters into management contracts to manage third-party collegiate housing communities. Management revenues are recognized when earned in accordance with each management contract. Incentive management fees are recognized when the incentive criteria have been met.

*Operating expense reimbursements* The Trust pays certain payroll and related costs to operate third-party collegiate housing communities that are managed by the Trust. Under the terms of the related management agreements, the third-party property owners reimburse these costs. The amounts billed to the third-party owners are recognized as revenue.

## **Costs related to development consulting services**

Costs associated with the pursuit of third-party development consulting contracts are expensed as incurred, until such time that management has been notified of a contract award. At such time, the reimbursable costs are recorded as receivables and are reflected as other assets in the accompanying consolidated balance sheets (see Note 7).

Costs directly associated with internal development projects are capitalized as part of the cost of the project.

## **Advertising expense**

Advertising expenses are charged to income during the period incurred. The Trust does not use direct response advertising. Advertising expense was \$2.5 million, \$2.5 million and \$2.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

## **Segment information**

The Trust discloses certain operating and financial data with respect to separate business activities within its enterprise. The Trust has identified three reportable business segments: collegiate housing leasing, collegiate housing development consulting services and collegiate housing management services.

## **Stock-based compensation**

On May 4, 2011, the Trust's stockholders approved the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the 2011 Plan). The 2011 Plan replaced the Education Realty Trust, Inc. 2004 Incentive Plan (2004 Plan) in its entirety. The 2011 Plan is described more fully in Note 9. The Trust recognizes compensation costs related to share-based payments in the accompanying consolidated financial statements in accordance with authoritative guidance.

## **Fair value of financial instruments**

The Trust discloses the fair value of financial instruments for which it is practicable to estimate. The Trust does not hold or issue financial instruments for trading purposes. The Trust considers the carrying amounts of cash and cash equivalents, restricted cash, student contracts receivable, accounts payable and accrued expenses to approximate fair value due to the short maturity of these instruments. The Trust has estimated the fair value of the mortgage notes payable utilizing present value techniques. As of December 31, 2011, the carrying amount and estimated fair value of the fixed rate mortgage notes payable was \$285.8 million and \$299.3 million, respectively. As of December 31, 2010,

the carrying amount and estimated fair value of the mortgage notes payable was \$308.0 million and \$312.8 million, respectively. No amounts were outstanding on the revolving credit facility as of December 31, 2011. As of December 31, 2010, the Trust had \$3.7 million outstanding on the revolving credit facility, which bears interest at variable rates and therefore cost approximates market value. Additionally, the Trust holds various variable rate construction and mortgage debt with a carrying value of \$72.7 million and \$59.2 million on December 31, 2011 and 2010, respectively, which also approximates market value.

## Recent accounting pronouncements

In December 2010, the FASB issued new authoritative guidance which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010 and is applied prospectively. The adoption had no impact on the Trust's consolidated financial statements.

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In December 2010, the FASB issued new authoritative guidance on the interpretation of pro forma revenue and earnings disclosure requirements for business combinations. The amendments in the guidance specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010 and is applied prospectively. The adoption had no material impact on the Trust's consolidated financial statements.

In May 2011, the FASB issued new authoritative guidance resulting in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. Consequently some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2011 and is applied prospectively. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

In September 2011, the FASB issued new authoritative guidance to simplify how entities test for goodwill impairment. The new guidance allows an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. However, if the entity concludes otherwise, it is required to proceed with performing step one of the goodwill impairment test and step two if necessary. Under the new guidance, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value as previously

permitted. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2011. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

In December 2011, the FASB updated the guidance related to *Property, Plant and Equipment - Real Estate Sales*, to eliminate diversity in practice regarding whether in substance real estate should be derecognized when the parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate because of a default of the subsidiary on its nonrecourse debt. The updated guidance clarifies the accounting for such transactions is based on their substance rather than their form, and a reporting entity generally would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse debt. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2012. The adoption is not expected to have a material impact on the Trust's consolidated financial statements.

### 3. Income taxes

Deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities of the TRSs for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets as of December 31, 2011 and 2010, respectively, are as follows (in thousands):

	2011	2010
Deferred tax assets:		
Deferred revenue	\$ 525	\$ 958
Depreciation and amortization	109	95
Accrued expenses	245	132
Straight line rent	15	50
Restricted stock amortization	538	
Total deferred tax assets	\$ 1,432	\$ 1,235

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Significant components of the income tax provision (benefit) for the years ended December 31, 2011, 2010 and 2009, respectively, are as follows (in thousands):

	2011	2010	2009
Deferred:			
Federal	\$(169)	\$(719)	\$ 197
State	(28)	(122)	31
Deferred expense (benefit)	(197)	(841)	228
Current:			
Federal	(199)	1,028	1,333
State	301	255	344
Current expense	102	1,283	1,677
Total provision	\$(95)	\$442	\$ 1,905

TRS earnings or losses subject to tax consisted of \$0.9 million loss, \$1.0 million earnings and \$3.6 million earnings for the years ended December 31, 2011, 2010 and 2009, respectively. The reconciliation of income tax attributable to income before noncontrolling interest computed at the U.S. statutory rate to income tax provision is as follows (in thousands):

## 4. Acquisition and development of real estate investments

During the year ended December 31, 2011, the Trust completed the following eight collegiate housing community acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Purchase Price
Wertland Square	University of Virginia Charlottesville, VA	Mar 2011	152	50	\$ 16.6 million
Jefferson Commons	University of Virginia Charlottesville, VA	Mar 2011	82	22	\$ 6.4 million
Westminster House	University of California Berkeley, California	May 2011	167	55	\$ 16.0 million
University Village Towers(1)	University of California Riverside, California	Sept 2011	554	149	\$ 38.1 million
Lotus Lofts	University of Colorado Boulder, Colorado	Nov 2011	40	9	\$ 6.0 million
Irish Row	University of Notre Dame South Bend, Indiana	Nov 2011	326	127	\$ 27.5 million
GrandMarc at Westberry Place(2)	Texas Christian University Ft. Worth, Texas	Dec 2011	562	244	\$ 55.1 million
3949 Lindell	Saint Louis University St. Louis, Missouri	Dec 2011	256	197	\$ 28.5 million

(1) The Operating Partnership had a 10% equity investment in the entity that previously owned the University Village Towers collegiate housing community and also managed the property prior to the acquisition.

(2)

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The Trust entered into a 53-year ground lease which requires an increase in annual rent expense to be determined on predetermined adjustment dates based on the greater of 3% or the consumer price index for the life of the lease. The Trust recognizes the minimum 3% annual increase in rent expense on a straight-line basis. For the year ended December 31, 2011, the Trust recognized \$34,366 in the accompanying consolidated statement of operations related to the ground lease.

Combined acquisition costs for these purchases were \$0.7 million and are included in general and administrative costs in the accompanying consolidated statement of operations for the year ended December 31, 2011. The Trust funded these acquisitions with assumed debt of \$36.9 million and existing cash, including cash proceeds generated by the January and November 2011 common stock offerings (see Note 2) and sales of collegiate housing communities (see Note 5). A summary follows of the fair values of the assets acquired and the liabilities assumed as of the dates of the acquisitions (in thousands):

	University Village Towers	GrandMarc at Westberry Place	Other	Total
Collegiate housing properties	\$ 37,881	\$ 53,935	\$ 100,386	\$ 192,202
Other assets	268	1,146	570	1,984
Current liabilities	(286 )	(434 )	(1,654 )	(2,374 )
Mortgage debt		(36,930 )		(36,930 )
Total net assets acquired	\$ 37,863	\$ 17,717	\$ 99,302	\$ 154,882

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On October 22, 2010, the Trust completed the purchase of The GrandMarc at the Corner, a 641-bed student community at the University of Virginia in Charlottesville, Virginia. The purchase price was \$45.7 million with related acquisition costs of \$1.5 million. The Trust funded the acquisition with existing cash, including cash proceeds generated by sales of the Trust's common stock in its equity distribution program, and a draw on the Second Amended Revolver of \$27.0 million. In conjunction with the acquisition, the Trust entered into a 99-year ground lease which requires an increase in annual rent expense based on the greater of 3% or the consumer price index for the life of the lease. The Trust recognizes the minimum 3% annual increase in rent expense on a straight-line basis. For the year-ended December 31, 2011, the Trust recognized \$4.9 million in the accompanying consolidated statement of operations related to the ground lease. A summary follows of the fair values of the assets acquired and the liabilities assumed as of the date of the acquisition:

	Allocation of GrandMarc at the Corner (in thousands)
Collegiate housing properties	\$ 45,194
Other assets	545
Current liabilities	(267 )
Total net assets acquired	\$ 45,472

The amounts of the 2011 acquisitions' revenue and net loss included in the Trust's accompanying consolidated statement of operations for the year ended December 31, 2011, and the pro forma revenue and net loss of the combined entity had the acquisition date been January 1, 2010, are as follows:

	Revenue	Net income (loss)
	(in thousands)	
Actual from date of acquisition 12/31/11	\$4,505	\$935
2011 supplemental pro forma for 1/1/11 - 12/31/11(1)	\$ 140,426	\$(7,503 )
2010 supplemental pro forma for 1/1/10 - 12/31/10(1)	\$ 134,910	\$(40,144)

Supplemental pro forma earnings for the year ended December 31, 2011 were adjusted to exclude \$0.7 million of (1) acquisition-related costs incurred in 2011. Supplemental pro forma earnings for the year ended December 31, 2010 were adjusted to include these charges.

The amounts of the GrandMarc at the Corner's revenue and net loss included in the Trust's accompanying consolidated statement of operations for the year ended December 31, 2010, and the pro forma revenue and net loss of the combined entity had the acquisition date been January 1, 2009, are as follows:

	Revenue	Net income (loss)
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	(in thousands)	
Actual from 10/22/10 12/31/10	\$ 1,018	\$(456 )
2010 supplemental pro forma for 1/1/10 12/31/10(1)	\$ 124,973	\$(42,867)
2009 supplemental pro forma for 1/1/09 12/31/09(1)	\$ 123,122	\$(11,178)

Supplemental pro forma earnings for the year ended December 31, 2010 were adjusted to exclude \$1.4 million of (1) acquisition-related costs incurred in 2010. Supplemental pro forma earnings for the year ended December 31, 2009 were adjusted to include these charges.

As previously discussed, the Trust purchased a collegiate housing community near the University of Colorado, Boulder in November 2011. The Trust is developing adjacent housing on the existing land, which is expected to open in the fall of 2013. As of December 31, 2011, the Trust had incurred \$0.1 million in project costs. During the year ended December 31, 2011, the Trust capitalized interest costs and internal development project costs of \$933 and \$7,376, respectively, related to the development.

In June 2011, the Trust executed an agreement with Summa West, LLC to develop, own and manage a new collegiate housing community near Arizona State University-Downtown Phoenix campus. The Trust expects to finalize the financing for the project in March 2012. The Trust is the majority owner and managing member of the joint venture and will manage the community once completed. As of December 31, 2011, the Trust and Summa West, LLC had incurred \$4.8 million in costs for the project, capitalized interest costs of approximately \$0.1 million and capitalized internal development project costs of approximately \$17,782 related to the development. The community is expected to open in the fall of 2013.

In February 2011, the Trust was selected by Syracuse University to develop, own and manage new collegiate housing on its campus. This will be the Trust's second on-campus development at Syracuse University and third project financed through the Trust's On-Campus Equity Plan, or the ONE Plan<sup>SM</sup>.



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As of December 31, 2011, the Trust had incurred \$6.1 million in costs for the project, which is expected to open in July of 2012, and capitalized interest costs and internal development project costs of \$0.1million and \$0.1 million, respectively, related to the development.

Also, in February 2011, the Trust executed an agreement with the Edwards Companies to develop, own and manage a new collegiate housing community at the University of Alabama in Tuscaloosa. The Edwards Companies is developing and constructing the housing, which will be owned jointly by the two companies. The Trust is the majority owner and managing member of the joint venture and will manage the community once completed. As of December 31, 2011, the Trust and the Edwards Companies had incurred \$21.2 million in costs for the project, which is expected to open in July of 2012, capitalized interest costs of approximately \$0.2 million and internal development project costs of approximately \$0.1 million related to the development.

In July 2010, the University of Texas Board of Regents selected the Trust to be the ground tenant to develop, own and manage a new high-rise collegiate housing community near the core of the University of Texas at Austin campus. As of December 31, 2011, the Trust had incurred \$7.4 million in costs for the project, which is expected to open in July of 2013. During the years ended December 31, 2011 and 2010, the Trust capitalized interest costs of \$0.2 million and \$11,291, respectively, and internal development project costs of \$0.2 million and \$52,441, respectively, related to the development.

In September of 2010, LeylandAlliance LLC and the Trust entered into an agreement to develop the first two phases of Storrs Center, a mixed-use town center project, adjacent to the University of Connecticut. Scheduled to be completed in 2012 and 2013, the first two phases of Storrs Center will include commercial and residential offerings. The Trust will develop, own and manage the collegiate housing communities in these first two phases. As of December 31, 2011, the Trust had incurred \$17.0 million in project costs. During the years ended December 31, 2011 and 2010, the Trust capitalized interest costs of \$0.3 million and \$1,517, respectively, and internal development project costs of \$0.2 million and \$29,472, respectively, related to the development.

All costs related to the development of collegiate housing communities are classified as assets under development in the accompanying consolidated balance sheets until the community is completed and opens. The Trust has expenditures for assets under development accrued in accounts payable and accrued expenses of \$1.7 million and \$5.3 million, respectively, as of December 31, 2011. There were no expenditures related to assets under development accrued as of December 31, 2010.

## **5. Disposition of real estate investments and discontinued operations**

In April and June 2011, the Trust sold the Collegiate Village, located in Macon, Georgia, and Clayton Place, located in Morrow, Georgia, respectively, for an aggregate sales price of \$28.0 million resulting in net proceeds of approximately \$27.8 million after closing costs.

In October 2010, the Trust entered into two separate sales agreements to sell nine collegiate housing communities with a net carrying value of \$83.5 million. The first agreement closed on December 8, 2010 and included the following four properties:

The Gables, serving Western Kentucky University in Bowling Green, Kentucky;  
Western Place, serving Western Kentucky University in Bowling Green, Kentucky;  
Berkeley Place, serving Clemson University in Clemson, South Carolina; and

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The Pointe at Southern, serving Georgia Southern University in Statesboro, Georgia.

The gross sales price for the first agreement was \$38.7 million with net proceeds of approximately \$20.5 million after repayment of related debt of \$17.3 million (see Note 10) and other closing costs.

The second agreement closed on January 19, 2011 and included the following five properties :

Troy Place, serving Troy University in Troy, Alabama;  
The Reserve at Jacksonville, serving Jacksonville State University in Jacksonville, Alabama;  
The Reserve at Martin, serving University of Tennessee at Martin in Martin, Tennessee;  
The Chase at Murray, serving Murray State University in Murray, Kentucky; and

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Clemson Place, serving Clemson University in Clemson, South Carolina.

The sales price was \$46.1 million, and the Trust received net proceeds of approximately \$29.7 million after the repayment of related debt of \$16.1 million and other closing costs.

On November 19, 2010, the Trust sold the Reserve at Clemson collegiate housing community for a sales price of \$14.4 million resulting in net proceeds of approximately \$1.2 million after the repayment of \$12.0 million in mortgage debt (see Note 10) and other closing costs.

Accordingly, the results of operations of all twelve properties are included in discontinued operations in the accompanying consolidated statements of operations for all periods presented. The Trust ceased depreciation on the properties when they met the held for sale criteria. The five properties included in the second agreement are classified as assets held for sale in the accompanying consolidated balance sheet for the year ended December 31, 2010.

On April 7, 2009, the Trust sold the College Station collegiate housing community for a sales price of \$2.6 million. The Trust received proceeds of \$0.3 million and a note receivable of \$2.3 million. Payments of principal and interest, at a rate of 6% per annum, are due on a monthly basis. The resulting net gain on disposition of approximately \$0.4 million has been deferred against the note receivable until such debt is paid in full.

The following table summarizes the income (loss) from discontinued operations, net of noncontrolling interests, and the related realized gains on sales of real estate from discontinued operations, net of noncontrolling interests, for the years ended December 31, 2011, 2010 and 2009 (in thousands):

TABLE OF CONTENTS**6. Collegiate housing properties**

Collegiate housing properties consist of the following as of December 31, 2011 and 2010, respectively (in thousands):

	2011	2010
Land	\$83,133	\$54,800
Land improvements	58,577	51,019
Construction in progress	43,715	3,237
Buildings	789,492	697,119
Furniture, fixtures and equipment	51,586	48,976
	1,026,503	855,151
Less accumulated depreciation	(166,336 )	(156,358)
Collegiate housing properties, net	\$860,167	\$698,793

Following is certain information related to investment in collegiate housing properties as of December 31, 2011 (amounts in thousands):

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- (1) The Commons at Knoxville, The Reserve at Columbia, College Grove and The Avenue at Southern are cross-collateralized against the \$58.1 million outstanding loan discussed in Note 10.
- (2) The Pointe at Penn State, The Reserve at Star Pass and College Station at West Lafayette are cross-collateralized against the \$69.6 million outstanding loan discussed in Note 10.
- (3) The Reserve on South College, River Pointe and Cape Trails are cross-collateralized against the \$22.7 million outstanding loan discussed in Note 10.  
All properties are garden-style collegiate housing communities except for University Towers which is a traditional residence hall, University Texas Austin, which will be a high-rise building and Storrs Center, which will be a mixed-use town center and main street development project located in Storrs, Connecticut.
- (4) (5) Assets have useful lives ranging from 3 to 40 years.
- (6) The first phase of The Reserve at Saluki Pointe, which included 528 beds, was completed in August 2008. The second phase, which included 240 beds, was completed in August 2009.
- (7) Carrollton Crossing and The Commons on Kinnear are cross collateralized against the \$16.9 million outstanding loan discussed in Note 10.

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The following table reconciles the historical cost of the Trust's investment in collegiate housing properties for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Balance, beginning of period	\$855,151	\$891,391	\$847,597
Collegiate housing acquisitions or completed developments	192,178	45,194	37,670
Collegiate housing dispositions	(90,072 )	(66,639 )	(2,652 )
Impairment loss	(7,859 )	(33,610 )	(1,726 )
Additions	77,474	19,124	11,298
Disposals	(369 )	(309 )	(796 )
Balance, end of period	\$1,026,503	\$855,151	\$891,391

The following table reconciles the accumulated depreciation of the Trust's investment in collegiate housing properties for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Balance, beginning of period	\$156,358	\$141,507	\$114,090
Depreciation	28,568	29,849	28,522
Disposals	(347 )	(278 )	(535 )
Collegiate housing dispositions	(18,243 )	(14,720 )	(570 )
Balance, end of period	\$166,336	\$156,358	\$141,507

When the Trust determines that an asset is not recoverable, management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data. During 2011 and 2010, management determined that the carrying value of various collegiate housing communities may not be recoverable due to a decline in estimated net operating income and/or the potential sale of these assets. The fair value of these properties was estimated and management recorded an impairment loss of \$7.9 million and \$33.6 million, respectively, in the accompanying consolidated statements of operations. During 2009, management determined that the carrying value of a collegiate housing community may not be recoverable due to a decline in occupancy and trends at the community. The fair value of the property was estimated and management recorded an impairment loss in the accompanying consolidated statement of operations for the year ended December 31, 2009 of \$1.7 million. The impairment losses recorded in 2010 and 2009

are included in discontinued operations in the accompanying statements of operations.

## 7. Corporate office furniture and other assets

As of December 31, 2011 and 2010, the Trust had corporate office furniture with a historical cost of \$3.5 million and \$3.3 million, and accumulated depreciation of \$2.9 and \$2.4 million, respectively. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the related assets, generally 3 to

7 years. Depreciation expense totaled \$0.5 million, \$0.4 million and \$0.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Other assets consisted of the following as of December 31, 2011 and 2010 (in thousands):

	2011	2010
Accounts receivable related to pre-development costs	\$104	\$31
Receivable for construction loan guarantee (see Note 2)	3,000	3,000
Prepaid expenses	902	520
Deferred tax asset	1,432	1,235
Deferred financing costs	3,646	3,407
Investments in unconsolidated entities	29	64
Note receivable (see Note 5)	2,300	2,300
Other	1,771	734
Total other assets	\$13,184	\$11,291

## 8. Investments in unconsolidated entities

The Trust's ownership in University Village-Greensboro LLC, WEDR Riverside Investors V, LLC, and WEDR Stinson Investors V, LLC is accounted for under the equity method. The following is a summary of financial information for the Trust's unconsolidated joint ventures, limited liability companies and limited partnerships (in thousands):

Financial Position: As of December 31,	2011	2010
Total assets	\$48,305	\$91,067
Total liabilities	47,104	82,451
Equity	\$1,201	\$8,616
Trust's investment in unconsolidated entities	\$29	\$64

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## Results of Operations:

For the years ended December 31,	2011	2010	2009
Revenues	\$9,748	\$13,464	\$15,957
Net loss	(3,951)	(2,989)	(15,145)
Trust's equity in losses of unconsolidated entities	\$(447)	\$(260)	\$(1,410)

These entities own collegiate housing communities that are managed by the Trust. As of December 31, 2011, the Trust had \$0.9 million in liabilities related to investments in unconsolidated entities where distributions exceeded contributions and equity in earnings; therefore, these investments are classified in accrued expenses in the accompanying consolidated balance sheet (see Note 2).

During the year ended December 31, 2011, the Trust purchased the majority of the assets from the WEDR Riverside Investors V, LLC joint venture for \$38.1 million (see Note 4). During the year ended December 31, 2010, the majority of the assets of the APF EDR, LP and APF EDR Food Services LP joint ventures were sold to an unrelated third party. During the years ended December 31, 2011 and 2010, the Trust recognized \$0.3 million and \$0.1 million, respectively, as its portion of the losses on the investments as part of equity in losses of unconsolidated entities in the accompanying consolidated statement of operations and recorded its share of the proceeds from the sales of \$0.2 million and \$0.7 million, respectively, as distributions in the accompanying consolidated financial statements. During the year ended December 31, 2009, equity in losses of unconsolidated entities includes a loss of \$1.4 million which resulted from impairment of the APF EDR, LP and APF EDR Food Services LP joint ventures discussed above.

## 9. Incentive plans

On May 4, 2011, the Trust's stockholders approved the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the "2011 Plan"). The purpose of the 2011 Plan is to promote the interests of the Trust and its stockholders by attracting, motivating and retaining talented executive officers, employees and directors of the Trust and linking their compensation to the long-term interests of the Trust and its stockholders. The 2011 Plan replaced the Education Realty Trust, Inc. 2004 Incentive Plan ("2004 Plan") in its entirety and authorizes the grant of the 315,000 shares that remained available for grant under the 2004 plan, as well as 3,147,500 additional shares. As of December 31, 2011, the Trust had 3,418,220 shares of its common stock reserved for issuance pursuant to the 2011 Plan.

Automatic increases in the number of shares available for issuance are not provided. The 2011 Plan provides for the grant of stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, other stock-based incentive awards to employees, directors and other key persons providing services to the Trust.

A restricted stock award is an award of the Trust's common stock that is subject to restrictions on transferability and other restrictions as the Trust's compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as the compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted stock will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. Restricted stock is generally taxed at the time of vesting. As of December 31, 2011 and 2010 unearned compensation related to restricted stock totaled \$1.2 million and \$0.9 million, respectively, and will be recorded as expense over the applicable vesting period. The value is determined based on the market value of the Trust's common stock on the grant date. During the years ended December 31, 2011, 2010 and 2009, compensation expense of \$0.7 million, \$0.4 million and \$0.6 million,



respectively, was recognized in the accompanying consolidated statements of operations, related to the vesting of restricted stock.

On January 12, 2010, the Trust issued 50,000 shares of restricted common stock to an executive as an inducement to enter into an employment agreement with the Trust. The restricted stock will lapse ratably over five years as long as the executive remains employed with the Trust. The award was granted outside of the 2004 Plan described above pursuant to Section 303A.08 of the New York Stock Exchange Listed Company Manual. Additionally, on April 13, 2010, the Trust issued 30,000 shares of restricted common stock to an executive pursuant to the 2004 Plan discussed above. The restrictions on the shares will lapse ratably over five years as long as the executive remains employed by the Trust.

On January 1, 2011 and March 11, 2010, the Trust adopted the 2011 Long-Term Incentive Plan (the 2011 LTIP ) and 2010 Long-Term Incentive Plan (the 2010 LTIP ), respectively. The purpose of the LTIPs is to attract, retain and motivate the executive officers and certain key employees of the Trust and to promote the long-term growth and profitability of the Trust. On

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January 1, 2011, the Trust issued 138,000 of time-vested restricted stock and 207,000 performance-vested RSUs to executives and key employees under the 2011 LTIP pursuant to the 2004 Plan described above. On April 13, 2010, the Trust issued 136,000 shares of time-vested restricted stock and 204,000 RSUs to executives and key employees under the 2010 LTIP pursuant to the 2004 Plan described above. The restricted stock will vest ratably over three years as long as the participants remain employed with the Trust. The RSUs will vest based upon the Trust's achievement of total stockholder returns at specified levels as compared to the average total stockholder returns of a peer group of companies over the period of time beginning January 1, 2011 to January 1, 2014 for the 2011 LTIP and January 1, 2010 to January 1, 2013 for the 2010 LTIP (the Performance Periods). At the end of the Performance Periods, the compensation committee of the Board will determine the level and the extent to which the performance goal was achieved. RSUs that satisfy the performance goal will be converted into fully-vested shares of the Trust's common stock, and the Trust will receive a tax deduction for the compensation expense at the time of vesting. Prior to vesting, the participants are not eligible to vote or receive dividends or distributions on the RSUs. As of December 31, 2011 and December 31, 2010, unearned compensation related to RSUs totaled \$0.8 million and \$0.5 million and will be recorded as expense over the applicable vesting period. The value was determined using a Monte Carlo simulation technique. During the year ended December 31, 2011 and 2010, compensation expense of \$0.5 million and \$0.2 million, respectively, was recognized in the accompanying consolidated statement of operations, related to the vesting of RSUs.

PIUs were units in a limited liability company controlled by the Trust that held a special class of partnership interests in the Operating Partnership. On June 3, 2010, the Trust redeemed all of the outstanding PIUs for an aggregate of \$0.2 million cash and 50,826 shares of the Trust's common stock with a market value of \$0.3 million. For purposes of the 2004 Plan, each PIU was deemed equivalent to an award of one share of the Trust's common stock and entitled the owner of such unit to receive the same quarterly per unit distributions as one Operating Partnership Unit. PIUs did not have full parity with Operating Partnership Units with respect to liquidating distributions; therefore, the value of PIUs was less than the value of the Trust's common stock. The grant or vesting of PIUs was not a taxable transaction to recipients. Conversely, the Trust did not receive any tax deductions for compensation expense from the

granting of PIUs. PIUs were treated as noncontrolling interests in the accompanying consolidated financial statements at an amount equal to the holders' ownership percentage of the net equity of the Operating Partnership.

Total stock-based compensation recognized in general and administrative expense in the accompanying consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009 was \$1.5 million, \$0.8 million and \$0.7 million, respectively. Additionally during the year ended December 31, 2011, the Trust issued 44,280 shares to its independent directors pursuant to the 2011 Plan discussed above. During the year ended December 31, 2010, the Trust issued 4,000 shares of common stock to an executive officer and 30,000 shares to its independent directors pursuant to the 2004 Plan discussed above.

A summary of the stock-based incentive plan activity as of and for the years ended December 31, 2011, 2010 and 2009 is as follows:

	PIUs	Stock Awards(1)	Total
Outstanding as of December 31, 2008	275,000	208,000	483,000
Granted	5,000	8,000	13,000
Retired	(5,000 )		(5,000 )
	275,000	216,000	491,000

Outstanding as of December 31, 2009		
Granted	436,826	436,826
Retired	(275,000)	(275,000 )
Outstanding as of December 31, 2010	652,826	652,826
Granted	389,280	389,280
Retired	(7,020 )	(7,020 )
Outstanding as of December 31, 2011	1,035,086	1,035,086
Vested as of December 31, 2011	406,439	406,439
(1)		Includes restricted stock and RSU awards.

## 10. Debt

### Revolving credit facility

On September 21, 2011, the Operating Partnership entered into a Third Amended and Restated Credit Agreement (the Third Amended Revolver ). The Third Amended Revolver amended and restated the existing secured revolving credit facility dated November 20, 2009. The previous facility (the Second Amended Revolver ) had a maximum availability of \$95 million and was scheduled to mature on November 20,

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2012. The Third Amended Revolver is unsecured, has a maximum availability of \$175 million and, within the first three years of the agreement, may be expanded to \$315 million upon satisfaction of certain conditions. The Third Amended Revolver matures on September 21, 2014, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions.

Availability under the Third Amended Revolver is limited to a borrowing base availability equal to the lesser of (i) 60% of the property asset value (as defined in the agreement) and (ii) the loan amount, which would produce a debt service coverage ratio of no less than 1.40. As of December 31, 2011, our borrowing base was \$175.0 million, we had no amounts outstanding under the Third Amended Revolver, and we had letters of credit outstanding of \$1.5 million (see Note 16); thus, our remaining borrowing base availability was \$173.5 million.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Third Amended Revolver. The interest rate per annum applicable to the Third Amended Revolver is, at the Operating Partnership's option, equal to a

base rate or the London InterBank Offered Rate ( LIBOR ) plus an applicable margin based upon our leverage.

The Third Amended Revolver contains customary affirmative and negative covenants and contains financial covenants that, among other things, require the Trust and its subsidiaries to maintain certain minimum ratios of EBITDA (earnings before payment or charges of interest, taxes, depreciation, amortization or extraordinary items) as compared to interest expense and total fixed charges. The financial covenants also include consolidated net worth and leverage ratio tests. As of December 31, 2011, the Trust was in compliance with all covenants discussed above.

The Trust is prohibited from making distributions except to comply with all legal requirements to maintain its status as a REIT.

During the year ended December 31, 2011, the Trust used \$3.7 million of the proceeds received in connection with the stock offering that was conducted in January 2011 (see Note 2) to repay the outstanding balance of the Second Amended Revolver.

TABLE OF CONTENTS**Mortgage and construction debt**

As of December 31, 2011, the Trust had mortgage and construction notes payable consisting of the following which were secured by the underlying collegiate housing properties or leaseholds of:

Property	Outstanding as of at December 31, 2011 (in thousands)	Interest Rate	Maturity Date	Amortization
University Towers	\$ 25,000	5.99 %	7/1/2013	30 Year
The Avenue at Southern/The Reserve at Columbia/ The Commons at Knoxville/College Grove	58,131	6.02 %	1/1/2019	30 Year
The Reserve at Perkins	14,940	5.99 %	1/1/2014	30 Year
The Lofts	27,000	5.59 %	5/1/2014	30 Year
College Station at W. Lafayette/The Pointe at Penn State/The Reserve at Star Pass	69,555	6.02 %	1/1/2016	30 Year
Campus Lodge	34,017	6.97 %	5/1/2012	30 Year
Pointe West	10,041	4.92 %	8/1/2014	30 Year
The Reserve on Frankford	7,485	4.96 %	1/1/2015	30 Year
The Reserve at Saluki Pointe Phase I	10,312	1.38 %	6/28/2012	30 Year
The Reserve at Saluki Pointe Phase II	4,135	2.28 %	6/28/2012	30 Year
University Village Apartments on Colvin	8,766	1.38 %	9/29/2013	30 Year
Carrollton Crossing/The Commons on Kinnear	16,920	5.45 %	1/1/2017	30 Year
River Pointe/Cape Trails/The Reserve on South College	22,705	5.67 %	1/1/2020	30 Year
The Oaks on the Square	928	2.48 %	10/30/2015	(1 )
East Edge	11,630	2.68 %	7/1/2014	(2 )
GrandMarc at Westberry Place	36,930	4.85 %	1/1/2020	30 Year
Total debt /weighted average rate	358,495	5.44 %		
Unamortized premium	9			
Total net of unamortized premium	358,504			
Less current portion	(52,288 )			
Total long-term debt, net of current portion	\$ 306,216			

The construction debt encumbering The Oaks on the Square is interest only through October 30, 2015, the initial (1) maturity date. The Trust has the ability to extend the construction loan two years if certain criteria are met on the initial maturity date.

(2) The construction debt encumbering East Edge is interest only through July 1, 2014, the initial maturity date. The Trust has the ability to extend the construction loan two years if certain criteria are met on the initial maturity date. The Trust also has a credit facility with Fannie Mae (the Master Secured Credit Facility ) that was entered into on December 31, 2008 and expanded on December 2, 2009. The proceeds of approximately \$197.7 million were used to prepay approximately \$185.6 million of mortgage debt that was due to mature in July 2009. The remaining proceeds were used to pay \$4.3 million in defeasance costs and other costs related to the early repayment of debt, \$2.1 million in deferred financing costs, pay down the revolving credit facility and pay for other corporate working capital needs. The Trust accounted for the transaction as a legal defeasance and recognized a loss of \$4.4 million on the early extinguishment of debt during 2008. During 2009, the Trust received a refund of defeasance costs resulting in an \$0.8 million gain on the extinguishment. During the year ended December 31, 2011, the Trust repaid \$35.5 million of

variable rate debt that was outstanding under the Master Secured Credit Facility with proceeds from the sale of five collegiate housing communities (see Note 5). In order to hedge the interest rate risk associated with the variable rate loans under the Master Secured Credit Facility, the Operating Partnership purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for \$0.1 million. During the year ended December 31, 2011, the Trust sold the cap back to the bank for \$45,000 when the variable rate debt discussed above was repaid. The notional amount of the cap was \$49.9 million and the cap rate was 7.0% per year. The Operating Partnership chose not to designate the cap as a hedge and recognized all gains or losses associated with this derivative instrument in earnings. The fair value of the interest rate cap was determined using available market information or other appropriate valuation methodologies and was classified as

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level 2 as defined in the authoritative guidance. As of December 31, 2010, the cap had a value of \$0.1 million and is classified in other assets in the accompanying consolidated balance sheet. The Trust was in compliance with all financial covenants, including consolidated net worth and liquidity tests, contained in the Master Secured Credit Facility as of December 31, 2011.

During the year ended December 31, 2011, the Trust repaid \$18.8 million of mortgage debt bearing a fixed interest rate of 5.55% that was due to mature in March 2012 and was secured by the collegiate housing community referred to as NorthPointe in Tucson, Arizona. The mortgage debt was repaid with proceeds received in connection with the stock offering that was conducted in November 2011 (see Note 2).

As of December 31, 2011, the Trust assumed \$36.9 million of variable rate mortgage debt in connection with the acquisition of the GrandMarc at Westberry Place collegiate housing community located at Texas Christian University. The interest rate per year applicable to the loan is equal to a base rate plus a 4.85% margin, in total not to exceed 7.5% per year, and principal and interest are paid on a monthly basis. The loan matures on January 1, 2020. As of December 31, 2011, the interest rate applicable to the loan was 4.85%.

As of December 31, 2011, the Trust had borrowed \$0.9 million on a construction loan related to the development of a wholly-owned collegiate housing community in Storrs, Connecticut (The Oaks on the Square). The interest rate per year applicable to the loan is, at the option of the Trust, equal to a base rate plus a 1.25% margin or LIBOR plus a 2.25% margin and is interest only through October 30, 2015. On October 30, 2015, if certain conditions for extension are met, we have the option to extend the loan until October 31, 2016. On October 30, 2016, if certain conditions are met, we have the option to extend the loan until October 31, 2017. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2011, the Trust had borrowed \$11.6 million on a construction loan related to the development of a jointly owned collegiate housing community in Tuscaloosa, Alabama (East Edge). The Trust is the majority owner and managing member of the joint venture and will manage the community when completed. The loan bears interest equal to LIBOR plus a 240 basis point margin and is interest only through June 30, 2014. On June 15, 2014, if the debt service ratio is not less than 1.15 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, the Trust can extend the loan until June 30, 2015. On June 15, 2015, if the debt service ratio is not less than 1.25 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, the Trust can extend the loan until June 30, 2016. During the first and second extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2011, the Trust had \$10.3 million and \$4.1 million outstanding on construction loans related to the development of a wholly-owned collegiate housing community near Southern Illinois University (The Reserve at Saluki Pointe-Carbondale). The loans bear interest equal to LIBOR plus 110 and 200 basis point margins, respectively, and were interest only through June 14, 2010. On June 14, 2010, the Trust paid down \$5.0 million of the outstanding construction debt and extended the maturity date until June 28, 2012. Going forward, a debt service coverage ratio, calculated annually on a rolling 12 month basis, of not less than 1.25 to 1 must be maintained with principal and interest being repaid on a monthly basis.

As of December 31, 2011, the Trust had \$8.8 million outstanding on a construction loan related to the development of a wholly-owned collegiate housing community at Syracuse University (University Village Apartments on Colvin). The loan bears interest equal to LIBOR plus a 110 basis point margin and was interest only through September 29, 2011. On September 29, 2011, the Trust extended the maturity date until September 29, 2013. Going forward, a debt service coverage ratio, calculated annually on a rolling 12 month basis, of not less than 1.25 to 1 must be maintained with principal and interest being repaid on a monthly basis.





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As of December 31, 2010, the Trust had mortgage and construction notes payable consisting of the following which were secured by the underlying collegiate housing properties or leaseholds of:

Property	Outstanding as of December 31, 2010 (in thousands)	Interest Rate	Maturity Date	Amortization
University Towers	\$ 25,000	5.99 %	7/1/2013	30 Year
NorthPointe	18,800	5.55 %	3/1/2012	30 Year
The Pointe at S. Florida/The Reserve at Columbia/ The Commons at Knoxville/College Grove	58,902	6.02 %	1/1/2019	30 Year
The Reserve at Perkins	15,140	5.99 %	1/1/2014	30 Year
The Lofts	27,000	5.59 %	5/1/2014	30 Year
College Station at W. Lafayette/The Pointe at Penn State/The Reserve at Star Pass	70,478	6.02 %	1/1/2016	30 Year
Campus Lodge	34,668	6.97 %	5/1/2012	30 Year
Pointe West	10,250	4.92 %	8/1/2014	30 Year
The Pointe at Western/The Commons on Kinnear/The Reserve on South College/The Avenue at Southern	28,694	3.66 %	1/1/2014	30 Year
The Reserve on Frankford	6,849	3.56 %	1/1/2014	30 Year
The Reserve at Saluki Pointe Phase I	10,613	1.36 %	6/28/2012	30 Year
The Reserve at Saluki Pointe Phase II	4,252	2.26 %	6/28/2012	30 Year
University Village Apartments on Colvin	8,826	1.36 %	9/29/2011	(1 )
Troy Place/Clemson Place	17,154	5.45 %	1/1/2017	30 Year
Carrollton Crossing/Murray Place	7,599	4.96 %	1/1/2015	30 Year
River Pointe/Cape Trails	23,006	5.67 %	1/1/2020	30 Year
Total debt /weighted average rate	367,231	5.33 %		
Unamortized premium	400			
Total net of unamortized premium	367,631			
Less current portion	(13,279 )			
Total long-term debt, net of current portion	\$ 354,352			

The construction debt encumbering the University Village Apartments on Colvin is interest only through (1)September 29, 2011, the initial maturity date. The Trust has the ability to extend the construction loan if certain criteria are met on the initial maturity date.

On November 22, 2010 and December 8, 2010, the Trust repaid \$12.0 million and \$4.1 million of mortgage debt, respectively, in connection with the sale of the Reserve at Clemson and the Gables collegiate housing communities (see Note 5).

The following table reconciles the carrying amount of mortgage and construction notes payable as of and for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Balance, beginning of period	\$367,631	\$406,365	\$442,259
Additions	49,488		66,143
Repayments of principal	(58,225 )	(38,336 )	(101,631)

Mortgage and construction debt

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Amortization of premium	(390 )	(398 )	(406 )
Balance, end of period	\$358,504	\$367,631	\$406,365

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The scheduled maturities of outstanding mortgage and construction indebtedness as of December 31, 2011 are as follows (in thousands):

Year	
2012	\$52,288
2013	37,534
2014	65,568
2015	11,480
2016	67,651
Thereafter	123,974
Total	358,495
Debt premium	9
Outstanding as of December 31, 2011, net of debt premium	\$358,504

As of December 31, 2011, the outstanding mortgage and construction debt had a weighted average interest rate of 5.44% and carried a weighted average term of 4.15 years.

## 11. Segments

The Trust defines business segments by their distinct customer base and service provided. The Trust has identified three reportable segments: collegiate housing leasing, development consulting services and management services. Management evaluates each segment's performance based on net operating income, which is defined as income before depreciation, amortization, ground leases, impairment losses, interest expense

(income), gains (losses) on extinguishment of debt, equity in earnings of unconsolidated entities and noncontrolling interests. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany fees are reflected at the contractually stipulated amounts. Discontinued operations are not included in segment reporting as management addresses these items on a corporate level.

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The following tables represent the Trust's segment information for the years ended December 31, 2011, 2010 and 2009 (amounts in thousands):

	Year Ended December 31, 2011					Year Ended December 31, 2010				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	\$109,404	\$	\$	\$	\$109,404	\$96,510	\$	\$	\$	\$96,510
Third-party development consulting services		5,682		(1,579)	4,103		2,788		(305)	2,483
Third-party management services			3,336		3,336			3,189		3,189
Intersegment revenues			3,270	(3,270)				3,762	(3,762)	
Operating expense reimbursements				8,604	8,604		916		13,603	14,519
Total segment revenues	109,404	5,682	6,606	3,755	125,447	96,510	3,704	6,951	9,536	116,701
Segment operating expenses:										
Collegiate housing leasing operations	50,610				50,610	46,293				46,293
General and administrative		2,998	6,873	(75)	9,796		2,885	7,255	(170)	9,970
Intersegment expenses	3,270			(3,270)		3,762			(3,762)	
Reimbursable operating expenses				8,604	8,604				13,603	13,603
Total segment operating expenses	53,880	2,998	6,873	5,259	69,010	50,055	2,885	7,255	9,671	69,866
Segment net operating income (loss)(1)	\$55,524	\$2,684	\$(267)	\$(1,504)	\$56,437	\$46,455	\$819	\$(304)	\$(135)	\$46,835
Total segment assets, as of December 31, 2011 and 2010 (2)(3)	\$879,199	\$3,007	\$5,399	\$	\$887,605	\$713,940	\$2,778	\$4,427	\$	\$721,145

(1) The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated loss before income taxes and discontinued operations for the year ended December 31 (amounts in thousands):

Net operating income for reportable segments	2011	2010
	\$ 56,437	\$ 46,835

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Other unallocated general and administrative expenses	(6,726 )	(7,431 )
Depreciation and amortization	(29,105 )	(25,021 )
Ground leases	(5,498 )	(1,528 )
Loss on impairment of collegiate housing communities	(7,859 )	
Nonoperating expenses	(19,662 )	(20,565 )
Equity in earnings (losses) of unconsolidated entities	(447 )	(260 )
Loss before income taxes and discontinued operations	\$ (12,860 )	\$ (7,970 )
(2)	Reconciliation of segment assets to the Trust's total assets:	

Total segment assets, end of period (includes goodwill of \$2,149 related to management services and \$921 related to development consulting services)	\$ 887,605	\$ 721,145
Unallocated corporate amounts:		
Cash	66,469	748
Loan to participating property (see Note 2)	18,000	9,872
Other assets	4,022	3,752
Deferred financing costs, net	1,713	1,163
Total assets, end of period	\$ 977,809	\$ 736,680

The increase in segment assets related to collegiate housing leasing is primarily related to the purchase of eight (3) additional communities and the continued development of six collegiate housing communities for the Trust's ownership offset by the sale of seven collegiate housing communities during the year ending December 31, 2011.

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	Year Ended December 31, 2010					Year Ended December 31, 2009				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	\$96,510	\$	\$	\$	\$96,510	\$93,359	\$	\$	\$	\$93,359
Third-party development consulting services		2,788		(305 )	2,483		8,178			8,178
Third-party management services			3,189		3,189			3,221		3,221
Intersegment revenues			3,762	(3,762 )			1,129	3,629	(4,758 )	
Operating expense reimbursements		916		13,603	14,519				9,722	9,722
Total segment revenues	96,510	3,704	6,951	9,536	116,701	93,359	9,307	6,850	4,964	114,480
Segment operating expenses:										
Collegiate housing leasing operations	46,293				46,293	45,582				45,582
General and administrative		2,885	7,255	(170 )	9,970		3,261	7,135	(96 )	10,300
Intersegment expenses	3,762			(3,762 )		3,629			(3,629 )	
Reimbursable operating expenses				13,603	13,603				9,722	9,722
Total segment operating expenses	50,055	2,885	7,255	9,671	69,866	49,211	3,261	7,135	5,997	65,604
Segment net operating income (loss) (1)	46,455	\$819	\$(304 )	(135 )	\$46,835	44,148	6,046	(285 )	(1,033 )	48,876
Total segment assets, as of December 31, 2010 and 2009 (2)(3)	\$713,940	\$2,778	\$4,427	\$	\$721,145	\$766,655	\$3,742	\$5,535	\$	\$775,932

The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated (1) income (loss) before income taxes and discontinued operations for the year ended December 31 (amounts in thousands):

Net operating income for reportable segments	2010	2009
	\$ 46,835	\$ 48,876
Other unallocated general and administrative expenses	(7,431 )	(5,452 )
Depreciation and amortization	(25,021 )	(22,787 )

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Ground leases	(1,528 )	(207 )
Nonoperating expenses	(20,565 )	(18,949 )
Equity in earnings (losses) of unconsolidated entities	(260 )	(1,410 )
Income (loss) before income taxes and discontinued operations	\$ (7,970 )	\$ 71
(2)	Reconciliation of segment assets to the Trust's total assets:	

Total segment assets, end of period (includes goodwill of \$2,149 related to management services and \$921 related to development consulting services)	\$ 721,145	\$ 775,932
Unallocated corporate amounts:		
Cash	748	22,638
Loan to participating property (see Note 2)	9,872	
Other assets	3,752	4,019
Deferred financing costs, net	1,163	2,024
Total assets, end of period	\$ 736,680	\$ 804,613

(3) The decrease in segment assets related to collegiate housing leasing is primarily related to the sale of five collegiate housing communities in 2010 (see Note 5).

## 12. Related party transactions

The Trust incurs certain common costs on behalf of Allen & O'Hara, Inc. (A&O), which is 100% owned by the chairman of the Board of the Trust. These costs relate to human resources, information technology, legal services and certain management personnel. The Trust allocates the costs to A&O based on time

and effort expended. Indirect costs are allocated monthly in an amount that approximates what management believes costs would have been had A&O operated on a stand-alone basis. For each of the years ended December 31, 2011, 2010 and 2009, the Trust incurred common costs on behalf of A&O in the amount of \$0.1 million.

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The Trust engages A&O to procure furniture, fixtures and equipment from third party vendors for its owned and managed properties and for third-party owners in connection with its development consulting projects. The Trust incurs a service fee in connection with this arrangement and the expense totaled \$0.2 million for each of the years ended December 31, 2011, 2010 and 2009.

### **13. Lease commitments and unconditional purchase obligations**

The Trust has various long-term ground lease agreements with terms ranging from 40 to 99 years. Some of these agreements contain an annual increase to rent expense equal to the greater of 3% or the increase in the consumer price index. Additionally, the Trust leases corporate office space and the agreement contains rent escalation clauses based on pre-determined annual rate increases. The Trust recognizes rent expense under the straight-line method over the terms of the leases. Any difference between the straight-line rent amounts and amounts payable under the leases terms are recorded as deferred rent in accrued expenses in the accompanying consolidated balance sheets. As of December 31, 2011 and 2010, deferred rent totaled \$5.2 million and \$1.1 million, respectively.

The Trust has various operating leases for furniture, office and technology equipment which expire at varying times through fiscal year 2015. Rental expense under the operating lease agreements totaled \$0.6 million for each of the years ended December 31, 2011, 2010 and 2009. Furthermore, the Trust has entered into various contracts for advertising which will expire at varying times through fiscal year 2013.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as well as future minimum payments required under advertising contracts that have noncancellable terms in excess of one year as of December 31, 2011 are as follows (in thousands):

Year Ending	Advertising	Leases
2011	\$ 181	\$ 11,106
2012	30	8,825
2013		7,764
2014		7,020
2015		6,668
Thereafter		482,414

### **14. Employee savings plan**

The Trust's eligible employees may participate in a 401(k) savings plan (the Plan). Participants may contribute up to 15%

of their earnings to the Plan. Employees are eligible to participate in the Plan on the first day of the next calendar quarter following six months of service and reaching 21 years of age. Additionally a matching contribution of 50% is provided on eligible employees' contributions up to the first 3% of compensation. Employees vest in the matching contribution over a 3-year period. Matching contributions were approximately \$0.2 million for each of the years ended December 31, 2011, 2010 and 2009.

### **15. Accrued expenses**

Accrued expenses consist of the following as of December 31, 2011 and 2010 (in thousands):



	2011	2010
Payroll	\$ 2,611	\$ 2,999
Real estate taxes	3,850	3,528
Interest	1,827	1,816
Utilities	893	1,401
Ground leases	5,191	984
Construction loan guarantee	3,000	3,000
Assets under development	5,330	152
Other	5,131	3,460
Total accrued expenses	\$ 27,833	\$ 17,340

## 16. Commitments and contingencies

The Operating Partnership entered into a letter of credit agreement in conjunction with the closing of the acquisition of a collegiate housing property at the University of Florida. The letter of credit remains outstanding in the amount of \$1.5 million as of December 31, 2011 and is secured by the Third Amended Revolver.

The Operating Partnership serves as non-recourse, carve-out guarantor, for secured third party debt in the amount of \$24.4 million, held by one unconsolidated joint venture. The Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the operating agreement, the joint venture partner agreed to indemnify, defend and hold harmless the Trust with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, exposure under the guarantee for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or

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its employees, agents or affiliates is not expected to exceed the Operating Partnership's proportionate interest in the related mortgage debt of approximately \$6.1 million.

In connection with the development agreement entered into on July 14, 2010 for a project at the Science + Technology Park at Johns Hopkins Medical Institute (see Note 2) the Trust has committed to provide a guarantee of repayment of a \$42.0 million third-party construction loan for a \$3.0 million fee. The guarantee fee will not be recognized until the second mortgage loan funded by the Trust is repaid. The project will have a \$2.5 million reserve to fund any operating or debt service shortfalls that is to be replenished annually by East Baltimore Development, Inc., until a 1.10 debt service coverage ratio is achieved for twelve consecutive months. The second mortgage loan and related debt service are the first at risk if such reserve is not adequate to cover operating expenses and debt service on the construction loan.

In connection with the condominium agreement related to The Oaks on the Square project in Storrs, Connecticut (see Note 4) the Operating Partnership and LeylandAlliance LLC have jointly committed to provide a guarantee of repayment of a \$46.4 million construction loan to develop the residential and retail portions of the project. As of December 31, 2011, \$1.5 million had been drawn on the construction loan of which \$0.6 million is attributable to our partner; thus, is not included in our accompanying consolidated financial statements.

As owners and operators of real estate, environmental laws impose ongoing compliance requirements on the Trust. The Trust is not aware of any environmental matters or liabilities

with respect to the collegiate housing communities that would have a material adverse effect on the Trust's accompanying consolidated financial condition or results of operations.

In the normal course of business, the Trust is subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain the ultimate outcome of such matters, in management's opinion, the liabilities, if any, in excess of amounts provided or covered by insurance, are not expected to have a material effect on our financial position, results of operations or liquidity.

Under the terms of the limited partnership agreement of University Towers Operating Partnership, LP, so long as the contributing owners of such property hold at least 25% of the University Towers Partnership Units, the Trust has agreed to maintain certain minimum amounts of debt on the property to avoid triggering gain to the contributing owners. If the Trust fails to do this, the Trust must repay the contributing owners the amount of taxes they incur.

After being awarded a development consulting contract, the Trust will enter into predevelopment consulting contracts with educational institutions to develop collegiate housing communities on their behalf. The Trust will enter into reimbursement agreements that provide for the Trust to be reimbursed for the predevelopment costs incurred prior to the institution's governing body formally approving the final development contract. As of December 31, 2011 and 2010, the Trust had reimbursable predevelopment costs of \$0.1 million and \$31,119, respectively, which are reflected in other assets in the accompanying consolidated balance sheets.

TABLE OF CONTENTS**17. Quarterly financial information (unaudited)**

Quarterly financial information for the years ended December 31, 2011 and 2010 is summarized below (in thousands, except per share data):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2011					
Revenues	\$30,664	\$29,4498	\$29,597	\$35,737	\$125,447
Operating expenses(1)	24,978	25,677	31,109	36,434	118,198
Nonoperating expenses	5,332	4,879	4,768	4,683	19,662
Equity in earnings (losses) of unconsolidated entities(2)	5	(23 )	(390 )	(39 )	(447 )
Income taxes (expense)/benefit	(153 )	371	60	(183 )	95
Noncontrolling interests	(211 )	60	91	(179 )	(239 )
Discontinued operations(5)	660	1,275	53	2	1,990
Net income (loss) attributable to Education Realty Trust, Inc.	\$655	\$576	\$(6,466 )	\$(5,779 )	\$(11,014 )
Net income (loss) per share-basic and diluted	\$0.01	\$0.01	\$(0.09 )	\$(0.07 )	\$(0.15 )
2010					
Revenues	\$27,968	\$26,647	\$30,138	\$31,948	\$116,701
Operating expenses	22,865	22,397	30,193	28,391	103,846
Nonoperating expenses	5,182	5,090	4,999	5,294	20,565
Equity in earnings (losses) of unconsolidated entities(3)	79	7	(328 )	(18 )	(260 )
Income taxes (expense)/benefit	75	101	(443 )	(175 )	(442 )
Noncontrolling interests	(211 )	12	628	(196 )	233
Discontinued operations(4)(5)	306	130	(34,623)	308	(33,879 )
Net income (loss) attributable to Education Realty Trust, Inc.	\$170	\$(590 )	\$(39,820)	\$(1,818 )	\$(42,058 )
Net income (loss) per share-basic and diluted	\$0.00	\$(0.01 )	\$(0.69 )	\$(0.03 )	\$(0.73 )

(1) Operating expenses in the fourth quarter of 2011 include a \$7,859 impairment loss.

(2) Equity in earnings for the 3<sup>rd</sup> quarter of 2011 include the Trust's \$256 share of the loss on the sale of assets.

(3) Equity in earnings for the 3<sup>rd</sup> quarter of 2010 include the Trust's \$137 share of the loss on the sale of assets.

(4) Discontinued operations for the 3<sup>rd</sup> quarter of 2010 include a \$33,610 impairment loss. Discontinued operations for the 4<sup>th</sup> quarter of 2010 include a \$1,426 loss on extinguishment of debt.

(5) All quarterly information presented above for 2011 and 2010 reflects the classification of the properties sold during 2011 and 2010 in discontinued operations (see Note 5).

**18. Subsequent events**

Our Board declared a fourth quarter distribution of \$0.07 per share of common stock for the quarter ended on December 31, 2011. The distribution was paid on February 15, 2012 to stockholders of record at the close of business on January 31, 2012.

In January 2012, the Trust completed the purchase of The Reserve on Stinson near the University of Oklahoma in Norman, Oklahoma for a purchase price of \$20.6 million. The Trust had a 10% equity interest in the community and

managed the community prior to the acquisition. Our initial accounting for this transaction is currently incomplete. Therefore, the required disclosures associated with a business combination are not available as of the date of this Form 10-K. The operating results of this acquisition will be included in our consolidated financial results from the date of acquisition.

Also in January 2012, the Trust entered into a joint venture agreement with Landmark Properties for the development of a 668-bed cottage-style community at the University of Mississippi. The Trust will have the majority ownership interest in the community.

In February 2012, the University of Kentucky Board of Trustees approved a 50-year ground lease with the Trust, allowing it to proceed with the first phase of the university's on-campus housing revitalization.

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Also in February 2012, the Trust repaid \$34.0 million of mortgage debt secured by the collegiate housing community referred to as Campus Lodge located in Gainesville, Florida. The debt had a fixed interest rate of 6.97%, an effective interest rate of 5.48% and was due to mature in May 2012. The mortgage debt was repaid with cash on hand.

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## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### **Disclosure Controls and Procedures**

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's filings under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to the Trust's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Trust also has investments in unconsolidated entities which are not under its control. Consequently, the Trust's disclosure controls and procedures with respect to these entities are necessarily more limited than those it maintains with respect to its consolidated subsidiaries.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Trust's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of December 31, 2011. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2011, the Trust's disclosure controls and procedures were effective in causing material information relating to the Trust to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures with SEC disclosure obligations.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Trust's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2011 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Management's report on our internal control over financial reporting is included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report.

## **Item 9B. Other Information.**

None.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item will be presented in the Trust's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 2012, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

### **Item 11. Executive Compensation.**

The information required by this Item will be presented in the Trust's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 2012, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

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The following table provides information related to securities available and outstanding under EdR's equity compensation plans as of December 31, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	268,000 <sup>(1)</sup>	<sup>(2)</sup>	3,688,371 <sup>(3)</sup>
Equity compensation plans not approved by security holders			N/A <sup>(4)</sup>
Total	268,000		3,688,371

(1) Represents up to 268,000 shares of common stock subject to outstanding restricted stock units granted pursuant to our 2011 Long-Term Incentive Plan and 2010 Long-Term Incentive Plan.

(2) Does not account for the potential 268,000 shares of common stock subject to outstanding restricted stock units granted pursuant to our 2011 Long-Term Incentive Plan and 2010 Long-Term Incentive Plan.

(3) Includes 270,151 shares of common stock available for issuance under the Education Realty Trust, Inc. Employee Stock Purchase Plan and 3,418,220 shares available for issuance under the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan.

(4) Does not include 50,000 shares of restricted common stock which were granted to Randy Churchey on January 12, 2010 pursuant to an inducement award.

Except as set forth above, the information required by this Item will be presented in the Trust's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 2012, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.



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## **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item will be presented in the Trust's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 2012, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

## **Item 14. Principal Accountant Fees and Services.**

The information required by this Item will be presented in the Trust's definitive proxy statement for the annual meeting of stockholders to be held on May 16, 2012, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

## **PART IV**

## **Item 15. Exhibits and Financial Statement Schedules.**

- |     |                             |
|-----|-----------------------------|
| (a) | List of Documents Filed.    |
| 1.  | <i>Financial Statements</i> |

All financial statements as set forth under Item 8 of this Annual Report on Form 10-K.

- |    |                                      |
|----|--------------------------------------|
| 2. | <i>Financial Statement Schedules</i> |
|----|--------------------------------------|

All schedules required are included in the financial statements and notes thereto.

- |    |                 |
|----|-----------------|
| 3. | <i>Exhibits</i> |
|----|-----------------|

The list of exhibits filed as part of this Annual Report on Form 10-K is submitted in the Exhibit Index in response to Item 601 of Regulation S-K.

- |     |           |
|-----|-----------|
| (b) | Exhibits. |
|-----|-----------|

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto.

- |     |       |
|-----|-------|
| (c) | None. |
|-----|-------|

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Education Realty Trust, Inc.

By:

/s/ Randy Churchey

Date: March 6, 2012

Randy Churchey

*President, Chief Executive Officer and Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Date
/s/ Randy Churchey	
Randy Churchey President, Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2012
/s/ Randall H. Brown	
Randall H. Brown Executive Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer)	March 6, 2012
/s/ J. Drew Koester	
J. Drew Koester Senior Vice President, Assistant Secretary and Chief Accounting Officer (Principal Accounting Officer)	March 6, 2012
/s/ Paul O. Bower	
Paul O. Bower Chairman of the Board of Directors	March 6, 2012
/s/ Monte J. Barrow	
Monte J. Barrow Director	March 6, 2012
/s/ William J. Cahill, III	
William J. Cahill, III Director	March 6, 2012
/s/ John L. Ford	
John L. Ford Director	March 6, 2012

/s/ Howard A. Silver  
Howard A. Silver  
Director

March 6, 2012

/s/ Wendell W. Weakley  
Wendell W. Weakley  
Director

March 6, 2012

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## INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Second Articles of Amendment and Restatement of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 3.1 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
3.2	Amended and Restated Bylaws of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 3.2 to the Trust's Current Report on Form 8-K, filed on February 20, 2009.)
4.1	Form of Certificate for Common Stock of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 4.1 to the Trust's Current Report on Form 10-K filed on March 16, 2010.)
10.1	Amended and Restated Agreement of Limited Partnership of Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.1 to the Trust's Annual Report on Form 10-K, filed on March 16, 2009.)
10.2	First Amendment to Amended and Restated Agreement of Limited Partnership of Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.2 to the Trust's Quarterly Report on Form 10-Q, filed on August 1, 2008.)
10.3	Amended and Restated Agreement of Limited Partnership of University Towers Operating Partnership, LP. (Incorporated by reference to Exhibit 10.2 to the Trust's Registration Statement on Form S-11. (File No. 333-119264), filed on September 24, 2004.)
10.4(1)	Education Realty Trust, Inc. 2004 Incentive Plan. (Incorporated by reference to Exhibit 10.3 to the Trust's Amendment No. 4 to its Registration Statement on Form S-11. (File No. 333-119264), filed on January 11, 2005.)
10.5(1)	Form of Indemnification Agreement between Education Realty Trust, Inc. and its directors and officers. (Incorporated by reference to Exhibit 10.4 to the Trust's Amendment No. 1 to its Registration Statement on Form S-11 (File No. 333-119264), filed on November 4, 2004.)
10.6(1)	Executive Employment Agreement between Education Realty Trust, Inc. and Randall L. Churchey, effective as of January 1, 2010. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K, filed on January 12, 2010.)
10.8(1)	Executive Employment Agreement between Education Realty Trust, Inc. and Randall H. Brown, effective as of January 1, 2011. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.10(1)	Executive Employment Agreement between Education Realty Trust, Inc. and Thomas Trubiana, effective as of January 1, 2011. (Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.11(1)	Executive Employment Agreement between Education Realty Trust, Inc. and J. Drew Koester, effective as of January 1, 2011. (Incorporated by reference to Exhibit 10.3 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.12(1)	Executive Employment Agreement between Education Realty Trust, Inc. and Christine Richards, effective as of January 1, 2011. (Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.15(1)	Restricted Stock Award Agreement between Education Realty Trust, Inc. and Randall L. Churchey, dated as of January 12, 2010. (Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K, filed on January 12, 2010.)
10.16(1)	Separation and Release Agreement by and between Craig L. Cardwell and Education Realty Trust, Inc., dated as of February 1, 2010. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K, filed

on February 2, 2010.)

10.17 Amendment, Waiver and Retirement Agreement by and between Education Realty Trust, Inc. and Thomas J. Hickey, dated as of March 15, 2010. (Incorporated by reference to Exhibit 10.16 to the Trust's Current Report on Form 10-K, filed on March 16, 2011.)

10.18 Contribution Agreement dated as of September 24, 2004, by and among University Towers Operating Partnership, LP, Allen & O'Hara, Inc., Paul O. Bower, Clyde C. Porter, Robert D. Bird, Thomas J. Hickey, Barbara S. Hays and Hays Enterprises III, Ltd. (Incorporated by reference to Exhibit 10.8 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)

10.19 Contribution Agreement dated as of September 20, 2004, by and between Melton E. Valentine, Jr. and University Towers Operating Partnership, LP. (Incorporated by reference to Exhibit 10.9 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)

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Exhibit Number	Description
10.20	Contribution Agreement dated September 20, 2004, by and among Allen & O Hara Educational Properties, LLC, Allen & O Hara, Inc., Thomas J. Hickey, Craig L. Cardwell, Randall H. Brown, William W. Harris, Wallace L. Wilcox and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.10 to the Trust's Registration Statement on Form S-11 (File No. 333-119264), filed on September 24, 2004.)
10.21	Agreement and Plan of Merger dated September 20, 2004 by and among C Station, L.L.C., Allen & O Hara, Inc., Paul O. Bower, Craig L. Cardwell, Student Management Associates, LLC, Thomas J. Hickey, Randall H. Brown, William W. Harris, Wallace L. Wilcox, EDR C Station, LLC and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.11 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.22	Agreement and Plan of Merger dated September 20, 2004, by and among Allen & O Hara Education Services, LLC, Allen & O Hara, Inc., Student Management Associates, LLC, Thomas J. Hickey, Craig L. Cardwell, Randall H. Brown, William W. Harris, Wallace L. Wilcox, Allen & O Hara Education Services, Inc., and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.12 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.23	Contract of Sale/Contribution made effective as of September 17, 2004, among JPI-CG Mezz LLC, JPI-MC Mezz LLC, JPI Genpar Realty LLC, JPI Investment Company, L.P. and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.13 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.24	Contract of Sale made effective as of September 17, 2004, between Jefferson Commons Lawrence, L.P., Jefferson Commons Wabash, L.P. and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.14 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.25	Contract of Sale/Contribution made effective as of September 17, 2004, between Jefferson Commons Tucson Phase II Limited Partnership, Jefferson Commons Columbia, L.P. and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.15 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.26	Contribution Agreement dated September 23, 2004 by and among Allen & O Hara Educational Properties, LLC, FSPP Education I, L.L.C., FSPP Education II, L.L.C., Allen & O Hara, Inc., Thomas J. Hickey, Craig L. Cardwell, Randall H. Brown, William W. Harris, Wallace L. Wilcox and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.16 to the Trust's Amendment No. 2 to its Registration Statement on Form S-11 (File No. 333-119264), filed on December 10, 2004.)
10.27	Purchase and Sale Agreement dated August 27, 2004 by and between The Gables, LLC and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.20 to the Trust's Registration Statement on Form S-11 (File No. 333-119264), filed on September 24, 2004.)
10.28	Second Amendment to Contribution Agreement, dated January 6, 2006, by and between Place Properties, L.P., Place Mezz Borrower, LLC and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on January 12, 2006.)
10.29	Required Repair Escrow Agreement, dated as of January 1, 2006, by and between Place Properties, L.P., Place Mezz Borrower, LLC, Education Realty Operating Partnership, LP and Chicago Title Insurance Company. (Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K filed on January 12, 2006.)
10.30	Lease Agreement, dated as of January 1, 2006, by and between Education Realty Operating Partnership, LP and Place Portfolio Lessee, LLC. (Incorporated by reference to Exhibit 10.3 to the Trust's Current Report on Form 8-K filed on January 12, 2006.)
10.31	

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Consent, Ratification, Assumption and Release Agreement made effective as of January 6, 2006, by and among Cape Place (DE), LLC, Martin Place (DE), LLC, Clayton Place (DE), LLC, Macon Place (DE), LLC, River Place (DE), LLC, Jacksonville Place (DE), LLC, Clemson Place (DE), LLC, Troy Place (DE), LLC, Murray Place (DE), LLC, EDR Lease Holdings, LLC, Cecil M. Philips, Place Properties, L.P., Education Realty Operating Partnership, LP, and LaSalle Bank, National Association, as Trustee. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K/A filed on January 25, 2006.)

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Exhibit Number	Description
10.32	Loan and Security Agreement dated as of December 3, 2004, between Cape Place (DE), LLC; Clayton Place (DE), LLC; Clemson Place (DE), LLC; Jacksonville Place (DE), LLC; Macon Place (DE), LLC; Martin Place (DE), LLC; Murray Place (DE), LLC; River Place (DE), LLC; and Troy Place (DE), LLC and Greenwich Capital Financial Products, Inc. (Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K/A filed on January 25, 2006.)
10.33	Promissory Note, dated December 3, 2004, between Cape Place (DE), LLC, Clayton Place (DE), LLC, Clemson Place (DE), LLC, Jacksonville Place (DE), LLC, Macon Place (DE), LLC, Martin Place (DE), LLC, Murray Place (DE), LLC, River Place (DE), LLC, Troy Place (DE), LLC and Greenwich Capital Financial Products, Inc. (Incorporated by reference to Exhibit 10.3 to the Trust's Current Report on Form 8-K/A filed on January 25, 2006.)
10.34	Exceptions to Non-Recourse Guaranty dated as of January 6, 2006, by Education Realty Operating Partnership, LP for the benefit of LaSalle Bank, National Association. (Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 8-K/A filed on January 25, 2006.)
10.35	Environmental Indemnity Agreement, dated January 6, 2006, by Cape Place (DE), LLC, Clayton Place (DE), LLC, Clemson Place (DE), LLC, Jacksonville Place (DE), LLC, Macon Place (DE), LLC, Martin Place (DE), LLC, Murray Place (DE), LLC, River Place (DE), LLC, Troy Place (DE), LLC, EDR Lease Holdings, LLC, EDR Clemson Place Limited Partnership and Education Realty Operating Partnership, LP in favor of LaSalle Bank, National Association. (Incorporated by reference to Exhibit 10.5 to the Trust's Current Report on Form 8-K/A filed on January 25, 2006.)
10.36	Second Amended and Restated Credit Agreement dated as of November 20, 2009 among Education Realty Operating Partnership, L.P., and certain of its subsidiaries as borrowers, the lenders party thereto and KeyBank, National Association as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on November 24, 2009.)
10.37(1)	Incentive Compensation Plan for Executive Officers. (Incorporated by reference to Exhibit 10.38 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.38(1)	Form of Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on August 17, 2006.)
10.39(1)	Education Realty Trust, Inc. 2010 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.40 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.40(1)	Form of Restricted Stock Award Agreement (Time-Vested Restricted Stock) for the Education Realty Trust, Inc. 2010 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.41 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.41(1)	Form of Restricted Stock Unit Award Agreement (Performance-Vested Restricted Stock) for the Education Realty Trust, Inc. 2010 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.42 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.42(1)	Restricted Stock Award Agreement between Education Realty Trust, Inc. and Randall L. Churchey, dated as of April 13, 2010. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K, filed on April 14, 2010.)
10.43(1)	Education Realty Trust, Inc. 2011 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.6 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.44(1)	Form of Restricted Stock Award Agreement (Time-Vested Restricted Stock) for the Education Realty Trust, Inc. 2011 and 2012 Long-Term Incentive Plans. (Incorporated by reference to Exhibit 10.7 to the Trust's Current Report on Form 8-K, filed on January 3, 2011.)
10.45(1)	Form of Restricted Stock Unit Award Agreement (Performance-Vested Restricted Stock) for the Education Realty Trust, Inc. 2011 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.8 to the Trust's



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Current Report on Form 8-K, filed on January 3, 2011.)

10.46 Promissory Note, 929 N. Wolfe Street LLC and Education Realty Operating Partnership, LP, dated as of July 14, 2010. (Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 10-Q, filed on August 6, 2010.)

10.47 Purchase and Sale Agreement, by and between EDR Berkeley Place Limited Partnership, Western Place, LLC, Statesboro Place, LLC, EDR BG, LP and KAREP REIT I, Inc. dated as of October 8, 2010. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 10-Q, filed on November 5, 2010.)

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Exhibit Number	Description
10.48	Purchase and Sale Agreement, by and between Troy Place (DE), LLC, Jacksonville Place (DE), LLC, Martin Place (DE), LLC, Murray Place (DE), LLC, EDR Clemson Place Limited Partnership and KAREP REIT I, Inc., dated as of July 14, 2010. (Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 10-Q, filed on November 5, 2010.)
10.49	Agreement to Guarantee Loan, entered into as of July 14, 2010, by and between 929 N. Wolfe Street LLC and Education Realty Operating Partnership, LP. (Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 10-Q, filed on November 5, 2010.)
10.50	Master Credit Facility Agreement, dated as of December 31, 2008, by and among Education Realty Trust, Inc., Education Realty Operating Partnership, LP and certain subsidiaries, and Red Mortgage Capital, Inc. (Incorporated by reference to Exhibit 10.35 to the Trust's Annual Report on Form 10-K, filed on March 16, 2009.)
10.51	Amended and Restated Master Credit Facility Agreement, dated as of December 2, 2009, by and among Education Realty Trust, Inc., Education Realty Operating Partnership, LP and certain subsidiaries, Red Mortgage Capital, Inc. and Fannie Mae. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K, filed on December 8, 2009.)
10.52	Amendment No. 1 to Amended and Restated Master Credit Facility Agreement, dated as of February 25, 2010, Education Realty Trust, Inc., Education Realty Operating Partnership, LP and certain subsidiaries, Red Mortgage Capital, Inc. and Fannie Mae. (Incorporated by reference to Exhibit 10.45 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.54(1)	Amendment No. 1 to the Education Realty Trust, Inc. 2004 Incentive Plan. (Incorporated by reference to Exhibit 10.47 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
10.55	Education Realty Trust Deferred Compensation Plan, effective as of October 1, 2011, filed herewith.
10.56	Third Amended and Restated Credit Agreement, dated as of September 21, 2011, among Education Realty Operating Partnership, LP, and certain of its subsidiaries as borrowers, the lenders party thereto and KeyBank, National Association as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on September 26, 2011.)
10.57(1)	Education Realty Trust, Inc. 2012 Long-Term Incentive Plan, filed herewith.
10.58(1)	Amendment to the Education Realty Trust, Inc. 2010 and 2011 Long-Term Incentive Plans, filed herewith.
11	Statement Regarding Computation of Per Share Earnings (included within Annual Report on Form 10-K).
12	Statement Regarding Computation of Ratios, filed herewith.
14	Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14 to the Trust's Annual Report on Form 10-K, filed on March 16, 2009.)
21.1	List of Subsidiaries of the Trust, filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP, filed herewith.
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
	101. INS XBRL Instance Document*
	101. SCH XBRL Taxonomy Extension Schema Document*
	101.CAL XBRL Taxonomy Extension Calculation Linkbase Document*
	101.LAB XBRL Taxonomy Extension Label Linkbase Document*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*

(1) Denotes a management contract or compensatory plan, contract or arrangement.

Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2011 and 2010, (ii) the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009, (iii) the Consolidated Statements of Changes in Equity for the years ended December 31, 2011, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009 and (v) the Notes to \*Consolidated Financial Statements.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.