

Education Realty Trust, Inc.  
Form 10-K  
March 09, 2011

**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, 2010

**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

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

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, \$.01 par value per share	<b>New York Stock Exchange</b>

Securities registered pursuant to Section 12(g) of the Act: **None**

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 <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>
Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>

(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, 2010, 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 \$340 million, based on the closing sales price of \$6.03 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 7, 2011, the registrant had 72,174,723 shares of common stock outstanding.

TABLE OF CONTENTS

## 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 2011 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;

2

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TABLE OF CONTENTS

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.

3

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TABLE OF CONTENTS

**EDUCATION REALTY TRUST, INC. FISCAL 2010 FORM 10-K**

PART I

<u>Item 1.</u>	<b><u>5</u></b>
<u>Business</u>	
<u>Item 1A.</u>	<b><u>13</u></b>
<u>Risk Factors</u>	
<u>Item 1B.</u>	<b><u>26</u></b>
<u>Unresolved Staff Comments</u>	
<u>Item 2.</u>	<b><u>27</u></b>
<u>Properties</u>	
<u>Item 3.</u>	<b><u>31</u></b>
<u>Legal Proceedings</u>	
<u>Item 4.</u>	<b><u>31</u></b>
<u>Removed and Reserved</u>	
PART II	
<u>Item 5.</u>	<b><u>32</u></b>
<u>Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	
<u>Item 6.</u>	<b><u>35</u></b>
<u>Selected Financial Data</u>	
<u>Item 7.</u>	<b><u>39</u></b>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 7A.</u>	<b><u>60</u></b>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Item 8.</u>	<b><u>61</u></b>
<u>Financial Statements and Supplementary Data</u>	
<u>Item 9.</u>	<b><u>95</u></b>
<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	
<u>Item 9A.</u>	<b><u>95</u></b>
<u>Controls and Procedures</u>	
<u>Item 9B.</u>	<b><u>95</u></b>

Other Information

PART III

Item 10.

**95**

Directors, Executive Officers and Corporate Governance

Item 11.

**95**

Executive Compensation

Item 12.

**95**

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13.

**95**

Certain Relationships and Related Transactions, and Director Independence

Item 14.

**95**

Principal Accountant Fees and Services

PART IV

Item 15.

**96**

Exhibits and Financial Statement Schedules

Signatures

**97**

TABLE OF CONTENTS

**PART I**

**Item 1. Business.**

(Dollars in thousands, except selected property information, share and per share data)

**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. As of December 31, 2010, we owned 36 collegiate housing communities located in 20 states containing 23,704 beds in 7,332 apartment units located at or near 35 universities. As of December 31, 2010, we provided third-party management services for 23 collegiate housing communities located in 10 states containing 11,985 beds in 3,828 apartment units located at or near 19 universities. 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.

All of our assets are held by, and we have conducted substantially all of our activities through Education Realty Operating Partnership, LP, our Operating Partnership, and its wholly owned subsidiaries, Allen & O Hara Education Services, Inc., or our Management Company or AOES, and Allen & O Hara Development Company, LLC, or our Development Company or AODC. 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 98.5% of the outstanding partnership units of our Operating Partnership, and 1.3% 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 27.3% of the University Towers

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

**REIT Status and Taxable REIT Subsidiary**

We have elected to be taxed as a REIT, for federal income tax purposes. With the exception of income from our taxable REIT subsidiary or TRS, 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 our 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.

5

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TABLE OF CONTENTS

## Acquisition and Development Strategy

### Acquisitions

We seek to acquire or develop high quality well-located garden-style 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 or develop 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

In some cases we utilize joint venture agreements, in which case we hold a minority ownership interest in properties and earn a fee for the management of the properties. In February 2011, we entered into a joint venture agreement to develop, own and

manage a property near the University of Alabama, in which case we will have the majority ownership interest. 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. We expect to continue pursuing joint venture arrangements in the future.

### Developments

In 2007, we began developing collegiate housing communities for our ownership, and we plan to increase self-development activity going forward. In 2009, we announced the branding of our private equity program for universities as The On-Campus Equity Plan, or The One Plan<sup>SM</sup>, which is a collaboration that 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. In August 2009, we 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. This is the first community EDR developed under The One Plan<sup>SM</sup>. 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 apartment community near the campus of the University of Texas at Austin. This will be the second project under the Trust's ONE Plan<sup>SM</sup> and its third wholly owned development. In February 2011, Syracuse University selected the Trust to develop a second collegiate housing project under the One Plan<sup>SM</sup>. Also in 2010, EDR created The ONE Plan PLUS 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, EDR secures a second mortgage to make financing the project balance feasible. EDR still uses our equity, but instead of acquiring a leasehold interest, we secure a second mortgage 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 \$60,700, 20-story,

## TABLE OF CONTENTS

572-bed 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.

## **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 cost control consistently 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 need be, 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 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 managing our owned collegiate housing communities and developing communities for our ownership, we seek to provide management and development 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 Management Company and our Development Company. Unlike the income earned from our properties under the REIT, the income earned by our Management Company and our Development Company is subject to regular federal income tax and state and local income taxes where applicable.

7

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TABLE OF CONTENTS**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, 2010, our fees from third-party management services represented 3.0% of our revenue, excluding operating expense reimbursements.

The following table presents certain summary information regarding the collegiate housing communities that we managed for other owners as of December 31, 2010:

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
<b>Total on-campus</b>		<b>4,600</b>	<b>1,595</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
The College Inn	North Carolina State University	440	121
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
University Village Towers (1)	University of California Riverside	554	149
The Reserve on Stinson (1)	University of Oklahoma	612	204
<b>Total off-campus</b>		<b>7,385</b>	<b>2,233</b>

Totals (for both on- and off-campus)	11,985	3,828
(1) EDR holds a noncontrolling interest in the community pursuant to its joint venture arrangements.		

## **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 to 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:

8

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## TABLE OF CONTENTS

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 2010, our fees from third-party development consulting services represented 2.7% 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 State University of New York College of Environmental Services and Forestry, East Stroudsburg University of Pennsylvania, Mansfield University of Pennsylvania and Johns Hopkins University. The aggregate project cost of these four projects is approximately \$183,000.

## **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 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

## TABLE OF CONTENTS

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 wait lists and monitor popular floor plans that fill to capacity early in the leasing season. If any fully 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.

## TABLE OF CONTENTS

### **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 internet-based collegiate housing listings wherever permitted by the institution and incorporate these initiatives into our marketing efforts. Our Community Managers make scheduled personal visits with 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 their 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 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.

## TABLE OF CONTENTS

These and other risks related to environmental matters are described in more detail in Item 1A. Risk Factors below.

## **Employees**

At December 31, 2010, we had approximately 1,138 employees, including:

1,049 on-site employees, including 427 Community Assistants;  
20 people in our property management services department;  
16 people in our development consulting services and construction departments; and  
53 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.

TABLE OF CONTENTS

## 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;

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 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.



## TABLE OF CONTENTS

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.

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

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

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 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

## TABLE OF CONTENTS

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 \$2,000 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, which could have a materially adverse impact on our financial condition, results of operations and/or cash flows.**

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 a situation were to occur whereby completion 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 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 \$1,000 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 properties 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.

**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.

## TABLE OF CONTENTS

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 Core FFO and/or FFO per share, to fall short of analyst expectations. Moreover, we will 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.

## **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.

Our growth will be dependent upon our ability to acquire and/or develop, lease, integrate and manage additional col

**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 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

## TABLE OF CONTENTS

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 dividends.

### **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 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.

## **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



## TABLE OF CONTENTS

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. The presence of microbial matter could adversely affect our results of operations. 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

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

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. 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

## TABLE OF CONTENTS

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.

### **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 will 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 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

Joint venture investments could be adversely affected by our lack of sole decision making authority, our reliance on

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.

## **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

TABLE OF CONTENTS

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 the 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 recently experienced significant dislocations and liquidity disruptions, including the bankruptcy, insolvency or restructuring of certain financial institutions. These circumstances have materially impacted liquidity in the debt markets, making financing terms for 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 Second 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, which 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 2011, \$13,279 or 3.6%, of our 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 could be foreclosed upon or 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

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

value. A foreclosure of a mortgaged property could 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 Second Amended Revolver contains customary affirmative and negative covenants and provides for potential availability of \$95,000. 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

## TABLE OF CONTENTS

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 Second Amended Revolver may preclude further availability; 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.**

The U. S. Treasury recently 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 recently 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.

### **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 Second 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 meet our loan covenants. We may determine that the value of an individual asset, or group of assets, was irrevocably impaired, and that we may need to record a charge to write-down the value of the asset to reflect its current estimated value based on its intended use.

**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



## TABLE OF CONTENTS

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 debt with varying interest rates dependent upon LIBOR plus an applicable margin. In addition, our Master Secured Credit Facility and Second Amended Revolver bear interest at a variable rate on all amounts drawn under these facilities. 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.**

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.

## **We may reduce the amount of dividends declared on our common stock or elect to pay a portion of the dividend in shares of 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, among other factors, continued material future deterioration in business conditions, or continuing tightening in the credit markets, our Board of Directors may decide to further reduce the amount of our dividend while ensuring compliance with the requirements of the Code related to REIT qualification.

IRS guidance permits certain distributions made by a publicly traded REIT consisting of both cash and its shares to be treated as dividend distributions for purposes of satisfying the annual distribution requirements applicable to REITs for taxable years ending before 2012. We may elect to pay a portion of our dividends in shares of our common stock which would cause dilution to our earnings per share given the additional shares outstanding.

Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our

## TABLE OF CONTENTS

stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in our stock. In addition, if a significant number of our stockholders sell shares of our stock in order to pay taxes owed on dividends, that may put downward pressure on the trading price of our stock.

## **Risks related to our organization and structure**

### **To maintain our REIT status, we may be forced to limit the activities of our Management 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, 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 exceeds the 25% threshold even if our Management Company 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 or capital 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 tax 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
- advance notice requirements for stockholder nomination of directors and for other proposals to be presented at stockholder meetings.

23

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TABLE OF CONTENTS

## **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 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 of Property Operations. 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.

## **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

## TABLE OF CONTENTS

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 on our taxable income 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, and all distributions to stockholders will be subject to tax, potentially at reduced rates applicable to qualified dividends, to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT also 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 composition of our assets and two gross income tests. To satisfy the two gross income tests: (a) at least 75% of our gross income in any year must be derived 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 must be derived 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 tests, 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 qualify and maintain our status as a REIT, we may become subject to federal income taxes and related state taxes. For example, if we have net income 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 basis, that 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 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%

25

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## TABLE OF CONTENTS

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.

### **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

An investment in our common stock has various tax risks, including the treatment of distributions in excess of earnings

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.

26

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TABLE OF CONTENTS

## Item 2. Properties.

(Dollars in thousands, except selected property information)

### General

As of December 31, 2010, our wholly-owned portfolio consisted of 36 communities located in 20 states containing 23,704 beds in 7,332 apartment units located near 35 universities.

Thirty-five of our 36 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);

average age of approximately 10 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, 2010, 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 and GrandMarc at the Corner which are operated under ground leases.

TABLE OF CONTENTS

28

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TABLE OF CONTENTS

- (1) Average of the physical month-end occupancy rates.  
Monthly revenue per available bed for 2010 is equal to total revenue for the year ended December 31, 2010 divided by the sum of the total beds (including staff and model beds) at the property each month. For properties acquired
- (2) during the year, monthly revenue per available bed equals total revenue for the period subsequent to acquisition through December 31, 2010 divided by the sum of the total beds (including staff and model beds) at the property each month while owned.
- (3) Represents average year for all properties in our wholly-owned portfolio.
- (4) Revenues and revenue per available bed for University Towers excludes revenue from food service operations.
- (5) 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.  
Collegiate Village was leased to Macon State College in August 2010. EDR did not operate this property during
- (6) the entire year of 2010, and therefore no operating statistics are presented. See Note 2, Summary of Significant Accounting Policies to our accompanying consolidated financial statements.
- (7) Clayton Station was leased to Clayton State University in February 2011.
- (8) The sale of these properties was completed in January 2011. See Note 18, Subsequent Events to our accompanying consolidated financial statements.

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, 2010:

Property	Outstanding at 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	5.43 %		
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 maturity date of the construction loan two years if certain criteria are met at the initial maturity date.

The weighted average interest rate of the mortgage and construction indebtedness was 5.43% at December 31, 2010. 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.

TABLE OF CONTENTS

**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. Removed and Reserved.**

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 has been and is trading on the New York Stock Exchange under the symbol EDR. There were approximately 928 holders of record of the 72,174,723 shares outstanding on March 7, 2011. On the same day, our common stock closed at \$7.73. The following table provides information on the high and low sales prices for our common stock on the NYSE and the dividends declared for 2009 and 2010:

	High	Low	Distributions Declared
Fiscal 2009			
Quarter 1	\$ 6.03	\$ 2.61	\$ 0.103
Quarter 2	5.24	3.32	0.103
Quarter 3	6.44	4.22	0.050
Quarter 4	6.01	4.56	0.050
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

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.

32

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TABLE OF CONTENTS

During the three months ended December 31, 2010, in connection with the DRSP, we directed the plan administrator to purchase 324 shares of our common stock for \$3 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 2010. We also directed the plan administrator to purchase 1,206 shares of our common stock for \$9 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, 2010.

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, 2010	655	\$ 7.53		
November 1 - 30, 2010	679	\$ 7.79		
December 1 - 31, 2010	196	\$ 7.52		
Total	1,530	\$ 7.64		

(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.

TABLE OF CONTENTS

## COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN\*

### Among Education Realty Trust, Inc., The S&P 500 Index And The MSCI US REIT Index

\* \$100 invested on 12/31/05 in stock or in index, including reinvestment of dividends. Fiscal year ending December 31.

Index	<i>Period Ending</i>					
	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Education Realty Trust, Inc.	100.00	123.26	99.40	50.90	50.78	84.06
S&P 500	100.00	115.79	122.16	76.96	97.33	111.99
MSCI US REIT	100.00	135.92	113.06	70.13	90.20	115.89

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.

TABLE OF CONTENTS

## **Recent Sales of Unregistered Securities**

As an inducement to enter into his executive employment agreement with the Trust, Mr. Churchey was granted an inducement award of 50,000 shares of restricted common stock on January 12, 2010. The restrictions on the shares subject to the inducement award will lapse ratably over 5 years as long as Mr. Churchey remains employed by the Trust. The inducement award was granted outside of the Trust's 2004 Incentive Plan, approved by the Compensation Committee of the Trust's Board of Directors and granted as an inducement material to Mr. Churchey's employment with the Trust in accordance with Section 303A.08 of the New York Stock Exchange Listed Company Manual. The issuance of these shares of restricted common stock was made in reliance upon exemptions from registration provided by Section 4(2) under the Securities Act.

## **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 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.

35

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TABLE OF CONTENTS**STATEMENT OF OPERATIONS DATA**

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share data)				
Revenues:					
Collegiate housing leasing	\$99,198	\$96,822	\$94,704	\$84,257	\$81,098
Other leasing revenue	191		3,124	5,783	5,783
Third-party development services	2,483	8,178	8,303	5,411	3,773
Third-party management services	3,189	3,221	3,672	3,391	2,796
Operating expense reimbursements	14,519	9,722	10,796	9,330	7,638
Total revenues	119,580	117,943	120,599	108,172	101,088
Operating expenses:					
Collegiate housing leasing operations	48,430	47,889	48,314	41,261	40,791
General and administrative	17,401	15,752	16,348	14,561	12,331
Depreciation and amortization	26,269	24,091	24,257	26,856	28,302
Ground lease expense	1,528	207	105		
Loss on impairment	7,425	1,726	2,021		
Reimbursable operating expenses	13,603	9,722	10,796	9,330	7,638
Total operating expenses	114,656	99,387	101,841	92,008	89,062
Operating income	4,924	18,556	18,758	16,164	12,026
Nonoperating expenses	20,565	20,717	26,206	23,694	25,959
Loss from continuing operations before equity in earnings (losses) of unconsolidated entities, income taxes and discontinued operations	(15,641 )	(2,161 )	(7,448 )	(7,530 )	(13,933 )
Equity in earnings (losses) of unconsolidated entities	(260 )	(1,410 )	(196 )	(277 )	740
Loss before income taxes and discontinued operations	(15,901 )	(3,571 )	(7,644 )	(7,807 )	(13,193 )
Income tax expense	442	1,905	1,102	256	659
Loss from continuing operations	(16,343 )	(5,476 )	(8,746 )	(8,063 )	(13,852 )
Discontinued operations:					
Income (loss) from operations of discontinued operations	(26,559 )	(1,615 )	671	1,063	1,252
Gain on sale of collegiate housing property	611			1,644	
Income (loss) from discontinued operations	(25,948 )	(1,615 )	671	2,707	1,252
Net loss	(42,291 )	(7,091 )	(8,075 )	(5,356 )	(12,600 )
Less: Net income (loss) attributable to the noncontrolling interests	(233 )	164	(128 )	60	(355 )
Net loss attributable to Education Realty Trust, Inc.	\$(42,058 )	\$(7,255 )	\$(7,947 )	\$(5,416 )	\$(12,245 )
Earnings per share information:					
Income (loss) per share basic and diluted					
Continuing operations	(0.28 )	(0.14 )	(0.31 )	(0.29 )	(0.52 )
Discontinued operations	(0.45 )	(0.04 )	0.03	0.09	0.06
Net loss per share	\$(0.73 )	\$(0.18 )	\$(0.28 )	\$(0.20 )	\$(0.46 )
Weighted average common shares outstanding basic and diluted	57,536	40,496	28,513	28,103	26,517
Distributions per common share	\$0.20	\$0.36	\$0.82	\$0.82	\$1.10

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Amounts attributable to Education Realty Trust,  
Inc. common stockholders:

Loss from continuing operations, net of tax	(16,502 )	(5,689 )	(8,592 )	(8,012 )	(13,437 )
Income (loss) from discontinued operations, net of tax	(25,556 )	(1,566 )	645	2,596	1,192
Net loss	\$(42,058 )	\$(7,255 )	\$(7,947 )	\$(5,416 )	\$(12,245 )

36

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TABLE OF CONTENTS**BALANCE SHEET DATA**

	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands)				
Assets:					
Collegiate housing properties, net	\$ 698,793	\$ 749,884	\$ 733,507	\$ 732,979	\$ 804,759
Other assets, net	37,887	54,729	44,140	34,481	30,699
Total assets	\$ 736,680	\$ 804,613	\$ 777,647	\$ 767,460	\$ 835,458
Liabilities and equity:					
Mortgage and construction notes payable	\$ 367,631	\$ 406,365	\$ 442,259	\$ 420,940	\$ 423,933
Other indebtedness	3,700		32,900	11,500	69,400
Other liabilities	30,567	22,004	20,559	19,080	19,837
Total liabilities	401,898	428,369	495,718	451,520	513,170
Redeemable noncontrolling interests	10,039	11,079	11,751	14,879	15,868
Equity	324,743	365,165	270,178	301,061	306,420
Total liabilities and equity	\$ 736,680	\$ 804,613	\$ 777,647	\$ 767,460	\$ 835,458

**OTHER DATA (UNAUDITED)**

	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share data and selected property information)				
Funds from operations (FFO) <sup>(1)</sup> :					
Net loss attributable to Education Realty Trust, Inc.	\$(42,058)	\$(7,255 )	\$(7,947 )	\$(5,416 )	\$(12,245 )
Gain on sale of collegiate housing property	(611 )			(1,644 )	
Loss on sale of collegiate housing assets			512		
Collegiate housing property depreciation and amortization of lease intangibles	25,829	23,499	23,659	26,412	27,947
Equity portion of real estate depreciation and amortization on equity investees	479	512	496	424	54
Depreciation and amortization of discontinued operations	4,111	5,023	5,160	6,078	7,781
Equity portion of loss on sale of collegiate housing property on equity investee	137				
Noncontrolling interests	(233 )	164	(128 )	60	(355 )
Funds from operations available to all share and unitholders	\$ (12,346)	\$ 21,943	\$ 21,752	\$ 25,914	\$ 23,182
FFO on participating developments:					
Interest on loan to participating development	329				
Development fees on participating development, net of costs and tax	128				
FFO on participating developments	457				
Other adjustments to FFO:					
Development cost write-off, net of tax benefit			417		
Acquisition costs	1,467				

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Impairment losses	33,610	3,173	2,021		
Ground lease straightline	984				
Reorganization/severance costs, net of tax	447				
Loss (gain) on extinguishment of debt	1,426	(830 )	4,360	174	
Impact of other adjustments to FFO	37,934	2,343	6,798	174	
Core funds from operations available to all share and unitholders(2)	\$26,045	\$24,286	\$28,550	\$26,088	\$23,182

37

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TABLE OF CONTENTS

	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share data and selected property information)				
Cash flow information:					
Net cash provided by operations	\$32,269	\$33,235	\$26,011	\$26,806	\$25,187
Net cash provided by (used in) investing	(46,314)	(41,638)	(31,656)	33,399	(120,830)
Net cash provided by (used in) financing	(10,166)	30,569	10,614	(62,598)	40,408
Per share and distribution data:					
Net loss per share basic and diluted	\$(0.73 )	\$(0.18 )	\$(0.28 )	\$(0.20 )	\$(0.46 )
Cash distributions declared per share/unit	0.20	0.36	0.82	0.82	1.10
Cash distributions declared	12,295	15,330	25,797	22,985	29,114
Selected community information(3):					
Units(4)	6,792	6,628	6,352	5,603	5,603
Beds(4)	21,712	21,072	20,406	17,488	17,490
Occupancy(5)	88.3 %	88.0 %	91.3 %	93.9 %	93.4 %
Revenue per available bed(6)	\$383	\$390	\$396	\$401	\$386

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. 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 (1) 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, 2010, 2009, and 2008, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations.

Core funds from operations includes participating developments and excludes the impact of the write off of (2) development costs, acquisition costs, asset impairment, the effect of straight-lining long-term ground leases and reorganization costs from FFO as defined above.

The selected community information represents all wholly-owned communities for 2010 (31), 2009 (30), 2008 (3)(29), 2007 (23) and 2006 (23) (2007 and 2006 exclude the Place portfolio). This information excludes property information related 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.



TABLE OF CONTENTS

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

(Dollars in thousands, except selected property information and per share data)

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 eleven sections:

Overview
Our Business Segments
Trends and Outlook
Critical Accounting Policies
Results of Operations
Liquidity and Capital Resources
Distributions
Off-Balance Sheet Arrangements
Funds From Operations
Inflation
Recent 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, 2010, 2009 and 2008 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); and Troy Place, The Reserve at Jacksonville, The Reserve at Martin, The Chase at Murray and Clemson Place (all sold in January 2011).

### Overview

We are a self-managed and self-advised REIT engaged in the ownership, acquisition, development and management of collegiate housing communities. We also provide collegiate housing development consulting services to universities, charitable foundations and other third parties. We believe that we are one of the largest owners, developers and managers of high-quality collegiate housing communities in the United States in terms of both total beds and units 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 Allen & O'Hara Education Services, Inc., or AOES, and Allen & O'Hara Development Company, LLC, or AODC, 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 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, 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 footnotes to the accompanying consolidated financial statements. Inter-company fees are reflected at contractually stipulated amounts.

### **Collegiate housing leasing**

Collegiate housing leasing revenue represented approximately 91.0% of our revenue, excluding operating expense reimbursements, for the year ended December 31, 2010. Additionally, this segment includes other leasing revenue related to the collegiate housing community known as Collegiate Village located in Macon, Georgia that was leased to Macon State College in August of 2010 (see Note 2 to the consolidated financial statements).

## TABLE OF CONTENTS

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 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 in most cases units are furnished and 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 student 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 respective 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 2010 and 2009, approximately 70.0% of our leased beds were to 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, primarily during the first two weeks of August, 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, 2010, revenue from our development consulting services represented approximately 2.5% 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;
- obtaining final approvals of construction; and

guarantee of costs and completion date.

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

40

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## TABLE OF CONTENTS

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, 2010, revenue from our management services segment represented approximately 6.5% of our revenue, excluding operating expense reimbursements. We provide management services for collegiate housing communities owned by educational institutions, charitable 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 revenue, which is primarily driven by two components: rental rates and occupancy. We customarily adjust rental rates in order to maximize revenue, which in some cases results in a lower occupancy, 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.

For the 2010-2011 leasing term, same-community revenue per available bed increased to \$406 and same-community physical occupancy increased to 93.2% compared to revenue per

available bed of \$389 and physical occupancy of 91.1% for the 2009-2010 lease term. This is compared to a rental rate decrease of 1.6% and an occupancy decrease of 1.7% for the 2009-2010 lease term over the 2009-2008 lease term. The results represent averages for the Trust's portfolio which are not necessarily indicative of every community in the portfolio. As would be expected, 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 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 trend.

#### **Development consulting services**

Third-party development consulting services revenue experienced considerable growth from 2007 to 2009 increasing from \$5,411 to \$8,178. However, third-party development revenue declined 65.9% to \$2,788 for the year ended December 31, 2010 as credit market conditions in 2009 delayed the financing and commencement of construction on

several previously awarded projects. Beginning in the fall of 2010 our development team began seeing improvement in the credit markets and an increase in interest from colleges and universities that are considering new collegiate housing. They also continue to receive requests for proposals on new development projects. This improvement in the development consulting market is evidenced by the ground breaking of a project at the Science + Technology Park at Johns Hopkins Medical Center in Baltimore, Maryland in the third quarter of 2010 and the beginning of construction of on-campus collegiate housing projects at East Stroudsburg University located in East Stroudsburg, Pennsylvania and Mansfield University located in Mansfield, Pennsylvania in the fourth quarter of 2010.

The amount and timing of future revenues from development consulting services will be contingent upon our ability to successfully compete in public college and university competitive procurement processes and secure contracts from private educational institutions, 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.



## TABLE OF CONTENTS

### **Collegiate housing operating costs**

Cost reduction initiatives put in place in the fourth quarter of 2008 helped drive a reduction in same-community operating expenses for the year ended December 31, 2009. For the year ended December 31, 2010, same-community operating expenses were relatively flat compared to the prior year as the reduced spending achieved in 2009 was maintained. Although we do not expect significant reductions in same-community operating expenses going forward, we will continue to maintain our focus to operate our communities as efficiently as possible.

### **General and administrative costs**

For the year ended December 31, 2009, general and administrative costs, before development pursuit costs, remained relatively flat when compared to 2008. In the first half of 2010, we began a reorganization plan, and as a result, have seen a 2.8% reduction in general and administrative expenses, before reorganization, development pursuit and acquisition costs, when compared to the year ended December 31, 2009. Although reductions in general and administrative expenses of this type may not continue going forward, we will continue to focus on operating efficiencies in the future.

### **Asset Repositioning and Capital Recycling**

In October 2010, the Trust completed the following transactions that resulted in meaningful repositioning and improvement of its owned portfolio.

The Trust completed the purchase of The GrandMarc at the Corner, a 641-bed collegiate community at the University of Virginia (UVA) in Charlottesville, Virginia. UVA enrollment for the 2009/2010 academic year was approximately 24,400. The property was opened in 2006 and is located within a short walking distance to campus and to The Corner a popular destination for students due to the wide variety of restaurants, shopping and entertainment venues. The purchase price was \$45,739 with related acquisition costs of \$1,467 that were expensed in the fourth quarter of 2010. As of December 31, 2010, The GrandMarc was 91.9% occupied at an average monthly rental rate per bed of approximately \$688.

The Trust entered into two separate sales agreements in October of 2010 to sell nine communities, including eight of the former Place-communities, for a total sales price of \$84,800 (see Note 5 to the consolidated financial statements). The first agreement closed in December 2010 and the second agreement closed in January 2011 (see Note 18 to the consolidated financial statements).

The Trust's regular review of the recoverability of asset carrying values, which included the consideration of these pending sales transactions, identified asset impairments totaling \$33,610 that were recognized during the three months ended September 30, 2010.

These transactions helped the Trust to recycle capital from non-strategic assets to vibrant, younger collegiate housing communities at larger universities. These steps helped improve the quality of the Trust's portfolio and create better long-term growth potential.

In January 2011, the Trust completed a follow-on offering of 13,225,000 shares of its common stock, including 1,725,000 shares purchased by the underwriters pursuant to an overallotment option. The Trust received approximately \$91,700 in net proceeds from the offering after deducting the underwriting discount and other

estimated offering expenses. The Trust intends to use 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

## TABLE OF CONTENTS

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 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.

## **Other leasing revenue recognition**

Other leasing revenue relates to the master lease of a community to a third-party. Under a master lease the third-party is responsible for ultimately leasing the beds and for all operating expenses. In 2010, other leasing revenue related to Collegiate Village located in Macon, Georgia that was leased to Macon State College starting in August 2010. Base rent is recognized on a straight-line basis over the lease term.

In 2006, 2007 and 2008, other leasing revenue related to leasing of the Place Portfolio that we acquired from Place Properties on January 1, 2006. Base rent was recognized on a straight-line basis over the lease term and additional rent was recognized only upon satisfaction of certain defined criteria. On February 1, 2008, the lease was terminated. Under the termination agreement, the Trust received a lease termination fee totaling \$6,000 in 2008.

## **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. Because REITs are required to distribute 90% of their taxable income, our distribution requirement with respect to our income from third-party services may exceed that reflected as net income for financial reporting purposes from such activities.

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 condensed 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. On January 1, 2009, the Trust adopted the authoritative guidance issued by the Financial Accounting Standards Board, or the FASB, which prospectively changed the

## TABLE OF CONTENTS

requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interests in the acquiree and the goodwill acquired. The guidance also enhanced the disclosures to enable the evaluation of the nature and financial effects of the business combination and requires that pre-acquisition costs be expensed as incurred. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a community, were accounted for as part of the purchase price prior to the adoption of the guidance issued by the FASB.

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 consolidated financial statements). Management estimates fair value using market offers, 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 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.

## **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 consolidated balance sheet.

## **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.

44

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

	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	\$99,198	\$	\$	\$	\$99,198	\$96,822	\$	\$	\$	\$96,822
Other leasing revenue	191				191					
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			3,868	(3,868 )			1,129	3,767	(4,896)	
Operating expense reimbursements		916		13,603	14,519				9,722	9,722
Total segment revenues	99,389	3,704	7,057	9,430	119,580	96,822	9,307	6,988	4,826	117,943
Segment operating expenses:										
Collegiate housing leasing operations	48,430				48,430	47,889				47,889
General and administrative		2,885	7,255	(170 )	9,970		3,261	7,135	(96 )	10,300
Intersegment expenses	3,868			(3,868 )		3,767			(3,767)	
Reimbursable operating expenses				13,603	13,603				9,722	9,722
Total segment operating expenses	52,298	2,885	7,255	9,565	72,003	51,656	3,261	7,135	5,859	67,911
Segment net operating income (loss) <sup>(1)</sup>	\$47,091	\$819	\$(198 )	\$(135 )	\$47,577	\$45,166	\$6,046	\$(147 )	\$(1,033)	\$50,032

(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:

	2010	2009
Segment net operating income	\$ 47,577	\$ 50,032
Other unallocated general and administrative expenses	(7,431 )	(5,452 )

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Depreciation and amortization	(26,269 )	(24,091 )
Ground lease expense	(1,528 )	(207 )
Loss on impairment of collegiate housing properties	(7,425 )	(1,726 )
Nonoperating expenses	(20,565 )	(20,717 )
Equity in losses of unconsolidated entities	(260 )	(1,410 )
Loss before income taxes and discontinued operations	\$ (15,901 )	\$ (3,571 )

45

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TABLE OF CONTENTS**Collegiate housing leasing**

Collegiate housing operating statistics for 2010 and 2009 were as follows:

	Year Ended December 31, 2010(9)(10)		Year Ended December 31, 2009(9)(10)		Favorable (Unfavorable)
Wholly-owned communities:					
Occupancy					
Physical(1)	90.4	%	90.0	%	40bps
Economic(2)	86.6	%	86.6	%	
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(11):					
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, or rental revenue, 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 GAAP 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 GAAP 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, GAAP total revenue minus property operating expense per bed as defined above, divided by GAAP total revenue.

(8) Represents the sum of the monthly design beds in the portfolio during the period.

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

(10) This information excludes property information related to Collegiate Village, which was leased to Macon State College in August 2010, and Clayton Station, which was leased to Clayton State University in February 2011.

(11) Represents operating statistics for communities that were operating for the full year in both 2010 and 2009.

46

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## TABLE OF CONTENTS

Total revenue in the collegiate housing leasing segment was \$99,389 for the year ended December 31, 2010, an increase of \$2,567, or 2.7%, from the same period in 2009. This increase represents an increase of \$3,517 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 \$367 primarily due to a decrease in service and application fees, parking income and damage billings than in the prior year. Furthermore, revenue declined \$774 related to the two communities that are currently master leased to the respective universities that they serve. This decrease was partially offset by master lease revenue of \$191.

Operating expenses in the collegiate housing leasing segment increased \$541, or 1.1%, to \$48,430 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 \$671 of the increase from the prior year. Same-community operating expenses increased \$40 primarily due to increases in payroll costs of \$283 and an increase in utilities cost of \$800 offset by a decline in the cost of resident phone, data and cable services of \$516, a decrease in real estate taxes of \$377 and a decline in the cost of insurance. The two communities that are currently master leased contributed a \$170 decline in operating expenses.

## **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 \$6,519, or 70.0%, to \$2,788 for the year ended December 31, 2010 as compared to the same period in 2009. Third-party development consulting revenue declined \$5,695 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

## TABLE OF CONTENTS

by \$225 in revenue related to consulting services that were unrelated to an active development project and \$305 of fees related to the participating project at the Science + Technology Part at 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 \$916 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 \$376, 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 \$120 or 1.7% compared to the prior year due to \$674 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 \$1,979 or 36.2%

to \$7,431 compared to the prior year primarily due to \$1,467 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 \$2,178 or 9.0% to \$26,269 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 \$1,177 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 \$1,321 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.

## Loss on impairment

Loss on impairment increased \$5,699 to \$7,425 for the year ended December 31, 2010 compared to the prior year. During the prior year, the Trust recorded an impairment loss of \$1,726 related to collegiate housing assets. During the third quarter of 2010, management determined that the carrying value of nine different collegiate housing communities may not be recoverable due to a decline in estimated net operating income or due to a change in future use of the asset and the negotiated sales price for the potential sales. The fair value of these properties was estimated and management recorded an impairment loss in the consolidated statement of operations of \$33,610. For the year ended December 31, 2010, \$26,185 of the impairment loss related to the assets was classified within discontinued operations.

## Nonoperating expenses

For the year ended December 31, 2010, interest expense declined \$1,290 or 6.1% when compared to the same period in the prior year. This decrease is primarily attributable to the repayment of mortgage debt on certain Place-communities in the fourth quarter of 2009 offset by the decline in the value of

TABLE OF CONTENTS

the interest rate cap of \$439 discussed in Note 10 to the accompanying consolidated financial statements. Furthermore, capitalized interest on owned developments decreased \$462 compared to the prior year.

This decrease in interest expense was offset by a refund of defeasance costs in 2009. The refund resulted in an \$830 gain on the extinguishment of debt related to the 2008 repayment of mortgage debt on certain Place-communities.

## Equity in earnings of unconsolidated entities

Equity in earnings 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 \$260 compared to \$1,410 in the prior year. The decrease in equity in losses was primarily related to \$1,447 of the Trust's share of an impairment loss related to the underlying student 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.

## Results of Operations for the Years Ended December 31, 2009 and 2008

	Year Ended December 31, 2009					Year Ended December 31, 2008				
	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	\$96,822	\$	\$	\$	\$96,822	\$94,704	\$	\$	\$	\$94,704
Other leasing revenue						3,124				3,124
Third-party development consulting services		8,178			8,178		8,303			8,303
Third-party management services			3,221		3,221			3,672		3,672
Intersegment revenues		1,129	3,767	(4,896)			661	3,707	(4,368)	
Operating expense reimbursements				9,722	9,722				10,796	10,796
Total segment revenues	96,822	9,307	6,988	4,826	117,943	97,828	8,964	7,379	6,428	120,599
Segment operating expenses:										
Collegiate housing leasing operations	47,889				47,889	48,314				48,314
Nonoperating expenses										

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General and administrative		3,261	7,135	(96 )	10,300	3	4,196	7,234	(337 )	11,096
Intersegment expenses	3,767			(3,767)		3,707			(3,707 )	
Reimbursable operating expenses				9,722	9,722				10,796	10,796
Total segment operating expenses	51,656	3,261	7,135	5,859	67,911	52,024	4,196	7,234	6,752	70,206
Segment net operating income (loss)(1)	\$45,166	\$6,046	\$(147 )	\$(1,033)	\$50,032	\$45,804	\$4,768	\$145	\$(324 )	\$50,393

(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:

	2009	2008
Segment net operating income	\$ 50,032	\$ 50,393
Other unallocated general and administrative expenses	(5,452 )	(5,252 )
Depreciation and amortization	(24,091 )	(24,257 )
Ground lease expense	(207 )	(105 )
Loss on impairment of collegiate housing properties	(1,726 )	(1,633 )
Loss on impairment of goodwill		(388 )
Nonoperating expenses	(20,717 )	(26,206 )
Equity in losses of unconsolidated entities	(1,410 )	(196 )
Loss before income taxes and discontinued operations	\$ (3,571 )	\$ (7,644 )

TABLE OF CONTENTS**Collegiate housing leasing**

Collegiate housing operating statistics for 2009 and 2008 were as follows:

	Year Ended December 31, 2009(9)		Year Ended December 31, 2008(9)		Favorable (Unfavorable)
Wholly-Owned communities:					
Occupancy					
Physical(1)	88.0	%	91.3	%	(330)bps
Economic(2)	84.7	%	88.4	%	(370)bps
NarPAB(3)	\$ 366		\$ 372		\$ (6 )
Other income per avail. bed(4)	\$ 24		\$ 24		\$
RevPAB(5)	\$ 390		\$ 396		\$ (6 )
Property operating expense per bed(6)(7)	\$ 194		\$ 201		\$ 7
Operating margin(10)	50.3	%	49.2	%	110bps
Design Beds(8)	248,178		238,786		9,392
Same communities(11):					
Occupancy					
Physical(1)	90.2	%	92.5	%	(230)bps
Economic(2)	87.1	%	89.7	%	(260)bps
NarPAB(3)	\$ 375		\$ 382		\$ (7 )
Other income per avail. bed(4)	\$ 26		\$ 25		\$ 1
RevPAB(5)	\$ 401		\$ 407		\$ (6 )
Property operating expense per bed(6)(7)	\$ 196		\$ 202		\$ 6
Operating margin(10)	51.1	%	50.4	%	70bps
Design Beds(8)	209,802		209,856		(54 )

(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, or rental revenue, 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 GAAP 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 GAAP property-level operating expense excluding management fees, depreciation and amortization divided by the sum of the design beds for each of the included months.

(7) For the year ended December 31, 2008, approximately \$2 per bed related to the loss on the sale of land and the parking garage at University Towers (see Note 5 in the consolidated financial statements) is excluded.

(8) Represents the sum of the monthly design beds in the portfolio during the period.

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

(10) Represents operating income, GAAP total revenue minus property operating expenses as defined above, divided by GAAP total revenue.



(11) Represents operating statistics for communities that were operating for the full year in both 2009 and 2008.

50

---

TABLE OF CONTENTS

Total revenue in the collegiate housing leasing segment was \$96,822 for the year ended December 31, 2009. This represents a decrease of \$1,006, or 1.0%, from the same period in 2008. Collegiate housing leasing revenue increased 2.2%, or \$2,118, to \$96,822, while other leasing revenue declined \$3,124 as a result of the February 1, 2008 Place Portfolio lease termination and related termination fee recognized in 2008. The collegiate housing leasing revenue increase of \$2,118 included \$700 related to one additional month of operating results from the remaining Place-communities in 2009 compared to 2008 and a \$512 decline in revenue since the lease termination due to lower rates and occupancy. Two new communities, Reserve at Saluki Point (Carbondale) and University Village on Colvin (Syracuse), which opened in August of 2008 and 2009, respectively, contributed \$3,247 of revenue growth year over year. Same-community revenue declined \$1,317 or 1.5% compared to the prior year, reflecting an approximate 1.0% increase in rates and a 0.1% increase in other income offset by an approximate 2.6% decline in occupancy.

Operating expenses in the collegiate housing leasing segment decreased \$425, or 0.9%, to \$47,889 for the year ended December 31, 2009 as compared to the same period in 2008. Same-community cost reductions of 4.5% and a 9.8% cost reduction at our remaining Place-communities for the comparable periods since the lease termination contributed a \$2,384 reduction in operating expenses. These reductions were offset by \$362 of expense growth related to one additional month of operations of the Place-communities in 2009 compared to 2008 as well as \$1,597 of additional operating expenses related to the two new communities, The Reserve at Saluki Point and University Village on Colvin. The Same-community and Place-community cost reductions included \$512 related to a loss on the sale of the University Towers land and parking garage in the prior year, \$642 reduction in payroll costs, a \$577 reduction in credit card fees and a \$286 reduction in real estate taxes compared to the prior year.

**Development consulting services**

The following table represents the development consulting projects that were active during the years ended December 31, 2009 and 2008:

Development consulting services revenue increased \$343, or 3.8%, to \$9,307 for the year ended December 31, 2009. As shown above third-party development consulting revenue decreased \$125 to \$8,178 for the year due to a decline in the number of active jobs year over year. This decline was net of an

approximate \$1,400 increase in fees representing AODC's share of development cost savings on successfully completed projects. The inter-segment development revenue relates to development services performed on projects owned by the Trust, that are eliminated in the accompanying consolidated

## TABLE OF CONTENTS

financial statements. Intersegment revenue increased \$468 over the prior year due to the timing of the two developments at Carbondale and Syracuse.

General and administrative expenses declined \$935 to \$3,261 during the year ended December 31, 2009 primarily due to a \$706 write off of development costs in 2008 related to a project we were no longer pursuing as company owned and a \$348 reduction in payroll expenses in 2009 as a result of cost reduction measures implemented in the fall of 2008. These cost reductions were offset by higher project pursuit costs in 2009.

## **Management services**

Total management services revenue decreased by \$391, or 5.3%, to \$6,988 for the year ended December 31, 2009. Third-party management fee revenue decreased \$451, or 12.3%, to \$3,221 for the year ended December 31, 2009. The cancellation of a contract in 2008 related to a five property portfolio in Michigan, for which the owner chose to take management in-house, contributed to \$443 of the decrease and an additional \$245 of the decrease resulted from two other contracts that were cancelled in 2008. Four new contracts signed in 2008 added \$173 of revenue growth in 2009 while fees from existing customers improved \$65, or 2.3%. Growth in our wholly-owned portfolio helped offset the decline in third-party management fee revenue by contributing an increase in intersegment revenue of \$60, which related to an additional month of managing the Place Portfolio in 2009 as well as the addition of the two new communities that came out of development in 2008 and 2009.

General and administrative costs for our third-party management services segment decreased \$99 or 1.4% to \$7,135 for the year ended December 31, 2009 compared to the same period in 2008. This decrease is primarily attributable to the cost reduction measures implemented in the fall of 2008.

## **Nonoperating expenses**

Gain on extinguishment of debt increased \$5,190 to \$830 for the year ended December 31, 2009, from a loss in the same period in 2008. This increase was the result of a \$4,360 loss on the extinguishment of debt related to the Trust's debt refinancing in December of 2008 and an \$830 gain on the extinguishment of debt resulting from the refund of defeasance costs in 2009.

## **Equity in losses of unconsolidated entities**

Equity in losses of unconsolidated entities primarily represents our share of the net loss related to four investments in unconsolidated entities that own collegiate housing communities. These communities are also managed by the Trust. For the year ended December 31, 2009, equity in losses was \$1,410 compared to equity in losses of \$196 in the prior year. This increase in equity in losses was primarily related to the Trust recording \$1,447 as its share of an impairment loss related to the underlying collegiate housing assets of one of these joint ventures.

## **Liquidity and Capital Resources**

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

On November 20, 2009, the Operating Partnership entered into a Second Amended and Restated Credit Agreement, or the Second Amended Revolver. The Second Amended Revolver amended and restated the existing secured revolving credit facility agreement dated March 30, 2006, or the Amended Revolver. The previous facility had a maximum availability of \$100,000 and was scheduled to mature on March 30, 2010. The Second Amended Revolver has a maximum availability of \$95,000.

Availability under the Second 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) of the properties securing the facility and (ii) the loan amount which would produce a debt service coverage ratio of no less than 1.40. As of December 31, 2010, our borrowing base was \$43,832, we had \$3,700 outstanding under the Second Amended Revolver and we had letters of credit outstanding of \$4,500 (see Note 16 to our accompanying consolidated financial statements); thus, our remaining borrowing base availability was \$35,632. At December 31, 2010, the Trust had ten properties unencumbered by mortgage debt. Five of the ten properties have, however, been pledged as collateral against any borrowings under our Second Amended Revolver.

During the fourth quarter of 2010, the Trust drew \$27,000 on the Second Amended Revolver to partially fund the acquisition of The GrandMarc at the Corner. Subsequent to December 31, 2010, upon completion of the January 2011 follow-on offering of 13,225,000 shares of common stock and the completion of the sale of five collegiate housing communities (see note 18 of the accompanying consolidated financial statements) the \$3,700 outstanding on the Second Amended Revolver was repaid and the letters of credit outstanding were reduced by \$3,000. Taking into account these transactions, if the The GrandMarc at the Corner community was posted as collateral against the Second

TABLE OF CONTENTS

Amended Revolver, we estimate that the borrowing base availability would be approximately \$88,700.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Second Amended Revolver. Additionally, the Second Amended Revolver is secured by a cross-collateralized, first mortgage lien on five otherwise unmortgaged properties. The Second Amended Revolver matures on November 20, 2012, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions. The interest rate per annum applicable to the Second Amended Revolver is, at the Operating Partnership's option, equal to a base rate or the greater of 2.0% or the London InterBank Offered Rate, or LIBOR, plus an applicable margin based upon our leverage.

The Second 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, 2010, the Trust was in compliance with all covenants discussed above.

The Trust is prohibited from making distributions unless either of the following conditions is met: (a) after giving effect to the distribution, the total leverage ratio is less than or equal to 65% prior to November 20, 2012, and less than or equal to 60% thereafter; or (b) the distribution, when considered along with all other distributions for the last three quarters, does not exceed 90% of funds from operations for the applicable period.

At December 31, 2010, the Trust had outstanding mortgage and construction indebtedness of \$367,231 (excluding unamortized debt premium of \$400). \$115,717 pertains to outstanding mortgage debt that is secured by the underlying collegiate housing communities or leasehold interests bearing interest at fixed rates ranging from 4.92% to 6.97%. The remaining \$227,823 of the outstanding mortgage indebtedness relates to the Fannie Mae master secured credit facility, or the Master Secured Credit Facility, that the Trust entered into on December 31, 2008 and expanded on December 2, 2009. \$35,543 of the outstanding amount under the Master Secured Credit Facility bears interest at variable rates based on the 30-day LIBOR plus an applicable margin. This variable rate debt had a weighted average interest rate of 3.64% as of December 31,

2010. The remaining outstanding balance of \$192,280 bears interest at a weighted average fixed rate of 5.88% (see Note 10, Debt, to the accompanying consolidated financial statements). The remaining \$23,691 of debt relates to construction debt that is discussed below.

At December 31, 2010, we had borrowed \$10,613 and \$4,252 on construction loans related to the development of a wholly owned collegiate housing community near Southern Illinois University (Carbondale) (see Note 4 in the accompanying consolidated financial statements). 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 \$5,013 of the outstanding construction debt and extended the maturity date until June 28, 2012. Going forward, annually, a debt service coverage ratio calculated 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.

At December 31, 2010, the Trust had \$8,826 outstanding on a construction loan related to the development of a wholly-owned student apartment community at Syracuse University (see Note 4 to the accompanying consolidated financial statements). The loan bears interest equal to LIBOR plus a 110 basis point margin and is interest only through September 29, 2011. Commencing with the quarter ended June 30, 2011, and annually thereafter, a debt service coverage ratio calculated on a rolling 12 month basis, of not less than 1.25 to 1, must be maintained in order to extend the loan until September 29, 2013, with principal and interest being repaid on a monthly basis.

## Liquidity outlook and capital requirements

During the year ended December 31, 2010, we generated \$32,269 of cash from operations, received proceeds of \$2,148 related to notes receivable, received proceeds of \$12,599 from equity offerings, disposed of five properties for net proceeds of \$25,682, and borrowed \$31,700 under the Second Amended Revolver. When combined with \$31,169 of existing cash, we were able to invest \$17,978 of capital into existing communities, acquire a new property for \$45,500, repay \$28,000 under the Second Amended Revolver, retire \$4,138 of mortgage debt related to the dispositions, repay \$5,217 in construction debt, invest \$1,146 in assets under development, distribute \$12,295 to our stockholders and unitholders, fund \$9,872 of the second mortgage to East Baltimore Development, Inc. for the Johns Hopkins project and end the year with \$6,958 of cash.

53

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## TABLE OF CONTENTS

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 \$0.20 per share/unit, funds for capital expenditures, funds for debt repayment and, potentially, funds for the acquisition and development of new communities. 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, 2010 totaled \$12,295 or \$0.21 per weighted average share/unit, compared to cash provided by operations of \$32,269 or \$0.55 per weighted average share/unit. The Trust's Board of Directors lowered the annual dividend target from \$0.82 in 2008 to \$0.41 per share/unit beginning in 2009. Subsequently, and in conjunction with the Trust's follow-on common stock offering in July of 2009, the Board of Directors lowered the annual dividend rate to \$0.20 per share/unit effective with the November 16, 2009 dividend.

Based on our closing share price of \$7.77 on December 31, 2010, our total enterprise value was \$829,573. With net debt (total debt less cash) of \$363,973 at December 31, 2010, our debt to enterprise value was 43.9% compared to 57.2% at December 31, 2009. With gross assets of \$893,038, which excludes accumulated depreciation of \$156,358, our debt to gross assets was 41.5% at December 31, 2010 as compared to 42.9% at December 31, 2009.

As discussed in Note 2 to the consolidated financial statements, the Trust implemented an at-the-market equity distribution program during the second quarter of 2010. The Trust may sell shares of its common stock having an aggregate offering amount of up to \$50,000. As of December 31, 2010, the Trust had sold 1,792 shares of common stock under the equity distribution program for net proceeds of \$12,527. In January 2011, the Trust completed a follow-on offering of 13,225 shares of its common stock, including 1,725 shares purchased by the underwriters pursuant to an overallotment option. The Trust received approximately \$91,700 in net proceeds from the offering after deducting the underwriting discount and other estimated offering expenses.

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 which would most likely be used to pay down debt and possibly finance acquisition and/or development growth or other operational needs.

On November 19, 2010, the Trust sold the Reserve at Clemson collegiate housing community for a sales price of \$14,350 resulting in net proceeds of approximately \$1,157 after the repayment of \$12,000 in mortgage debt and other closing costs (see Note 10 to the consolidated financial statements). In October of 2010, the Trust entered into two separate sales agreements to sell nine communities, including eight of the former Place communities, for a total of \$84,800. The first agreement closed on December 8, 2010. The second agreement closed on January 19, 2011 (see Note 18 to the consolidated financial statements).

We intend to invest in additional communities only as suitable opportunities arise. We also plan to develop properties 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 Second Amended Revolver. We intend to finance community 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.

In October 2010, the Trust completed the purchase of The GrandMarc at the Corner, a 641-bed student community at the University of Virginia (UVA) in Charlottesville, Virginia. The purchase price was \$45,739 with related acquisition costs of \$1,467. 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 \$27,000.

Our existing universal shelf registration statement permits us to issue up to \$250,000 in securities, including equity or debt securities, from time to time in one or more transactions depending on market conditions and terms. At December 31, 2010, \$200,000 of securities registered remained available for issuance.



TABLE OF CONTENTS**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.

In 2007, we began developing projects for the Trust's ownership and plan to increase self-development activity going forward. 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 apartment community near the core of the University of Texas at Austin campus. This will be the Trust's third wholly-owned development and second project under the ONE Plan<sup>SM</sup>. In September of 2010, 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, which are scheduled to be completed in 2012 and 2013, respectively. As opposed to our third-party development services, all risk, exposure and capital requirements for these developments remain with the Trust.

**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 Second 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 Second 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, 2010, we were in compliance with all covenants related to our Second 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,		
	2010	2009	2008
Total units	6,568	6,352	6,281

Total beds	21,071	20,400	19,878
Total recurring capital expenditures	\$4,406	\$4,055	\$2,845
Average per unit	\$670.83	\$638.38	\$452.95
Average per bed	\$209.09	\$198.79	\$143.14

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.

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.

TABLE OF CONTENTS**Commitments**

The following table summarizes our contractual obligations as of December 31, 2010:

	Less than 1 Year	1 3 Years	3 5 Years	More than 5 Years	Total
Contractual Obligations:					
Long-Term Debt Obligations(1)	\$ 16,979	\$ 100,052	\$ 96,939	\$ 156,961	\$ 370,931
Contractual Interest Obligations(2)	20,046	32,224	20,263	15,261	87,794
Operating Lease and Future Purchase Obligations(3)	11,508	16,970	12,279	458,646	499,403
Capital Reserve Obligations(4)	1,782	3,391	2,228	1,995	9,396
Total	\$ 50,315	\$ 152,637	\$ 131,709	\$ 632,863	\$ 967,524

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 Second Amended Revolver and construction loan agreements. The first mortgage debt does not include \$400 of unamortized debt premium.

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, 2010. The Trust has \$62,934 of variable rate debt as of December 31, 2010.

(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, 2010, ten of our communities were unencumbered by mortgage debt. Five of these ten communities have, however, been pledged as collateral against any borrowings under our Second Amended Revolver.

At December 31, 2010, we had outstanding mortgage and construction indebtedness of \$367,631 (net of unamortized debt premium of \$400). The scheduled future maturities of this indebtedness at December 31, 2010 were as follows:

Year	
2011	\$ 13,279
2012	70,976
2013	29,076
2014	87,001
2015	9,938
Thereafter	156,961
Total	367,231
Debt premium	400
Outstanding as of December 31, 2010, net of debt premium	\$ 367,631

At December 31, 2010, the outstanding mortgage and construction debt had a weighted average interest rate of 5.43% and carried an average term to maturity of 4.37 years.

The Trust had \$3,700 outstanding under the Second Amended Revolver at December 31, 2010. The Second Amended Revolver has a term of three years and matures on November 20, 2012, and provides that the Operating Partnership

may extend the maturity date one year subject to certain conditions. The Second Amended Revolver requires interest only payments through maturity. The interest rate per annum applicable to the Second Amended Revolver is, at the

Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage. At December 31, 2010, the interest rate applicable to the Second Amended Revolver was 5.75%.

## Distributions

We are required to distribute 90% of our REIT taxable income (excluding the deduction for dividends paid and 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. All such distributions are authorized at the discretion of our Board of Directors. We may be required to use borrowings under our Second Amended Revolver, if necessary, to meet REIT distribution requirements and maintain our REIT status. We consider market factors and our performance in addition to REIT requirements in determining distribution levels.

In January 2009, in an effort to increase financial stability, the Trust's Board of Directors lowered the annual dividend target from \$0.82 to \$0.41 per share/unit. In conjunction with our follow-on common stock offering in July of 2009, the board again lowered the annual dividend target from \$0.41 to \$0.20 per share/unit effective with the November 16, 2009 dividend.

On January 11, 2011, we announced our fourth quarter distribution of \$0.05 per share of common stock for the quarter ended on December 31, 2010. The distribution is payable on February 15, 2011 to stockholders of record at the close of business on January 31, 2011.

## TABLE OF CONTENTS

### **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 \$1,500 at December 31, 2010 and is secured by the Second Amended Revolver.

In October of 2010, the Trust entered into two separate sales agreements to sell nine collegiate housing communities. The first agreement closed in December of 2010 and consisted of four communities. The second agreement closed in January 2011 and consisted of five communities. Pursuant to the second agreement the Trust obtained a \$3,000 letter of credit in favor of the purchaser to ensure the closing of the sale. At December 31, 2010, this letter of credit remained outstanding. This letter of credit was released in January of 2011 after the closing of the sale.

On May 10, 2006, the Operating Partnership guaranteed \$23,200 of construction debt held by University Village-Greensboro LLC and received a 25% ownership stake in the joint venture with College Park Apartments. Construction was completed and the collegiate housing community was occupied in August 2007. In June of 2010, the construction loan was refinanced and the Operating Partnership no longer guarantees the debt.

The Operating Partnership serves as non-recourse, carve-out guarantor, for secured third party debt in the amount of \$46,932 held by two unconsolidated joint ventures. 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 respective operating agreements, the joint venture partners 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 guarantees 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 consolidated financial statements), the Trust has committed to provide a guarantee of repayment of a \$42,000 third-party construction loan for a \$3,000 fee. The outstanding balance of the construction loan at December 31, 2010 was \$873. The guarantee fee will not be recognized until the second mortgage loan is repaid. The project will have a \$2,500 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.

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

As defined by the National Association of Real Estate Investment Trusts, or 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. 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 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, 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.

57

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TABLE OF CONTENTS

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 and April 2002), 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. 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 following table presents a reconciliation of our FFO available to our stockholders and unitholders to our net loss for the years ended December 31, 2010, 2009, and 2008.

	Year Ended December 31,		
	2010	2009	2008
Net loss attributable to Education Realty Trust, Inc.	\$(42,058)	\$(7,255)	\$(7,947)
Gain on sale of collegiate housing property	(611)		
Loss on sale of collegiate housing assets			512
Collegiate housing property depreciation and amortization of lease intangibles	25,829	23,499	23,659
Equity portion of real estate depreciation and amortization on equity investees	479	512	496
Depreciation and amortization of discontinued operations	4,111	5,023	5,160
Equity portion of loss on sale of collegiate housing property on equity investee	137		
Noncontrolling interests	(233)	164	(128)
Funds from operations available to all stock and unitholders(1)	\$(12,346)	\$21,943	\$21,752

(1) FFO available to all stock and unitholders at December 31, 2010 contained a loss on extinguishment of debt of \$1,426, acquisition costs of \$1,467, a loss on impairment of collegiate housing assets of \$33,610, the straight-line effect of two long-term ground leases of \$984 and reorganization costs of \$447 compared to a gain on extinguishment of debt of \$830 and a loss on impairment of collegiate housing assets of \$3,173 in 2009.

## 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 or a reduction in student enrollment at our principal universities.

## Recently Adopted Accounting Pronouncements

In May 2009, the FASB issued new authoritative guidance on subsequent events. The new guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances

under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and is applied prospectively. The Trust adopted this authoritative guidance during the three months ended September 30, 2009. In February 2010, the FASB amended the authoritative guidance on subsequent events to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The new guidance is effective upon issuance and had no impact on the Trust's consolidated financial statements.

In June 2009, the FASB issued guidance to establish only two levels of GAAP, authoritative and nonauthoritative. The FASB Accounting Standards Codification, or the Codification, is the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification is nonauthoritative. This standard is effective



## TABLE OF CONTENTS

for financial statements issued for fiscal years and interim periods ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the consolidated financial statements.

In June 2009, the FASB issued authoritative guidance to improve financial reporting by enterprises involved with variable interest entities. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2009, with early adoption prohibited. The adoption had no impact on the Trust's consolidated financial statements.

In January 2010, the FASB updated the authoritative guidance for accounting and reporting for decreases in ownership of a subsidiary. The updated guidance clarifies the scope of the guidance related to a decrease in ownership provisions and expands the disclosures related to the deconsolidation of a subsidiary or group of assets. The updated guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The adoption had no impact on the Trust's consolidated financial statements.

## **Recently Issued Accounting Pronouncements**

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 is not expected to have a material impact on the consolidated financial statements.

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 is not expected to have a material impact on the consolidated financial statements.

TABLE OF CONTENTS

## **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. At December 31, 2010, we had fixed rate debt of \$307,997. Holding other variables constant a 100 basis point increase in interest rates would cause an \$11,995 decline in the fair value for our fixed rate debt. Conversely, a 100 basis point decrease in interest rates would cause a \$12,770 increase in the fair value of our fixed rate debt. At December 31, 2010, 83.9% of the outstanding principal

amounts of our mortgage notes payable on the communities we own have fixed interest rates with a weighted average rate of 5.93% and an average term to maturity of 4.77 years.

At December 31, 2010, we had borrowed \$23,691 on construction loans related to the development of wholly owned collegiate apartment communities. These loans bear interest equal to LIBOR plus an applicable margin with \$8,826 and \$14,865 maturing in 2011 and 2012, respectively. We have the option to extend the loan maturing in 2011 to 2013 if certain debt service coverage ratio requirements are maintained.

Additionally, in 2008, we borrowed \$49,874 to refinance mortgage debt. The loans bear interest at 30-day LIBOR plus an applicable margin and mature on January 1, 2014. In order to hedge the interest rate risk associated with these loans, the Operating Partnership purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for \$120. The interest rate cap effectively limits the interest rate on \$49,874 of the refinanced mortgage debt at 7.0% per annum through December 31, 2013. The Operating Partnership has chosen not to designate the cap as a hedge and will recognize all gain or loss associated with this derivative instrument in earnings.

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.

TABLE OF CONTENTS

## **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, 2010 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, 2010. 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, 2010 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.

61

---

TABLE OF CONTENTS

## **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, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. We also have audited the Trust's internal control over financial reporting as of December 31, 2010, 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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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, 2010, 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 7, 2011

62

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

	2010	2009
	(Amounts in thousands, except share and per share data)	
Assets:		
Collegiate housing properties, net	\$652,603	\$ 749,884
Collegiate housing properties held for sale	45,044	
Assets under development	1,146	
Corporate office furniture, net	855	1,118
Cash and cash equivalents	6,958	31,169
Restricted cash	4,791	4,579
Student contracts receivable, net	309	386
Receivable from affiliate		18
Receivable from managed third parties	527	277
Goodwill and other intangibles, net	3,284	3,073
Other assets	21,163	14,109
Total assets	\$736,680	\$ 804,613
Liabilities:		
Mortgage and construction loans, net of unamortized premium/discount	\$367,631	\$ 406,365
Revolving line of credit	3,700	
Accounts payable	984	235
Accrued expenses	17,340	11,423
Deferred revenue	12,243	10,346
Total liabilities	401,898	428,369
Commitments and contingencies (see Note 16)		
Redeemable noncontrolling interests	10,039	11,079
Equity:		
Education Realty Trust, Inc. stockholders' equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized, 58,657,056 and 56,705,605 shares issued and outstanding as of December 31, 2010 and 2009, respectively	587	567
Preferred shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	414,850	410,455
Accumulated deficit	(90,694 )	(48,636 )
Total Education Realty Trust, Inc. stockholders' equity	324,743	362,386
Noncontrolling interests		2,779
Total equity	324,743	365,165
Total liabilities and equity	\$736,680	\$ 804,613
See accompanying notes to the consolidated financial statements.		



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

	2010	2009	2008
	(Amounts in thousands, except share and per share data)		
Revenues:			
Collegiate housing leasing revenue	\$99,198	\$96,822	\$94,704
Other leasing revenue	191		3,124
Third-party development services	2,483	8,178	8,303
Third-party management services	3,189	3,221	3,672
Operating expense reimbursements	14,519	9,722	10,796
Total revenues	119,580	117,943	120,599
Operating expenses:			
Collegiate housing leasing operations	48,430	47,889	48,314
General and administrative	17,401	15,752	16,348
Depreciation and amortization	26,269	24,091	24,257
Ground lease expense	1,528	207	105
Loss on impairment of collegiate housing properties	7,425	1,726	1,633
Loss on impairment of goodwill			388
Reimbursable operating expenses	13,603	9,722	10,796
Total operating expenses	114,656	99,387	101,841
Operating income	4,924	18,556	18,758
Nonoperating expenses:			
Interest expense	19,787	21,077	21,398
Amortization of deferred financing costs	1,192	939	815
Loss (gain) on extinguishment of debt		(830)	4,360
Interest income	(414)	(469)	(367)
Total nonoperating expenses	20,565	20,717	26,206
Loss before equity in losses of unconsolidated entities, income taxes and discontinued operations	(15,641)	(2,161)	(7,448)
Equity in losses of unconsolidated entities	(260)	(1,410)	(196)
Loss before income taxes and discontinued operations	(15,901)	(3,571)	(7,644)
Income tax expense	442	1,905	1,102
Loss from continuing operations	(16,343)	(5,476)	(8,746)
Discontinued operations:			
Income (loss) from operations of discontinued operations	(26,559)	(1,615)	671
Gain on sale of collegiate housing property	611		
Income (loss) from discontinued operations	(25,948)	(1,615)	671
Net loss	(42,291)	(7,091)	(8,075)
Less: Net income (loss) attributable to the noncontrolling interests	(233)	164	(128)
Net loss attributable to Education Realty Trust, Inc.	\$(42,058)	\$(7,255)	\$(7,947)
Earnings per share information:			
Net loss attributable to Education Realty Trust, Inc. common stockholders per share			
Continuing operations	\$ (0.28)	\$ (0.14)	\$ (0.31)



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Discontinued operations	(0.45	)	(0.04	)	0.03
Net loss attributable to Education Realty Trust, Inc. common stockholders per share	\$(0.73	)	\$(0.18	)	\$(0.28
Weighted average common shares outstanding basic and diluted	57,535,698		40,495,558		28,512,777
Amounts attributable to Education Realty Trust, Inc. common stockholders:					
Loss from continuing operations, net of tax	\$(16,502	)	\$(5,689	)	\$(8,592
Income (loss) from discontinued operations, net of tax	(25,556	)	(1,566	)	645
Net loss	\$(42,058	)	\$(7,255	)	\$(7,947
Distributions per common share	\$0.20		\$0.36		\$0.82
See accompanying notes to the consolidated financial statements.					

64

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TABLE OF CONTENTS

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Years Ended December 31,

### (Amounts in thousands, except shares)

	Common Stock		Additional	Accumulated	Noncontrolling	Total
	Shares	Amount	Paid-In Capital	Deficit	Interests	
Balance, December 31, 2007	28,431,855	\$ 284	\$330,969	\$(33,434 )	\$ 3,242	\$ 301,061
Common stock issued to officers and directors	8,000		101			101
Amortization of restricted stock	36,000	1	604			605
Cash dividends			(23,379 )		(259 )	(23,638 )
PIU Repurchase			61		(61 )	
PIUs Issued					49	49
Net loss				(7,947 )	(53 )	(8,000 )
Balance, December 31, 2008	28,475,855	285	308,356	(41,381 )	2,918	270,178
Common stock issued:						
Proceeds from issuances, net of offering costs	28,175,000	282	115,851			116,133
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
Common stock issued:						
Proceeds from issuances, net of offering costs	1,802,931	19	12,435			12,454
To officers and directors	34,000		336			336
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

See accompanying notes to the consolidated financial statements.

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

	2010	2009	2008
	(Amounts in thousands)		
Operating activities:			
Net loss	\$(42,291)	\$(7,091 )	\$(8,075 )
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	26,269	24,091	24,257
Depreciation included in discontinued operations	4,111	5,023	5,160
Deferred tax expense (benefit)	(841 )	228	59
Loss on disposal of assets	32	28	532
Gain on sale of collegiate housing property	(611 )		
Noncash rent expense related to the straight line adjustment for long-term ground leases	984		
Gain on redemption of noncontrolling interest		(60 )	
Loss on impairment of collegiate housing properties	7,425	1,726	1,633
Loss on impairment of collegiate housing properties included in discontinued operations	26,185		
Loss on impairment of goodwill			388
Loss (gain) on extinguishment of debt		(830 )	4,360
Loss on extinguishment of debt included in discontinued operations	1,426		
Amortization of deferred financing costs	1,192	939	815
Amortization of deferred financing costs included in discontinued operations	84	108	177
Loss (gain) on interest rate cap	235	(204 )	38
Amortization of unamortized debt premiums/discounts	(398 )	(406 )	(470 )
Distributions of earnings from unconsolidated entities	388	393	277
Noncash compensation expense related to stock-based incentive awards	783	677	761
Equity in losses of unconsolidated entities	260	1,410	196
Change in operating assets and liabilities (net of acquisitions):			
Student contracts receivable	(20 )	112	(204 )
Management fees receivable	(250 )	124	205
Other assets	(1,606 )	5,461	(5,678 )
Accounts payable and accrued expenses	6,286	1,063	(446 )
Accounts receivable (payable) affiliate	18	7	(67 )
Deferred revenue	2,608	436	2,093
Net cash provided by operating activities	32,269	33,235	26,011
Investing activities:			
Property acquisitions, net of cash acquired	(45,500)		
Purchase of corporate furniture and fixtures	(173 )	(209 )	(317 )
Restricted cash	(212 )	1,016	2,593
Insurance proceeds received from property damage		234	613
Investment in collegiate housing properties	(17,978)	(11,298)	(13,986 )
Proceeds from sale of assets			2,578
Net proceeds from sale of collegiate housing properties	25,682	210	
Payments on notes receivable	2,148		

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Loan to participating development	(9,872 )		
Investment in assets under development	(1,146 )	(31,098)	(22,576 )
Distributions from unconsolidated entities	777		
Investments in unconsolidated entities	(40 )	(493 )	(561 )
Net cash used in investing activities	(46,314)	(41,638)	(31,656)
See accompanying notes to the consolidated financial statements.			

66

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TABLE OF CONTENTS

	2010	2009	2008
	(Amounts in thousands)		
Financing activities:			
Payment of mortgage and construction notes	(13,222)	(101,631)	(212,038)
Borrowings under mortgage and construction loans		66,143	233,827
Debt issuance costs	6	(2,676 )	(2,363 )
Debt extinguishment costs	(629 )	830	(4,295 )
Interest rate cap issuance cost			(120 )
Borrowings on line of credit	31,700	28,000	68,600
Repayments of line of credit	(28,000)	(60,900 )	(47,200 )
Proceeds from issuance of common stock	12,599	122,561	
Payment of offering costs	(158 )	(6,428 )	
Redemption of noncontrolling interests	(167 )		
Dividends and distributions paid to common and restricted stockholders	(11,477)	(14,491 )	(23,379 )
Dividends and distributions paid to noncontrolling interests	(818 )	(839 )	(2,418 )
Net cash provided by (used in) financing activities	(10,166)	30,569	10,614
Net increase (decrease) in cash and cash equivalents	(24,211)	22,166	4,969
Cash and cash equivalents, beginning of period	31,169	9,003	4,034
Cash and cash equivalents, end of period	\$6,958	\$31,169	\$9,003
Supplemental disclosure of cash flow information:			
Interest paid	\$19,764	\$25,269	\$26,828
Income taxes paid	\$1,456	\$1,658	\$755
Supplemental disclosure of noncash activities:			
Redemption of noncontrolling interests from unit holder	\$	\$109	\$893
Note receivable received in connection with sale of collegiate housing property		2,300	
See accompanying notes to the consolidated financial statements.			

TABLE OF CONTENTS

## **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:

Allen & O Hara Education Services, Inc. ( AOES ), a Delaware corporation performing collegiate housing management activities.

Allen & O Hara Development Company, LLC ( AODC ), a Delaware limited liability company providing development consulting services for third party collegiate housing properties.

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 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 consolidated statements of operations, food service revenue had previously been presented separately from collegiate housing leasing revenue and ground leases had previously been included in collegiate housing leasing operations expenses. The reclassification of food service revenue to collegiate housing leasing revenue and ground leases to separate presentation in the 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.

## TABLE OF CONTENTS

### **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, 2010, the Trust had \$5,546 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 to fund 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 properties' 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. On January 1, 2009, the Trust adopted the authoritative guidance issued by the Financial Accounting Standards Board ( FASB ), which prospectively changed the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in

the acquiree and the goodwill acquired. The guidance also enhanced the disclosures to enable the evaluation of the nature and financial effects of the business combination and requires that pre-acquisition costs be expensed as incurred. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a property, were accounted for as part of the purchase price prior to the adoption of the guidance issued by the FASB.

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.

When a collegiate housing property 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 property has met the held for sale criteria. Operations of collegiate housing properties that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. During the year ended December 31, 2010, ten 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 (see Note 5). Accordingly, as of December 31, 2010, five of these properties were classified as held for sale in the accompanying consolidated balance sheet.

## **Deferred financing costs**

Deferred financing costs represent costs incurred in connection with acquiring debt facilities. There were no deferred financing costs incurred during the year ended December 31, 2010. The costs incurred during the years ended December 31, 2009 and 2008 were \$2,676 and \$2,363, respectively, and are being amortized over the terms of the related debt using a method that approximates the effective interest method.

Amortization expense totaled \$1,192, \$939 and \$815 for the years ended December 31, 2010, 2009 and 2008, respectively. At December 31 2010 and 2009, accumulated amortization

## TABLE OF CONTENTS

totaled \$5,597 and \$4,462, respectively. Deferred financing costs, net of accumulated amortization, are included in other assets in the accompanying consolidated balance sheets (see Note 7).

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

Specific incremental costs directly attributable to the issuance of common stock are charged against the gross proceeds. 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 June 2, 2010, the Trust entered into two equity distribution agreements. Pursuant to the terms and conditions of the agreements, the Trust may issue and sell shares of its common stock having an aggregate offering amount of up to \$50,000. Sales of the common stock will depend upon market conditions and other factors to be determined by the Trust and may be 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 has no obligation to sell any of the common stock, and may at any time suspend offers under the agreements or terminate the agreements. As of December 31, 2010, the Trust had sold 1,791,600 shares of common stock under the equity distribution program for net proceeds of approximately \$12,384.

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 of directors, 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. Total compensation expense relating to the ESPP was \$13 for the year ended December 31, 2010.

On July 28, 2009, the Trust completed a follow-on common stock offering, selling 28,175,000 shares of the Trust's common stock, including 3,675,000 shares issued as a result of the exercise of the underwriters' overallotment option in full at closing, at a price of \$4.35 per share to the public. The offering generated gross proceeds of \$122,561. The net proceeds to the

Trust, after the underwriting discount and other expenses of the offering were approximately \$116,133.

## **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, 2010 and 2009, the Trust had net unamortized debt premiums of \$400 and \$797, 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 taxable income for each tax year to its stockholders and meets certain other requirements. REITs are subject to a number of organizational and

operational requirements. If the Trust fails to qualify as a REIT in 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 its management company, AOES, as a taxable REIT subsidiary ( TRS ). The TRS is subject to federal, state and local income taxes. AOES manages the Trust's non-REIT activities which include management services and development services, which are provided through AODC. Deferred tax 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, 2010, 2009 and 2008. As of December 31, 2010, 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, 2010, open tax years include tax years for 2007, 2008 and 2009. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. At December 31, 2010, 2009 and 2008 the Trust had no interest or penalties recorded related to unrecognized tax benefits.

70

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TABLE OF CONTENTS**Noncontrolling interests**

On January 1, 2009, the Trust adopted the authoritative guidance issued by the FASB that changed the accounting and reporting for noncontrolling interests. The guidance established the accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interests, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The guidance also established disclosure requirements to clearly distinguish between the interests of the parent and the interests of the noncontrolling owners. The Operating Partnership Units, the University Towers Operating Partnership Units and profits interest units ( PIU ) (see Note 9) are now referred to as noncontrolling interests (formerly minority interests).

In connection with the adoption, the Trust also considered the guidance issued by the 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 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 statement 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:

	2010	2009
Beginning balance redeemable noncontrolling interests	\$ 11,079	\$ 11,751
Conversion of operating partnership units to common stock		(109 )
Net income (loss) attributable to redeemable noncontrolling interests	(244 )	177
Distributions attributable to redeemable noncontrolling interests	(796 )	(740 )
Ending balance redeemable noncontrolling interests	\$ 10,039	\$ 11,079

The PIUs were determined to be noncontrolling interests that are not redeemable and accordingly these amounts were reclassified to equity in the accompanying consolidated balance sheets and statements of changes in equity. The PIU holder's share of income or loss is reported in the accompanying consolidated statements of operations as net income attributable to noncontrolling interests. During June 2010, all of the outstanding PIUs were redeemed by the Trust for \$167 of cash and 50,826 shares of common stock that had a market value of \$314 (see Note 9).

**Earnings per share**

Basic earnings per share is calculated by dividing net earnings available to common shares by weighted average common shares outstanding. Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. Beginning January 1, 2009, the Trust adopted the authoritative guidance on determining whether certain instruments are participating securities. All unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are to be included

in the computation of earnings per share under the two-class method. This resulted in shares of unvested restricted stock being included in the computation of basic earnings per share for all periods presented. The adoption did not have a material impact on the consolidated financial statements.

71

---

TABLE OF CONTENTS

At December 31, 2010, 2009 and 2008, 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:

	2010	2009	2008
Operating Partnership units	903,738	903,738	913,738
University Towers Operating Partnership units	207,257	207,257	207,257
Profits Interest Units		275,000	275,000
Total potentially dilutive securities	1,110,995	1,385,995	1,395,995

A reconciliation of the numerators and denominators for the basic and diluted earnings per share computations is not required 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 as the funds are not available for current 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 carrying value of goodwill was \$3,070 at December 31, 2010 and 2009. During the fourth quarter of 2008, the Trust performed an impairment test that indicated the carrying value of the goodwill recorded on the collegiate housing leasing segment was not recoverable. The Trust utilized the discounted cash flow present value technique to determine the fair value of the reporting unit resulting in an impairment of \$388. No additional impairment has been recorded through December 31, 2010. As of

December 31, 2010 and 2009, there is no goodwill recorded on the collegiate housing leasing segment, \$2,149 of goodwill recorded on the management services segment and \$921 of goodwill 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 \$214 and \$3 at December 31, 2010 and 2009, 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 cost 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 in the accompanying consolidated balance sheets (see Note 8). As of December 31, 2010 and 2009, 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  
APF EDR, LP, a Delaware limited partnership, 10% owned by the Operating Partnership  
APF EDR Food Services, LP, a Delaware limited partnership, 10% owned by the Operating Partnership  
WEDR Stinson Investors V, LLC, a Delaware limited liability company, 10% owned by the Operating Partnership

TABLE OF CONTENTS**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 properties owned by the Trust, management fees related to managing third-party collegiate housing properties, development consulting fees related to the general oversight of third-party collegiate housing development and operating expense reimbursements for payroll and related expenses incurred for third-party collegiate housing properties 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, 2010, 2009 and 2008:

	2010	2009	2008
Balance, beginning of period	\$207	\$141	\$173
Provision for uncollectible accounts	1,567	1,836	1,327
Deductions	(1,645)	(1,770)	(1,359)
Balance, end of period	\$129	\$207	\$141

*Other leasing revenue* On August 1, 2010, the Trust leased the student housing community known as Collegiate Village located in Macon, Georgia to Macon State College ( MSC ) for monthly rent of \$30 for a period of one year. MSC will operate and manage the property while the lease is in place. MSC has the option to renew the lease for one additional year or has the option to purchase the property for \$7,500 plus the cost of capital improvements made at the request of MSC. The purchase option can be exercised at any time between February 28, 2011 and July 31, 2011. During the year ended December 31, 2010, the Trust recognized \$191 in other leasing revenue related to the lease.

Other leasing revenue also relates to our leasing of the 13 properties ( Place Portfolio ) we acquired from Place Properties, Inc. ( Place ) in January 2006. Simultaneous with the acquisition of the Place Portfolio, the Trust leased the assets to Place and received base monthly rent of \$1,145 and had the right to receive Additional Rent annually if the



properties exceeded certain criteria defined in the lease agreement. Base rent was recognized on a straight-line basis over the lease term and Additional Rent was recognized only upon satisfaction of the defined criteria. The lease was terminated on February 1, 2008. In connection with the termination of the lease, Place paid the Operating Partnership a lease termination fee of \$6,000.

*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 - 5% of the total estimated costs, and we typically receive a portion of the fees up front. These fees, including the upfront 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

73

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## TABLE OF CONTENTS

after construction is complete. For the years ended December 31, 2010, 2009 and 2008, there were no contingent fees and \$3,337 and \$1,944, respectively, recognized related to cost savings agreements on development projects.

On July 14, 2010, the Trust entered into definitive agreements for the development, financing and management of a \$60,700, 20-story, 572-bed graduate student 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 \$18,000 second mortgage, (c) receive a \$3,000 fee for providing a repayment guarantee of the construction first mortgage, and (d) receive a 10-year management contract. At December 31, 2010, the note receivable for the second mortgage had a balance of \$9,872 and is recorded in other assets in the accompanying consolidated balance sheet (see Note 7). 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.

*Third-party management services revenue* The Trust enters into management contracts to manage third-party collegiate housing facilities. 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 properties 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 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 \$2,473, \$2,441 and \$2,195 for the years ended December 31, 2010, 2009 and 2008, 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

The Trust adopted the Education Realty Trust, Inc. 2004 Incentive Plan (the Plan ) effective upon the closing of the Offering. The Plan is described more fully in Note 9. The Trust recognizes compensation costs related to share-based payments in the 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. At December 31, 2010, the carrying amount and estimated fair value of the fixed rate mortgage notes payable was \$307,997 and \$312,811, respectively. At December 31, 2009, the carrying amount and estimated fair value of the mortgage notes payable was \$327,368 and \$333,344, respectively. At December 31, 2010, the Trust had \$3,700 outstanding on the revolving credit facility, which bears interest at variable rates and therefore cost approximates market value. No amounts were outstanding on the revolving credit facility as of December 31, 2009. Additionally, the Trust holds various variable rate construction and mortgage debt with a carrying value of \$59,234 and \$78,200 on December 31, 2010 and 2009, respectively, which also approximates market value.

TABLE OF CONTENTS

## **Recent accounting pronouncements**

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 is not expected to have a material impact on the consolidated financial statements.

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 is not expected to have a material impact on the consolidated financial statements.

In May 2009, the FASB issued new authoritative guidance on subsequent events. The new guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances

under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and is applied prospectively. The Trust adopted this authoritative guidance during the three months ended September 30, 2009. In February 2010, the FASB amended the authoritative guidance on subsequent events to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The new guidance is effective upon issuance and had no impact on the Trust's consolidated financial statements.

In June 2009, the FASB issued guidance to establish only two levels of GAAP, authoritative and nonauthoritative. The FASB Accounting Standards Codification (the Codification) is the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification is nonauthoritative. This standard is effective for financial statements issued for fiscal years and interim periods ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the consolidated financial statements.

In June 2009, the FASB issued authoritative guidance to improve financial reporting by enterprises involved with variable interest entities. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2009, with early adoption prohibited. The adoption had no impact on the Trust's consolidated financial statements.

In January 2010, the FASB updated the authoritative guidance for accounting and reporting for decreases in ownership of a subsidiary. The updated guidance clarifies the scope of the guidance related to a decrease in ownership provisions and expands the disclosures related to the deconsolidation of a subsidiary or group of assets. The updated guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The adoption had no impact on the Trust's consolidated financial statements.

TABLE OF CONTENTS**3. Income taxes**

Deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities of the TRS for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets and liabilities at December 31, 2010 and 2009, respectively, are as follows:

	2010	2009
Deferred tax assets:		
Deferred revenue	\$958	\$ 35
Depreciation and amortization	95	113
Accrued expenses	132	166
Straight line rent	50	81
Total deferred tax assets	1,235	395
Deferred tax liabilities:		
Amortization of management contracts intangible		(1 )
Net deferred tax assets	\$1,235	\$ 394

Significant components of the income tax provision (benefit) for the years ended December 31, 2010, 2009 and 2008, respectively, are as follows:

	2010	2009	2008
Deferred:			
Federal	\$(719 )	\$ 197	\$ 26
State	(122 )	31	33
Deferred expense (benefit)	(841 )	228	59
Current:			
Federal	1,028	1,333	802
State	255	344	241
Current expense	1,283	1,677	1,043
Total provision	\$442	\$ 1,905	\$ 1,102

TRS earnings subject to tax consisted of \$1,051, \$3,601 and \$2,596 for the years ended December 31, 2010, 2009 and 2008, 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:

**4. Acquisition and development of real estate investments**

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 (UVA) in Charlottesville, Virginia. The purchase price was \$45,739 with related acquisition costs of \$1,467 that are included in general and administrative costs in the accompanying consolidated statement of operations for the year ended December 31, 2010. 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 \$27,000. 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 higher of 3% or the consumer price index for the life of the lease. The Trust recognizes the minimum 3% annual increase in rent expense

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on a straight-line basis. For the year-ended December 31, 2010, the Trust recognized \$874 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
Collegiate housing properties	\$ 45,194
Other assets	545
Current liabilities	(267 )
Total net assets acquired	\$ 45,472

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

	Revenue	Net loss
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)

(1) 2010 supplemental pro forma earnings were adjusted to exclude \$1,389 of acquisition-related costs incurred in 2010. 2009 supplemental pro forma earnings were adjusted to include these charges.

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

## TABLE OF CONTENTS

the University of Texas at Austin campus. This will be the Trust's third wholly owned development and second project under the ONE Plan. As of December 31, 2010, the Trust had incurred \$848 in costs for the project which is expected to open in July of 2013. During the year ended December 31, 2010, the Trust capitalized interest costs of \$11 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. EDR will develop, own and manage the collegiate housing communities in these first two phases. As of December 31, 2010, the Trust had incurred \$298 in project costs and capitalized interest costs of \$2 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.

On June 28, 2007, the Trust acquired land in Carbondale, Illinois for \$1,099 in order to develop a wholly owned collegiate housing community near Southern Illinois University. After the acquisition, the Trust incurred an additional \$20,580 and \$11,797 in costs to develop the first and second phases of the development which opened in August of 2008 and 2009, respectively. During the years ended December 31, 2009 and 2008, the Trust capitalized interest costs of \$67 and \$386, respectively, related to the development.

During 2008, the Trust also began development of a wholly-owned collegiate housing community located on the campus of Syracuse University. The Trust incurred \$25,792 in costs to develop the community which opened in August of 2009. In addition, the Trust owns and manages the community under a long-term ground lease from Syracuse University (see Note 13). During the years ended December 31, 2009 and 2008, the Trust capitalized interest costs of \$487 and \$67 related to the development.

All costs related to completed developments discussed above are classified in collegiate housing properties, net in the accompanying consolidated balance sheets.

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

In October 2010, the Trust entered into two separate sales agreements to sell nine collegiate housing communities with a net carrying value of \$83,500. 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  
The Pointe at Southern, serving Georgia Southern University in Statesboro, Georgia.

The gross sales price for the first agreement was \$38,673 with net proceeds of approximately \$20,548 after repayment of related debt of \$17,252 (see Note 10) and other closing costs. The Trust recorded a loss on early extinguishment of debt of \$912 related to costs associated with the early repayment of debt and the write off of unamortized deferred financing costs. The resulting gain on disposition of \$77 is included in discontinued operations in the accompanying consolidated statement of operations for the year ended December 31, 2010.



The second agreement closed on January 19, 2011 and included the following five properties (see Note 18):

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

Accordingly, the results of operations of all nine 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.

77

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TABLE OF CONTENTS

On November 19, 2010, the Trust sold the Reserve at Clemson ( Clemson ) collegiate housing property for a sales price of \$14,350 resulting in net proceeds of approximately \$1,157 after the repayment of \$12,000 in mortgage debt (see Note 10) and other closing costs. The Trust recorded a loss on early extinguishment of debt of \$514 related to costs associated with the early repayment of debt and the write off of unamortized deferred financing costs. The resulting gain on disposition of \$534 is included in discontinued operations in the accompanying consolidated statement of operations for the year ended December 31, 2010. Accordingly, the results of operations of Clemson are included in discontinued operations in the accompanying consolidated statements of operations for all periods presented. The Trust ceased depreciation on the property when it met the held for sale criteria.

On April 7, 2009, the Trust sold the College Station student housing community for a sales price of \$2,550. The Trust received proceeds of \$250 and a note receivable of \$2,300. The note was interest only and accrued interest at a rate of 3% per annum through August 31, 2009. Beginning on September 1, 2009, the note accrued interest at a rate of 6% per annum and was payable in monthly installments through December 31, 2010 (the maturity date ). Due to the fact no default existed at the maturity date, the note was extended to June 30, 2011. Going forward payments of principal and interest (at a rate of 6% per annum) will be made on a monthly basis. Any unpaid principal and interest will be due in full on June 30, 2011. The resulting net gain on disposition of approximately \$374 has been deferred against the note receivable until such debt is paid in full. The accompanying consolidated statements of operations have been adjusted to reflect the results of operations of College Station as discontinued operations for the years ended December 31, 2009 and 2008.

The following table summarizes the 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, 2010, 2009 and 2008:

	2010	2009	2008
Collegiate housing leasing revenue	\$16,741	\$16,386	\$15,240
Other leasing revenue			4,021
Collegiate housing leasing operating expenses	(9,101 )	(9,362 )	(9,428 )
Depreciation and amortization	(4,111 )	(5,024 )	(5,160 )
Loss on impairment	(26,186)		
Interest expense	(2,392 )	(3,507 )	(3,825 )
Amortization of deferred financing costs	(84 )	(108 )	(177 )
Loss on extinguishment of debt	(1,426 )		
Noncontrolling interests	402	49	(26 )
Income/(loss) from discontinued operations attributable to Education Realty Trust, Inc.	\$(26,157)	\$(1,566)	\$645

Gain on sale of collegiate housing property	\$611	\$	\$
Noncontrolling interests	(9	)	
Gain on sale of collegiate housing property attributable to Education Realty Trust, Inc.	\$602	\$	\$

During 2008, the Trust sold the parking garage and land associated with the University Towers residence hall to a unit holder for a loss of \$512. The Trust redeemed the unit holder's units and received cash valued at \$2,616. The loss on the sale is included in the collegiate housing leasing operations expense in the accompanying consolidated statement of operations for the year ended December 31, 2008. The Trust simultaneously entered into a 40-year ground lease (see Note 13).

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

Collegiate housing properties consist of the following at December 31, 2010 and 2009, respectively:

	2010	2009
Land	\$54,800	\$58,511
Land improvements	51,019	52,133
Construction in progress	3,237	2,467
Buildings	697,119	731,330
Furniture, fixtures and equipment	48,976	46,950
	855,151	891,391
Less accumulated depreciation	(156,358)	(141,507)
Collegiate housing properties, net	\$698,793	\$749,884

Following is certain information related to investment in collegiate housing properties as of December 31, 2010:

Property(4)	Initial Cost				Total Costs				Accumulated Depreciation(5)	Date of Acquisition/Construction
	Encumbrances	Land	Buildings and Improvements	Total	Cost Capitalized Subsequently	Land	Buildings and Improvements	Total		
University Towers	\$25,000	\$	\$28,652	\$28,652	\$2,848	\$	\$31,500	\$31,500	\$7,638	01/31/05
The Reserve at Athens		1,740	17,985	19,725	839	1,740	18,824	20,564	3,929	01/31/05
Players Club		727	7,498	8,225	1,018	727	8,516	9,243	1,909	01/31/05
NorthPointe	18,800	2,498	27,323	29,821	1,463	2,498	28,786	31,284	6,388	01/31/05
The Pointe at South Florida(1)	8,467	3,508	30,510	34,018	4,116	3,508	34,626	38,134	7,803	01/31/05
The Reserve on Perkins	15,140	913	15,795	16,708	1,833	913	17,628	18,541	4,116	01/31/05
The Commons at Knoxville(1)	21,282	4,630	18,386	23,016	1,625	4,630	20,011	24,641	4,678	01/31/05
The Reserve at Tallahassee		2,743	21,176	23,919	2,786	2,743	23,962	26,705	5,372	01/31/05
The Pointe at Western(3)	3,804	1,096	30,647	31,743	2,759	1,096	33,406	34,502	7,338	01/31/05
College Station at W. Lafayette(2)	19,123	1,887	19,528	21,415	1,872	1,887	21,400	23,287	5,179	01/31/05
The Commons on Kinneer(3)	10,142	1,327	20,803	22,130	1,285	1,327	22,088	23,415	4,617	01/31/05
The Pointe at Penn State(2)	28,039	2,151	35,094	37,245	2,195	2,151	37,289	39,440	8,136	01/31/05
The Reserve at Star Pass(2)	23,316	1,585	30,810	32,395	1,667	1,585	32,477	34,062	7,246	01/31/05
The Reserve at Columbia(1)	14,664	1,071	26,134	27,205	1,373	1,071	27,507	28,578	5,691	01/31/05
	6,849	1,181	26,758	27,939	1,831	1,181	28,589	29,770	6,765	01/31/05

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The Reserve on Frankford										
The Lofts	27,000	2,801	34,117	36,918	1,141	2,801	35,258	38,059	7,070	01/31/05
The Reserve on West 31st		1,896	14,920	16,816	2,581	1,896	17,501	19,397	4,049	01/31/05
Campus Creek		2,251	21,604	23,855	1,717	2,251	23,321	25,572	5,349	02/22/05
Pointe West	10,250	2,318	10,924	13,242	890	2,318	11,814	14,132	2,939	03/17/05
Campus Lodge	34,668	2,746	44,415	47,161	1,293	2,746	45,708	48,454	9,103	06/07/05
College Grove(1)	14,489	1,334	19,270	20,604	2,789	1,334	22,059	23,393	5,634	04/27/05
The Reserve on South College(3)	8,622	1,744	10,784	12,528	2,210	1,744	12,994	14,738	3,331	07/06/05
The Avenue at Southern(3)	6,126	2,028	10,675	12,703	2,753	2,028	13,428	15,456	2,902	06/15/06
The Reserve at Saluki Pointe(6)	14,865	1,099	32,377	33,476	675	1,099	33,052	34,151	2,327	08/01/08 <sup>(6)</sup>
University Apartments on Colvin	8,826		25,792	25,792	(107 )		25,685	25,685	1,285	08/01/09
University of Texas Austin Storrs Center			849	849			849	849		08/01/10
Troy Place(7)	9,550	523	12,404	12,927	963	523	13,367	13,890	2,368	01/01/06
The Reserve at Jacksonville		628	14,532	15,160	(5,260)	628	9,272	9,900	2,689	01/01/06
Macon Place		340	9,856	10,196	(839 )	340	9,017	9,357	1,909	01/01/06
Clayton Station		4,291	28,843	33,134	(8,508)	4,291	20,335	24,626	4,840	01/01/06
Carrollton Crossing(8)	4,024	682	12,166	12,848	908	682	13,074	13,756	2,148	01/01/06
River Pointe(9)	11,794	837	17,746	18,583	846	837	18,592	19,429	3,279	01/01/06

79

TABLE OF CONTENTS

Property(4)	Initial Cost				Total Costs				Accumulated Depreciation(5)	Date of Completion(5)
	Encumbrances	Land	Buildings and Improvements	Total	Cost Capitalized Subsequently	Land	Buildings and Improvements	Total		
The Chase at Murray(8)	\$3,575	\$550	\$8,864	\$9,414	\$33	\$550	\$8,897	\$9,447	\$1,926	01/08
Cape Trails(9)	11,212	445	11,207	11,652	944	445	12,151	12,596	2,121	01/08
Clemson Place(7)	7,604	759	10,317	11,076	(970)	759	9,347	10,106	1,821	01/08
GrandMarc at the corner			45,384	45,384	65		45,449	45,449	224	10/08
The Reserve at Martin		471	11,784	12,255	490	471	12,274	12,745	2,239	01/08
Totals	\$367,231	\$54,800	\$766,227	\$821,027	\$34,124	\$54,800	\$800,351	\$855,151	\$156,358	

(1) The Pointe at South Florida, College Grove, The Commons at Knoxville and The Reserve at Columbia are cross collateralized against the \$58,902 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 \$70,478 outstanding loan discussed in Note 10.

(3) The Pointe at Western, The Commons on Kinnear, The Reserve on South College and The Avenue at Southern are cross collateralized against the \$28,694 outstanding loan discussed in Note 10.

(4) All properties are garden-style collegiate housing communities except for University Towers which is a traditional residence hall and Storrs Center which will be a mixed-use town center and main street development project located in Storrs, Connecticut.

(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) Troy Place and Clemson Place are cross collateralized against the \$17,154 outstanding loan discussed in Note 10.

(8) Carrollton Crossing and The Chase at Murray are cross collateralized against the \$7,599 outstanding loan discussed in Note 10.

(9) River Pointe and Cape Trails are cross collateralized against the \$23,006 outstanding loan discussed in Note 10.

TABLE OF CONTENTS

The following table reconciles the historical cost of the Trust's investment in collegiate housing properties for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Balance, beginning of period	\$891,391	\$847,597	\$819,188
Collegiate housing acquisitions or completed developments	45,194	37,670	21,679
Collegiate housing dispositions	(66,639 )	(2,652 )	
Impairment loss	(33,610 )	(1,726 )	(1,633 )
Additions	19,124	11,298	13,986
Disposals	(309 )	(796 )	(5,623 )
Balance, end of period	\$855,151	\$891,391	\$847,597

The following table reconciles the accumulated depreciation of the Trust's investment in collegiate housing properties for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Balance, beginning of period	\$141,507	\$114,090	\$86,209
Depreciation	29,849	28,522	28,819
Disposals	(278 )	(535 )	(938 )
Collegiate housing dispositions	(14,720 )	(570 )	
Balance, end of period	\$156,358	\$141,507	\$114,090

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 2010, management determined that the carrying value of nine different 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 \$33,610 in the accompanying consolidated statement of operations. During 2009 and 2008, management determined that the carrying value of two different collegiate housing communities (one property in 2009 and the other in 2008) may not be recoverable due to a decline in occupancy and trends at the individual communities. The fair value of the properties was estimated and management recorded an impairment loss in the accompanying consolidated statements of operations for the years ended December 31, 2009 and 2008 of \$1,726 and \$1,633, respectively.

## 7. Corporate office furniture and other assets

As of December 31, 2010 and 2009, the Trust had corporate office furniture with a historical cost of \$3,282 and \$3,109, respectively, and accumulated depreciation of \$2,427 and \$1,991, 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 \$436, \$556 and \$544 for the years ended December 31, 2010, 2009 and 2008, respectively.

Other assets consist of the following at December 31, 2010 and 2009:

	2010	2009
Accounts receivable related to pre-development costs	\$31	\$1,563
Loan to participating property (see Note 2)	9,872	
Receivable for construction loan guarantee (see Note 2)	3,000	
Prepaid expenses	520	416
Deferred tax asset	1,235	394
Deferred financing costs	3,407	5,141
Investments in unconsolidated entities	64	1,450
Note receivable (see Note 12)		2,021
Note receivable (see Note 5)	2,300	2,300
Other	734	824
Total other assets	\$21,163	\$14,109

## 8. Investments in unconsolidated entities

The Trust's ownership in University Village-Greensboro LLC, WEDR Riverside Investors V, LLC, WEDR Stinson Investors V, LLC, APF EDR, LP, and APF EDR Food Services, LP 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.

Financial Position: As of December 31,	2010	2009
Total assets	\$91,067	\$134,781
Total liabilities	82,451	113,161
Equity	\$8,616	\$21,620
Trust's investment in unconsolidated entities	\$64	\$1,450



TABLE OF CONTENTS