

Edgar Filing: Education Realty Trust, Inc. - Form 10-Q

Education Realty Trust, Inc.
Form 10-Q
May 11, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

(I.R.S. 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

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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As of May 8, 2009, the latest practicable date, the Registrant had outstanding 28,518,966 shares of common stock, \$.01 par value per share.

EDUCATION REALTY TRUST, INC.
 FORM 10-Q
 QUARTER ENDED MARCH 31, 2009
 TABLE OF CONTENTS

	Page
PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets of Education Realty Trust, Inc. and Subsidiaries as of March 31, 2009 and December 31, 2008	3
Condensed Consolidated Statements of Operations of Education Realty Trust, Inc. and Subsidiaries for the three months ended March 31, 2009 and 2008	4
Condensed Consolidated Statements of Changes in Equity of Education Realty Trust, Inc. and Subsidiaries for the three months ended March 31, 2009 and the year ended December 31, 2008	6
Condensed Consolidated Statements of Cash Flows of Education Realty Trust, Inc. and Subsidiaries for the three months ended March 31, 2009 and 2008	7
Notes to Condensed Consolidated Financial Statements	9
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	37
Item 4. Controls and Procedures	38
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	39
Item 1A. Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3. Defaults Upon Senior Securities	40
Item 4. Submission of Matters to a Vote of Security Holders	40
Item 5. Other Information	40
Item 6. Exhibits	40
Signatures	41

Part I — Financial Information

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Assets:		
Student housing properties, net	\$ 727,005	\$ 731,400
Student housing properties – held for sale	2,082	2,107
Assets under development	15,910	6,572
Corporate office furniture, net	1,342	1,465
Cash and cash equivalents	8,889	9,003
Restricted cash	5,342	5,595
Student contracts receivable, net	413	533
Receivable from affiliate	25	25
Management fee receivable from third party	407	401
Goodwill and other intangibles, net	3,099	3,111
Other assets	13,019	17,435
Total assets	\$ 777,533	\$ 777,647
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and construction loans, net of unamortized premium/discount	\$ 444,787	\$ 442,259
Revolving line of credit	32,900	32,900
Accounts payable and accrued expenses	11,535	10,605
Deferred revenue	8,626	9,954
Total liabilities	497,848	495,718
Commitments and contingencies (see Note 6)	—	—
Redeemable noncontrolling interests	11,836	11,751
Equity:		
Education Realty Trust, Inc. stockholders' equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized, 28,488,855 and 28,475,855 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	285	285
Preferred shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	305,599	308,356
Accumulated deficit	(40,948)	(41,381)
Total Education Realty Trust, Inc. stockholders' equity	264,936	267,260
Noncontrolling interest	2,913	2,918
Total equity	267,849	270,178

Total liabilities and equity	\$	777,533	\$	777,647
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See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except share and per share data)

(Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenues:		
Student housing leasing revenue	\$ 28,720	\$ 26,231
Student housing food service revenue	593	655
Other leasing revenue	—	1,945
Third-party development services	1,457	1,787
Third-party management services	909	975
Operating expense reimbursements	2,190	2,619
Total revenues	33,869	34,212
Operating expenses:		
Student housing leasing operations	12,598	11,995
Student housing food service operations	572	633
General and administrative	3,994	3,937
Depreciation and amortization	7,164	7,569
Reimbursable operating expenses	2,190	2,619
Total operating expenses	26,518	26,753
Operating income	7,351	7,459
Nonoperating expenses:		
Interest expense	6,352	6,164
Amortization of deferred financing costs	301	243
Interest income	(49)	(118)
Total nonoperating expenses	6,604	6,289
Income before equity in earnings (losses) of unconsolidated entities, income taxes, redeemable noncontrolling interests and discontinued operations	747	1,170
Equity in earnings (losses) of unconsolidated entities	100	(1)
Income before income taxes, redeemable noncontrolling interests and discontinued operations	847	1,169
Income tax expense	188	191
Income from continuing operations before redeemable noncontrolling interests	659	978
Income attributable to redeemable noncontrolling interests	201	84
Income from continuing operations	458	894
Income (loss) from discontinued operations	(16)	8
Net income	442	902
Less: Net income attributable to the noncontrolling interest	9	13
Net income attributable to Education Realty Trust, Inc.	\$ 433	\$ 889

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	Three months ended March 31, 2009	Three months ended March 31, 2008
Earnings per share information:		
Income attributable to Education Realty Trust, Inc. common stockholders per share —		
basic:		
Continuing operations	\$ 0.02	\$ 0.03
Discontinued operations	—	—
Net income attributable to Education Realty Trust, Inc. common stockholders per share	\$ 0.02	\$ 0.03
Income attributable to Education Realty Trust, Inc. common stockholders per share —		
diluted:		
Continuing operations	\$ 0.02	\$ 0.03
Discontinued operations	—	—
Net income attributable to Education Realty Trust, Inc. common stockholders per share	\$ 0.02	\$ 0.03
Weighted average common shares outstanding – basic	28,516,522	28,508,788
Weighted average common shares outstanding – diluted	29,637,517	29,678,393
Amounts attributable to Education Realty Trust, Inc. – common stockholders:		
Income from continuing operations, net of tax	\$ 449	\$ 881
Income (loss) from discontinued operations, net of tax	(16)	8
Net income	433	889
Distributions per common share	\$ 0.1025	\$ 0.2050

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount				
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)	—	(260)	(23,639)
PIU's forfeited	—	—	61	—	(61)	—
PIU's issued	—	—	—	—	49	49
Net loss	—	—	—	(7,947)	(52)	(7,999)
Balance, December 31, 2008	28,475,855	285	308,356	(41,381)	2,918	270,178
Common stock issued to officers	4,000	—	15	—	—	15
Amortization of restricted stock	9,000	—	151	—	—	151
PIU's issued	—	—	—	—	13	13
Cash dividends	—	—	(2,923)	—	(27)	(2,950)
Net income	—	—	—	433	9	442
Balance, March 31, 2009	28,488,855	\$ 285	\$ 305,599	\$ (40,948)	\$ 2,913	\$ 267,849

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating activities:		
Net income	\$ 442	\$ 902
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,164	7,569
Depreciation included in discontinued operations	25	24
Deferred taxes	(38)	(144)
(Gain)/loss on disposal of assets	(71)	513
Amortization of deferred financing costs	301	243
Gain on interest rate cap	(8)	—
Amortization of unamortized debt premiums/discounts	(101)	(159)
Distributions of earnings from unconsolidated entities	85	58
Noncash compensation expense related to PIUs and restricted stock	192	213
Equity in (earnings) losses of unconsolidated entities	(100)	1
Redeemable noncontrolling interest	201	84
Change in operating assets and liabilities	4,317	(510)
Net cash provided by operating activities	12,409	8,794
Investing activities:		
Purchase of corporate furniture and fixtures	(23)	(27)
Restricted cash	253	787
Investment in student housing properties	(2,614)	(1,322)
Proceeds from sale of assets	—	2,578
Insurance proceeds received from property damage	75	—
Investment in assets under development	(9,338)	(4,857)
Investment in unconsolidated entities	(171)	(76)
Net cash used in investing activities	(11,818)	(2,917)
Financing activities:		
Payment of mortgage notes	(639)	(23,945)
Borrowings under mortgage notes and construction loans	3,268	—
Borrowing under line of credit, net	—	23,300
Debt issuance costs	(268)	(67)
Dividends and distributions paid to common and restricted stockholders	(2,923)	(5,843)
Dividends and distributions paid to noncontrolling interests	(143)	(300)
Net cash used in financing activities	(705)	(6,855)
Net decrease in cash and cash equivalents	(114)	(978)
Cash and cash equivalents, beginning of period	9,003	4,034
Cash and cash equivalents, end of period	\$ 8,889	\$ 3,056

See accompanying notes to the condensed consolidated financial statements.

	Three months ended March 31, 2009	Three months ended March 31, 2008
Supplemental disclosure of cash flow information:		
Interest paid	\$ 5,685	\$ 6,344
Income taxes paid	\$ 126	\$ —
Supplemental disclosure of noncash activities:		
Redemption of minority interest from unit holder	\$ —	\$ 893
See accompanying notes to the condensed consolidated financial statements.		

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

(Unaudited)

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 student 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 student housing management activities.

• Allen & O’Hara Development Company, LLC (“AODC”), a Delaware limited liability company providing development consulting services for third party student 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 condensed 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 condensed consolidated financial statements 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 condensed consolidated financial statements.

Interim financial information

The accompanying unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation of the Trust's financial position, results of operations and cash flows for such periods. Because of the seasonal nature of the business, the operating results and cash flows are not necessarily indicative of results that may be expected for any other interim periods or for the full fiscal year. These financial statements should be read in conjunction with the Trust's consolidated financial statements and related notes, included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission (the "SEC").

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 student housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with student property acquisitions, the determination of fair value for impairment assessments, and in the recording of the allowance for doubtful accounts. Actual results could differ significantly from those estimates.

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 condensed consolidated statements of cash flows. The Trust maintains cash balances in various banks. At times, the amounts of cash held in certain bank accounts may exceed the amount that the Federal Deposit Insurance Corporation (FDIC) insures. At March 31, 2009, the Trust had no cash on deposit that was uninsured by the FDIC or in excess of 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 future repairs and capital improvements.

Distributions

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

Student housing properties

Land, land improvements, buildings and improvements, and furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 30 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.

Acquisitions of student housing properties are accounted for utilizing the purchase method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and accordingly, the acquired student housing properties' results of operations are included in the Trust's results of operations from the respective dates of acquisition. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of the property, are accounted for as part of the purchase price. 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 SFAS No. 141R, which changes 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. SFAS No. 141R also enhances the disclosures to enable the evaluation of the nature and financial effects of the business combination. The Trust will apply the

provisions of SFAS No. 141R to all future acquisitions.

Management assesses impairment of long-lived assets in accordance with SFAS No. 144, Accounting for the Impairment and Disposal of Long-lived Assets. SFAS No. 144 requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with SFAS No. 144, management uses an estimate of future undiscounted cash flows of the related asset over the remaining life in measuring whether the assets are recoverable.

Certain student housing properties may be classified as held for sale based on the criteria within SFAS No. 144. When a student housing property is identified as held for sale, the net realizable value of such asset is estimated. If the net realizable value of 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 student housing property has met the held for sale criteria. Operations of student housing properties that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. No impairment loss on student housing properties held for sale was recognized in the accompanying condensed consolidated statement of operations.

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.

Investment in unconsolidated joint ventures, limited liability companies and limited partnerships

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 condensed consolidated balance sheets.

Deferred financing costs

Deferred financing costs represent costs incurred in connection with acquiring debt facilities. These costs are amortized over the terms of the related debt using a method that approximates the effective interest method. Deferred financing costs, net of amortization, are included in other assets in the accompanying condensed consolidated balance sheets.

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.

Debt premiums/discounts

Differences between the estimated fair value of debt and the principal value of debt assumed in connection with student housing property acquisitions are amortized over the term of the related debt as an offset to interest expense using the effective interest method.

Income taxes

The Trust qualifies as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). The Trust is generally not subject to federal income tax to the extent that it distributes at least 90% of its taxable income for each tax year to its stockholders. 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 income tax (including any applicable alternative minimum tax) on its taxable income and property and to federal income and excise taxes on its undistributed 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. The Trust follows SFAS No. 109, Accounting for Income Taxes, which requires the use of the asset and liability method. 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 also follows Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The Trust had no unrecognized tax benefits as of March 31, 2009 and 2008. As of March 31, 2009, the Trust does not expect to record any unrecognized tax benefits. The Trust, or its subsidiaries, files income tax returns in the U.S. Federal jurisdiction and various states' jurisdictions. As of March 31, 2009, open tax years generally include tax years 2005-2007. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. At March 31, 2009, the Trust had no interest or penalties recorded related to unrecognized tax benefits.

Noncontrolling interests

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes 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. SFAS 160 also establishes disclosure requirements to clearly distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 was adopted by the Trust on January 1, 2009. 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 in FASB EITF Topic D-98, 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 into an equivalent number of shares of the Trust's common stock, or cash, 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 condensed consolidated balance sheets. 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 PIU's were determined to be noncontrolling interests that are not redeemable and accordingly these amounts were reclassified to equity in the accompanying condensed consolidated balance sheets. The PIU holder's share of income or loss is reported in the accompanying condensed consolidated statement of operations as net income attributable to noncontrolling interests.

Earnings per share

The Trust calculates earnings per share in accordance with SFAS No. 128, 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. The Trust adopted FASB Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, on January 1, 2009. Upon adoption all unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are included in the computation of earnings per share under the two-class method. The adoption resulted in shares of unvested restricted stock being included in the computation of basic earnings per share as of March 31, 2009 and 2008. The adoption did not have a material impact on the Trust's consolidated financial statements.

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The following reconciles the basic and diluted weighted average share as of March 31, 2009 and 2008:

	2009	2008
Basic weighted average common shares outstanding	28,516,522	28,508,788
Operating Partnership units	913,738	913,738
University Towers Operating Partnership units	207,257	255,867
Diluted weighted average common shares outstanding	29,637,517	29,678,393

Goodwill and other intangible assets

The Trust accounts for its goodwill and other intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill is tested annually for impairment, 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 March 31, 2009 and December 31, 2008. 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 \$29 and \$41 at March 31, 2009 and December 31, 2008, respectively.

Comprehensive Income

The Trust follows SFAS No. 130, Reporting Comprehensive Income, which established standards for reporting and displaying 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 student housing properties owned by the Trust, management fees related to managing third party student housing properties, development consulting fees related to the general oversight of third party student housing development and construction and operating expense reimbursements for payroll and related expenses incurred for third party student housing properties managed or developed by the Trust.

Student housing leasing revenue — Student housing leasing revenue is comprised of all activities related to leasing and operating the student housing properties and includes revenues from leasing apartments by the bed, parking lot rentals, and providing certain ancillary services. This revenue is reflected in student housing leasing revenue in the accompanying condensed 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. The Trust has no contingent rental contracts, except as noted below, related to other leasing revenue. At certain student 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.

Student housing food service revenue — The Trust maintains a dining facility at University Towers, which offers meal plans to the tenants as well as dining to other third-party customers. The meal plans typically require upfront payment by the tenant covering the school semester, and the related revenue is recognized on a straight-line basis over the corresponding semester.

Other leasing revenue — Other leasing revenue 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 of which \$800 was recognized in the first quarter of 2008.

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 after construction is complete. For the three months ended March 31, 2009 and 2008 there was no revenue recognized related to cost savings.

Third-party management services revenue — The Trust enters into management contracts to manage third-party student 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 student housing properties that are managed by the Trust and certain costs for third-party development services. Under the terms of the related management and development agreements, the third-party owners reimburse these costs. The amounts billed to the third-party owners are recognized as revenue in accordance with Emerging Issues Task Force No. 01-14, Income Statement Characterization of Reimbursements Received for “Out of Pocket” Expenses Incurred.

Costs related to third party 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 condensed consolidated balance sheets.

3. Investments in unconsolidated entities

As of March 31, 2009, the Trust had investments, directly or indirectly, in the following active 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

The following is a summary of financial information for the Trust’s unconsolidated joint ventures, limited liability companies and limited partnerships for the three months ended March 31, 2009 and 2008:

	2009	2008
Results of Operations:		
Revenues	\$ 4,593	\$ 4,359
Net income (loss)	601	(192)
Equity in earnings (losses) of unconsolidated entities	\$ 100	\$ (1)

These entities primarily own student housing communities which are managed by the Trust. As of March 31, 2009 and December 31, 2008, the Trust's investment in unconsolidated entities totaled \$2,945 and \$2,759, respectively.

4. Debt

Revolving credit facility

The Operating Partnership has a revolving credit facility (the “Amended Revolver”) dated January 31, 2005 with a maximum availability of \$100,000. Availability under the Amended Revolver is limited to a “borrowing base availability” equal to the lesser of (i) 65% of the property asset value (as defined in the amended agreement) of the properties securing the facility and (ii) the loan amount which would produce a debt service coverage ratio of no less than 1.30, with debt service based on the greater of two different sets of conditions specified in the amended agreement. As of March 31, 2009, our borrowing base was \$47,822, we had \$32,900 outstanding and we had letters of credit outstanding of \$2,000 (see Note 6); thus, our remaining availability was \$12,922. We do, however, have additional unmortgaged properties that can be pledged against the Amended Revolver to increase total availability.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Amended Revolver. Additionally, the Amended Revolver is secured by a cross-collateralized, first mortgage lien on six otherwise unmortgaged properties. The Amended Revolver had a term of three years and matured on March 30, 2009. However, the Operating Partnership exercised its option to extend the maturity date until March 30, 2010, under existing terms. The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership’s option, equal to a base rate or London InterBank Offered Rate (“LIBOR”) plus an applicable margin based upon our leverage (3.50% at March 31, 2009).

The 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.

The Trust is prohibited from making distributions that exceed \$1.20 per share unless prior to and after giving effect to such action the total leverage ratio is less than or equal to 60%. The amount of restricted payments permitted may be increased as long as either of the following conditions is met: (a) after giving effect to the increased restricted payment, the total leverage ratio shall remain less than or equal to 60%; or (b) the increased restricted payment, when considered along with all other restricted payments for the last 3 quarters, does not exceed 95% of funds from operations for the applicable period.

Mortgage and construction debt

At March 31, 2009, the Trust had outstanding mortgage and construction indebtedness of \$444,787 (net of unamortized debt premium of \$1,102). \$14,360 relates to construction debt that is disclosed below and \$233,117 pertains to outstanding mortgage debt that is secured by the underlying student housing properties or leaseholds bearing interest at fixed rates ranging from 4.92% to 6.97%. The remaining \$197,310 of the outstanding mortgage indebtedness relates to the \$222,000 secured credit facility the Trust entered into on December 31, 2008 to prepay the mortgage debt maturing in July of 2009. \$49,768 of the outstanding amount under the secured credit facility bears interest at variable rates based on the 30-day LIBOR plus an applicable margin. The remaining outstanding balance of \$147,542 bears interest at a weighted average fixed rate of 6.01%.

In order to hedge the interest rate risk associated with the variable rate loans under the secured credit facility, the Operating Partnership purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for \$120. The notional amount of the cap is \$49,874, the cap will terminate on December 31, 2013 and the cap rate is 7.0% per annum. The Operating Partnership has chosen not to designate the cap as a hedge and will recognize all gains or losses associated with this derivative instrument in earnings. At March 31, 2009, the cap had a value of \$90

and is classified in other assets in the accompanying condensed consolidated balance sheet.

At March 31, 2009, the Trust had \$10,657 and \$3,512 outstanding on construction loans of \$11,000 and \$12,285, respectively, related to the development of phase I and phase II of a wholly-owned student apartment community near Southern Illinois University (see Note 7). The loans bear interest equal to LIBOR plus a 110 and 200 basis point margins, respectively, and are interest only through June 14, 2010. Commencing on June 14, 2010, 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 loans until June 28, 2012, with principal and interest being repaid on a monthly basis. The Trust incurred \$81 in deferred financing costs in connection with the construction loans.

At March 31, 2009, the Trust had \$191 outstanding on a \$14,300 construction loan related to the development of a wholly owned student apartment community at Syracuse University (see Note 7). 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.

On March 3, 2008, mortgage debt in the amount of \$22,977, secured by the student housing community referred to as University Towers, bearing interest at an effective rate of 5.48%, matured and was repaid by the Trust with additional borrowings on the Amended Revolver. On June 27, 2008, the Trust refinanced the debt with a \$25,000, interest only, fixed rate mortgage bearing interest at 5.99% through June 30, 2013. After the initial maturity, the Trust has the option to extend the loan for 12 months with principal and interest equal to LIBOR plus a 250 basis point margin per annum being repaid on a monthly basis. The Trust used the proceeds from the refinancing to pay down the Amended Revolver.

The scheduled maturities of outstanding mortgage and construction indebtedness at March 31, 2009 are as follows:

Fiscal Year Ending	
2009 (9 months ending December 31, 2009)	\$ 100,992
2010	3,475
2011	3,823
2012	81,599
2013	32,489
Thereafter	221,307
Total	443,685
Unamortized debt premium/discounts	1,102
Outstanding at March 31, 2009, net of unamortized premiums/discounts	\$ 444,787

At March 31, 2009, the outstanding mortgage and construction debt had a weighted average interest rate of 5.72% and carried a weighted average term to maturity of 4.54 years.

The Trust has \$98,600 of mortgage debt scheduled to mature in December 2009. If capital and equity markets continue to erode significantly and the Trust cannot find replacement financing, the Trust would not have enough existing liquidity to repay the mortgage debt at maturity. If this occurs, the Trust would pursue and expect to obtain an extension from the current lender in order to provide additional time to obtain replacement financing. If the Trust is unable to obtain replacement financing, the nine encumbered properties could be turned over to the lender and as a result the Trust could cross default the Amended Revolver. If this were to occur, management has reviewed its cash flows and has identified plans that could be implemented in an effort to repay the Amended Revolver. These plans could include the elimination of or the payment in kind of our dividends, suspension of capital spend, cost reductions, and, subject to market conditions, possible asset dispositions and/or a potential equity capital event. Additionally, management has assessed the remaining student housing assets that would remain in the portfolio and currently believe they should be able to produce sufficient cash flows to fund operations and service the remaining debt requirements in the near future.

5. Segments

The Trust defines business segments by their distinct customer base and service provided. The Trust has identified three reportable segments: student housing leasing, development-consulting services and management services. Management evaluates each segment's performance based on pretax income and on net operating income, which is

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defined as income before depreciation, amortization, impairment losses, interest expense, equity in earnings of unconsolidated entities, and noncontrolling interests. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany fees are reflected at the contractually stipulated amounts. Discontinued operations are not included in segment reporting as management addresses these items on a corporate level. The following table represents segment information for the three months ended March 31, 2009 and 2008:

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Three Months Ended March 31, 2009

Three Months Ended March 31, 2008

	Three Months Ended March 31, 2009				Three Months Ended March 31, 2008					
	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	\$ 28,720	\$ —	\$ —	\$ —	\$ 28,720	\$ 26,231	\$ —	\$ —	\$ —	\$ 26,231
Student housing food service revenue	593	—	—	—	593	655	—	—	—	655
Other leasing revenue	—	—	—	—	—	1,945	—	—	—	1,945
Third-party development consulting services	—	1,457	—	—	1,457	—	1,787	—	—	1,787
Third-party management services	—	—	909	—	909	—	—	975	—	975
Intersegment revenues	—	474	1,125	(1,599)	—	—	—	1,037	(1,037)	—
Operating expense reimbursements	—	—	—	2,190	2,190	—	—	—	2,619	2,619
Total revenues	29,313	1,931	2,034	591	33,869	28,831	1,787	2,012	1,582	34,212
Operating expenses:										
Student housing leasing operations	12,598	—	—	—	12,598	11,995	—	—	—	11,995
Student housing food service operations	572	—	—	—	572	633	—	—	—	633
General and administrative	—	732	1,968	(37)	2,663	3	731	1,798	—	2,532
Intersegment expenses	1,125	—	—	(1,125)	—	1,037	—	—	(1,037)	—
Reimbursable operating expenses	—	—	—	2,190	2,190	—	—	—	2,619	2,619
Total operating expenses	14,295	732	1,968	1,028	18,023	13,668	731	1,798	1,582	17,779
Net operating income	15,018	1,199	66	(437)	15,846	15,163	1,056	214	—	16,433
Nonoperating expenses(1)	13,429	(11)	—	—	13,418	13,620	(31)	—	—	13,589
	1,589	1,210	66	(437)	2,428	1,543	1,087	214	—	2,844

Income before equity in earnings (losses) of unconsolidated entities, income taxes, noncontrolling interests and discontinued operations												
Equity in earnings (losses) of unconsolidated entities	100	—	—	—	100	—	(1)	—	—	(1)		
Income before income taxes, noncontrolling interests and discontinued operations(2)	\$ 1,689	\$ 1,210	\$ 66	\$ (437)	\$ 2,528	\$ 1,543	\$ 1,086	\$ 214	\$ —	\$ 2,843		
Total segment assets, as of March 31, 2009 and December 31, 2008 (3)	\$ 759,811	\$ 4,018	\$ 5,606	\$ —	\$ 769,435	\$ 760,477	\$ 2,381	\$ 4,567	\$ —	\$ 767,425		

(1) Nonoperating expenses include interest expense, interest income, amortization of deferred financing costs, depreciation, and amortization of intangibles.

(2) The following is a reconciliation of the reportable segments' net income before income taxes, noncontrolling interests and discontinued operations to the Trust's consolidated net income before income taxes, noncontrolling interests and discontinued operations for the three months ended March 31:

	2009	2008
Net income before income taxes, noncontrolling interests and discontinued operations for reportable segments	\$ 2,528	\$ 2,843
Other unallocated corporate expenses	(1,681)	(1,674)
Net income before income taxes, noncontrolling interests and discontinued operations	\$ 847	\$ 1,169

(3) The increase in segment assets related to development consulting services is primarily due to a \$736 increase in the receivable for reimbursable project costs related to East Stroudsburg University and a \$609 increase in the development fee receivable for Colorado State University-Pueblo.

6. Commitments and contingencies

In connection with one of the Trust's student housing portfolio acquisitions, the Trust became aware of a June 2001 notification from the United States Department of Justice of an on-going investigation regarding possible violations of the American Disabilities Act of 1990 and the Fair Housing Amendments Act of 1988 related to one of its student housing properties. In October 2002, the investigations were delayed for an undetermined period of time and, therefore, have not been fully resolved. Management does not believe the resolution of this matter will result in a material adverse effect on the Trust's consolidated financial condition or results of operations.

The Operating Partnership entered into a letter of credit agreement in conjunction with the closing of the acquisition of a student housing property at the University of Florida. The letter of credit remains outstanding in the amount of \$1,500 at March 31, 2009 and is secured by the Operating Partnership's existing revolving credit facility.

On May 10, 2006, the Operating Partnership guaranteed \$23,200 of construction debt held by University Village-Greensboro LLC ("LLC") in order to receive a 25% ownership stake in the venture with College Park Apartments. The debt matures on May 10, 2011. Construction was completed and the student housing community occupied in August 2007. The Operating Partnership has determined that it will not guarantee the debt after the construction loan is refinanced. The debt has an outstanding balance of \$23,200 at March 31, 2009. On October 30, 2008, the LLC borrowed an additional \$1,200 which matures on August 10, 2009 and has also been guaranteed by the Operating Partnership. In October of 2007, the Operating Partnership entered into a note receivable with the LLC in the amount of \$845. The note was interest only through December 31, 2007 and accrued interest at 10% per annum. On January 1, 2008, the entire principal balance was converted to a term loan maturing on January 1, 2028 with principal and interest of 10% per annum being repaid on a monthly basis. On the maturity date, all unpaid principal and interest are due in full. As of March 31, 2009, the note has an outstanding balance of \$830 and is subordinated to the construction debt held by the LLC discussed above. The balance is reflected in other assets in the accompanying condensed consolidated balance sheets. Additionally, the Trust's other investments in unconsolidated entities have outstanding mortgage and construction indebtedness totaling \$88,121 at March 31, 2009 that is not guaranteed by the Operating Partnership.

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As owners and operators of real estate, environmental laws impose ongoing compliance requirements on the Trust. The Trust is not aware of any environmental matters or liabilities with respect to the student housing properties that would have a material adverse effect on the Trust's consolidated financial condition or results of operations.

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

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

Under the terms of the purchase agreement with Place Properties, the Trust remains a party to a tax indemnification agreement whereby a payment could be required to be made to the former owner if any properties are sold within five years of the purchase date. The contingency expires in January 2011.

The Operating Partnership entered into a letter of credit agreement to the benefit of the lender in conjunction with the termination of the lease with Place Properties on February 1, 2008. The letter of credit remains outstanding in the amount of \$500 at March 31, 2009 and is secured by the Operating Partnership's existing revolving credit facility.

After being awarded a development consulting contract, the Trust will enter into predevelopment consulting contracts with educational institutions to develop student housing properties on their behalf. The Trust will enter into reimbursement agreements that provide for the Trust to be reimbursed for the predevelopment costs incurred prior to the institution's governing body formally approving the final development contract. At March 31, 2009 and December 31, 2008, the Trust had reimbursable predevelopment costs of \$2,068 and \$965, respectively, which are reflected in other assets in the accompanying condensed consolidated balance sheets.

The Trust also has various operating lease commitments for corporate office space, furniture and technology equipment which expire at various dates through 2015.

7. Acquisition and development of real estate investments

On June 28, 2007, the Trust acquired land in Carbondale, Illinois for \$1,099 in order to develop a wholly owned student apartment community near Southern Illinois University. After the acquisition, the Trust incurred an additional \$20,580 in costs to develop the first phase of the development which opened in August of 2008. The second phase of the development started in 2008 and as of March 31, 2009 the Trust has incurred \$3,432 in development costs. During the three months ended March 31, 2009, the Trust capitalized interest costs of \$25 related to the second phase of the development.

During 2008, the Trust also began development of a wholly owned student apartment property located on the campus of Syracuse University. The Trust will own and manage the property under a long-term ground lease from Syracuse University. As of March 31, 2009, the Trust has incurred \$12,478 in development costs. During the three months ended March 31, 2009, the Trust capitalized interest costs of \$124 related to the development.

All costs related to the development of student apartment communities are classified as assets under development in the accompanying condensed consolidated balance sheets until the development is complete and opens.

8. Disposition of real estate investments and discontinued operations

During the first quarter of 2009, the Trust entered a definitive agreement to sell the student housing community referred to as College Station located in Augusta, Georgia. In accordance with SFAS No. 144, the Trust ceased depreciation on the property and classified the student housing property as held for sale in the accompanying condensed consolidated balance sheets. The results of operations are reflected as discontinued operations in the accompanying condensed consolidated statement of operations for all periods presented. The following table summarizes income/(loss) from discontinued operations for the three months ended March 31, 2009 and 2008:

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	2009	2008
Student housing leasing revenue	\$ 121	\$ 122
Student housing leasing operating expenses	112	90
Depreciation and amortization	25	24
Income/(loss) from discontinued operations attributable to Education Realty Trust, Inc.	\$ (16)	\$ 8

19

During the first quarter of 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 totaling \$2,616. The loss on the sale is included in student housing leasing operations expense in the accompanying condensed consolidated statement of operations. The Trust simultaneously entered into a 40 year ground lease.

9. Incentive plan

The Trust adopted the Education Realty Trust, Inc. 2004 Incentive Plan (the "Plan") effective upon the closing of the Offering. The Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-based incentive awards and PIUs to employees, directors and other key persons providing services to the Trust. As of March 31, 2009, the Trust had 832,000 shares of its common stock reserved for issuance pursuant to the Plan, subject to adjustments for changes in the Trust's capital structure, including share splits, dividends and recapitalizations. The number of shares reserved under the Plan is also subject to an annual adjustment, beginning on January 1, 2006, so that the total number of shares reserved under the Plan is equal to 4% of the aggregate number of shares outstanding on the last day of the preceding fiscal year; provided that such annual increase generally may not exceed 80,000 shares.

A restricted stock award is an award of the Trust's common stock that is subject to restrictions on transferability and other restrictions as the Trust's compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as our compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted shares will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. Restricted stock is generally taxed at the time of vesting. At March 31, 2009 and December 31, 2008, unearned compensation totaled \$506 and \$657, respectively, and will be recorded as expense over the applicable vesting period. The value is determined based on the market value of the Trust's common stock on the grant date. During each of the three months ended March 31, 2009 and 2008, compensation expense of \$151 was recognized in the accompanying condensed consolidated statements of operations, related to the vesting of restricted stock.

PIUs, are units in a limited liability company controlled by the Trust that holds a special class of partnership interests in the Operating Partnership. For purposes of the Plan, each PIU is deemed equivalent to an award of one share of the Trust's common stock and will entitle the owner of such unit to receive the same quarterly per unit distributions as one common unit of the Operating Partnership. This treatment with respect to quarterly distributions is similar to the treatment of restricted stock awards, which will generally receive full dividends whether vested or not. PIUs will not initially have full parity with common units of the Operating Partnership with respect to liquidating distributions. Upon the occurrence of specified capital equalization events, PIUs may, over time, achieve full or partial parity with common units of the Operating Partnership for all purposes and could accrete to an economic value equivalent to the Trust's common stock on a one-for-one basis. If such parity is reached, PIUs may be exchanged into an equal number of the Trust's shares of common stock at any time. However, there are circumstances under which full parity would not be reached. Until such parity is reached, the value that may be realized for PIUs will be less than the value of an equal number of shares of the Trust's common stock, if there is any value at all. The grant or vesting of PIUs is not expected to be a taxable transaction to recipients. Conversely, we do not receive any tax deduction for compensation expense from the grant of PIUs. PIUs are treated as noncontrolling interests in the accompanying condensed consolidated financial statements at an amount equal to the holders' ownership percentage of the net equity of the Operating Partnership.

Total compensation cost recognized in general and administrative expense in the accompanying condensed consolidated statements of operations for the three months ended March 31, 2009 and 2008, was \$192 and \$227,

respectively. Additionally during each of the three months ended March 31, 2009 and 2008, the Trust issued 4,000 shares of common stock to an executive officer pursuant to the Plan.

A summary of the stock-based incentive plan activity as of and for the three months ended March 31, 2009 is as follows:

20

	PIU's	Stock Awards (1)	Total
Outstanding at December 31, 2008	275,000	208,000	483,000
Granted	5,000	4,000	9,000
Forfeited	—	—	—
Outstanding at March 31, 2009	280,000	212,000	492,000
Vested at March 31, 2009	280,000	181,889	461,889

(1) Includes restricted stock awards.

10. Subsequent events

On April 7, 2009, the Trust sold the College Station student housing property for a purchase price of \$2,550. The Trust received proceeds of \$250 and a note receivable of \$2,300 that is due on December 31, 2009 but extendable under certain circumstances up to an additional 18 months. As discussed in Note 8 the operations of College Station have been classified as held for sale and discontinued operations for all periods presented in the accompanying condensed consolidated financial statements.

On April 13, 2009, our board of directors declared a first quarter distribution of \$0.1025 per share of common stock for the quarter ended on March 31, 2009. The distribution is payable on May 15, 2009 to stockholders of record at the close of business on April 30, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report and the audited consolidated financial statements and notes thereto and MD&A contained in our annual report on form 10-K for the year-ended December 31, 2008. Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to plans for future acquisitions, our business and investment strategy, market trends and projected capital expenditures. When used in this report, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "would," "could," "should," and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see the "Item 1A. — Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008. Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Overview

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

We earn income from rental payments we receive as a result of our ownership of student housing properties. We also earn income by performing property management services and development consulting services for third parties through Allen & O'Hara Education Services, Inc. (AOES) and Allen & O'Hara Development Company, LLC (AODC), respectively. While we manage 100% of the properties we own, we do not recognize any fee income from their management on a consolidated basis. Furthermore, we do not recognize development fee income on a consolidated basis for properties that are being developed for ownership by the Trust.

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: student housing leasing, management services and development consulting services. We evaluate each segment's performance based on pre-tax net operating income, which is defined as income before depreciation, amortization, impairment losses, interest expense, 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 financial statements. Inter-company fees are reflected at the contractually stipulated amounts.

Student Housing Leasing

Student housing leasing revenue represented approximately 88.1% of our revenue, excluding operating expense reimbursements, for the three months ended March 31, 2009. Our revenue related to food service operations is included in this segment. Additionally, for the first month of 2008, this segment included other leasing revenue related to the Place lease which was terminated on February 1, 2008.

Unlike multi-family housing where apartments are leased by the unit, student-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. A parent or guardian is required to execute each lease as a guarantor unless the resident provides adequate proof of income. The number of lease contracts that we administer is therefore equivalent to the number of beds occupied instead of the number of apartment units.

Due to our predominantly private bedroom accommodations, the high level of student-oriented amenities, the fact that units are furnished and in most cases rent includes utilities, cable TV and internet service and because of the individual lease liability, we believe our properties can typically command higher per-unit and per-square foot rental rates than most multi-family properties 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 universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each property in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2008 and 2007, approximately 69.3% and 68.5%, respectively, of our leased beds were to students who were first-time residents at our properties. 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 properties' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

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

In 2007, we began developing projects for our ownership and plan to increase self-development activity going forward. During 2008, we opened our first wholly owned, self-developed property servicing Southern Illinois University.

Management Services

Revenue from our management services, excluding operating expense reimbursements, represented approximately 6.1% of our revenue for the three months ended March 31, 2009. These revenues are typically derived from multi-year management agreements under which management fees are typically 3-5% of leasing revenue. These agreements typically have an initial term of five to ten years with a renewal option for an additional five years. 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.

Development Consulting Services

Revenue from our development consulting services, excluding operating expense reimbursements, represented approximately 5.8% of our revenue for the three months ended March 31, 2009. Fees for these services are typically 3-5% of the total project cost and are payable over the life of the project, which is typically one to two years in length.

We incur expenses that are reimbursable by a project when awarded. We recognize the expenses when incurred while the reimbursement revenue is not recognized until the consulting contract is awarded. These operating expenses are wholly reimbursable and therefore not considered by our management when analyzing the operating performance of our third-party development consulting services business. Also, at times, we will pay pre-development project expenses such as architectural fees and permits if such are required prior to the project's financing being in place. We typically obtain a guarantee from the owner for repayment of these project specific costs.

We periodically enter into joint venture arrangements whereby we provide development consulting services to third-party student 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 as equity in earnings of unconsolidated entities after net operating income in our statement of operations. Our revenue and operating expenses could fluctuate from period to period based on the extent we utilize joint venture arrangements to provide third-party development consulting services.

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

Trends and Outlook

Rents and Occupancy

We expect the general trend of limited on-campus housing availability to continue for the foreseeable future, providing us with continued opportunities to maximize revenues through increased occupancy and/or rental rates in our owned portfolio. We manage our properties to maximize revenues, which are primarily determined by two components: rental rates and occupancy rates. We customarily adjust rental rates in order to maximize revenues, which in some cases results in a lower occupancy rate, but in most cases results in stable or increasing revenues from the property. As a result, a decrease in occupancy may be offset by an increase in rental rates and may not be material to our operations.

For the three months ended March 31, 2009, same-community revenue per available bed increased to \$411 and same-community physical occupancy decreased to 92.3% compared to revenue per available bed of \$409 and physical occupancy of 95.3% for the three months ended March 31, 2008. The results represent averages for the Trust's portfolio which are not necessarily indicative of every property in the portfolio. As would be expected, individual properties can and do perform both above and below these averages, and, at times, an individual property may show a decline in total revenue due to local university and economic conditions. Our management focus is to assess these situations and address them as quickly as possible in an effort to minimize the Trust's exposure and reverse any negative trend.

On a same-community basis, the 2008-2009 lease year has an average rate growth of 4.9% and an occupancy decline of approximately 1.1%, excluding three communities in the currently challenging markets of Kalamazoo, Michigan, Gainesville, Florida, and Oxford, Mississippi. These three properties have faced significant new supply in their respective markets while enrollment at each school is flat or declining. Combined, these communities experienced a 13.5% decline in occupancy and a 3.4% decline in rate for the 2008-2009 lease term. We will continue to focus on improving occupancy at these properties, but it will take time for the imbalance to reach a level of equilibrium. In total, including these three communities, same-community average rates for the 2008-2009 lease year grew about 3.3% and occupancy declined approximately 2.9%.

As of April 26th, leasing for the fall of 2009 on a same community basis reflected approximately 69.0% of beds applied for and 59.7% already leased compared to 69.9% and 62.3%, respectively, at this time last year. An application is defined as a signed student lease without the receipt of an executed parental guarantee, which can take time to obtain. We currently view these leasing results as in line with prior year and attribute some of the lag in leased percentage to newly implemented credit processes and us seeking to ensure the guarantor has acceptable credit before finalizing the lease. Leasing for the three properties in the previously identified challenged markets shows 66.1% of beds applied for and 52.1% leased compared to 57.3% applied for and 49.8% leased one year ago. The Place

Portfolio, which we began managing in February of 2008, has approximately 59.6% of the beds applied for and 49.4% leased compared to 47.4% and 38.8%, respectively, at this time last year.

Student Housing Operating Costs

Same community operating expenses increased to \$192 per bed in fiscal 2008 compared to \$185 per bed in fiscal 2007. This increase is primarily attributable to a rise in payroll related expenses, increased marketing expenses, higher utility costs, and a loss on the sale of land and parking garage at our University Towers community. Excluding the impact of the land and parking garage sale, we experienced operating expense growth of 3.4% in 2008 compared to 2.4% in 2007. As a response to higher than desired expense growth in fiscal 2008 and due to significant declines in the economy a targeted cost reduction plan was commenced in the fourth quarter of 2008 which continues in fiscal 2009. Specifically, we have put in place selective staff reductions, a hiring freeze and a moratorium on wage increases at both the property and corporate levels. Furthermore, we are curbing discretionary spending as we work to improve our margins and strengthen our communities during the current volatile and unsettled US economic conditions. For the three months ended March 31, 2009, same-community operating expenses declined 6.0% year over year. This decrease is primarily attributable to the loss on the land and parking garage mentioned above; however, an improvement in property general and administrative and maintenance expenses also contributed to the expense improvement over the first quarter of 2008.

Termination of Lease with Place Properties, Inc.

On February 1, 2008, the Trust terminated the lease with Place Properties, Inc. (“Place”) for 13 properties owned by the Trust but previously operated and managed by Place. Under the termination agreement, the Trust received a lease termination fee of \$6,000. As a result of the lease termination, the Trust began managing these properties and began recognizing the results of operations for these properties in its consolidated financial statements as of the lease termination date. Previously, the Trust recognized base rental income of \$13,740 annually for the lease and had the right to receive “Additional Rent” annually if the properties exceeded certain criteria defined in the lease agreement. In the near term, the net operating income generated by these properties is expected to be less than the rental income received under the lease; thus, potentially reducing our net income from continuing operations over the next 2 to 3 years. The Trust negotiated the lease termination fee of \$6,000 in part to offset the expected shortfall in operating results of the communities. Over time, we expect to be able to improve the operating results of the Place Portfolio through revenue growth driven by improved marketing and customer service strategies. However, as with all its communities, management continually assesses each community and their respective markets to determine if such growth is achievable or if other alternatives should be pursued. The Place Portfolio opened the 2008-2009 lease year with an occupancy of 81.9% compared to 87.8% for the prior lease year.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“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.

Student Housing Leasing Revenue Recognition

Student housing leasing revenue is comprised of all revenue related to the leasing activities at our student housing properties and includes revenues from the leasing of space, parking lot rentals and certain ancillary services. Revenue

from our food service operations is also included in this segment. Additionally, this segment included other leasing revenue related to the Place Portfolio lease, which was terminated February 1, 2008. Additional information is included below regarding revenue recognition for student housing food service and other leasing revenue.

Students are required to execute lease contracts with payment schedules that vary from annual to monthly payments. Generally, a parental guarantee must accompany each executed contract. Receivables are recorded when due. Leasing revenues and related lease incentives 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.

Student Housing Food Service Revenue Recognition

We maintain a dining facility at University Towers, which offers meal plans to the tenants as well as dining to other third-party customers. The meal plans typically require upfront payment by the tenant covering the school semester and the related revenue is recognized on a straight-line basis over the corresponding semester.

Other Leasing Revenue Recognition

Other leasing revenue relates to our leasing of 13 properties we acquired from Place on January 1, 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 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, of which \$800 was recognized in the first quarter of 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 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 periodically enter into joint venture arrangements whereby we provide development consulting services to third-party student 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 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 we utilize joint venture arrangements to provide third-party development consulting services.

Student 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 30 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.

Acquisitions of student housing properties are accounted for utilizing the purchase method in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, Business Combinations, and accordingly, the acquired student housing properties’ results of operations are included in the Trust’s results of operations from the respective dates of acquisition. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of the property, are accounted for as part of the purchase price. 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 SFAS No. 141R, which changes 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. SFAS No. 141R also enhances the disclosures to enable the evaluation of the nature and financial effects of the business combination. The Trust will apply the provisions of SFAS No. 141R to all future acquisitions.

Student housing properties are classified as held for sale based on the criteria within SFAS No. 144, Accounting for the Impairment and Disposal of Long Lived Assets. When a student housing property is identified as held for sale, fair value less cost to sell is estimated. If fair value less cost to sell 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 student housing property has met the held for sale criteria. The related carrying value of the property is recorded as held for sale in the condensed consolidated balance sheet and operations of student housing properties that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. For the three months ended March 31, 2009 and 2008, no impairment losses on student housing properties held for sale were recognized.

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 balance sheet.

Long Lived Assets — Impairment

In accordance with SFAS No. 144, management is required to assess whether there are any indicators that our real estate assets may be impaired. 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 demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property, thereby reducing our net income.

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 student housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with student 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 student housing properties, properties 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.

Recently Adopted Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (“SFAS 141R”). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of SFAS 141R did not have a material impact on the Trust’s consolidated financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51 (“SFAS 160”). SFAS 160 establishes 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 interest, changes in a parent’s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. As a result of the adoption, the Trust has reported noncontrolling interests as a component of equity in the condensed consolidated balance sheets and the net income or loss attributable to noncontrolling interests has been separately identified in the condensed consolidated statement of operations. The prior periods presented have also been reclassified to conform to the current classification required by SFAS 160.

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (“EITF”) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (“FSP 03-6-1”). FSP 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, Earnings Per Share. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 and requires all presented prior-period earnings per share data to be adjusted retrospectively. The adoption of FSP 03-6-1 did not have a material impact on the Trust’s consolidated financial condition or results of operations.

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Results of Operations for the Three Months Ended March 31, 2009 and 2008

The following table presents the results of operations for Education Realty Trust, Inc. for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31, 2009					Three Months Ended March 31, 2008				
	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	\$ 28,720	\$ —	\$ —	\$ —	\$ 28,720	\$ 26,231	\$ —	\$ —	\$ —	\$ 26,231
Student housing food service revenue	593	—	—	—	593	655	—	—	—	655
Other leasing revenue	—	—	—	—	—	1,945	—	—	—	1,945
Third-party development consulting services	—	1,457	—	—	1,457	—	1,787	—	—	1,787
Third-party management services	—	—	909	—	909	—	—	975	—	975
Intersegment revenues	—	474	1,125	(1,599)	—	—	—	1,037	(1,037)	—
Operating expense reimbursements	—	—	—	2,190	2,190	—	—	—	2,619	2,619
Total revenues	29,313	1,931	2,034	591	33,869	28,831	1,787	2,012	1,582	34,212
Operating expenses:										
Student housing leasing operations	12,598	—	—	—	12,598	11,995	—	—	—	11,995
Student housing food service operations	572	—	—	—	572	633	—	—	—	633
General and administrative	—	732	1,968	(37)	2,663	3	731	1,798	—	2,532
Intersegment expenses	1,125	—	—	(1,125)	—	1,037	—	—	(1,037)	—
Reimbursable operating expenses	—	—	—	2,190	2,190	—	—	—	2,619	2,619
Total operating expenses	14,295	732	1,968	1,028	18,023	13,668	731	1,798	1,582	17,779

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Net operating income	15,018	1,199	66	(437)	15,846	15,163	1,056	214	—	16,433
Nonoperating expenses(1)	13,429	(11)	—	—	13,418	13,620	(31)	—	—	13,589
Income before equity in earnings (losses) of unconsolidated entities, income taxes, noncontrolling interests and discontinued operations	1,589	1,210	66	(437)	2,428	1,543	1,087	214	—	2,844
Equity in earnings (losses) of unconsolidated entities	100	—	—	—	100	—	(1)	—	—	(1)
Income before income taxes, noncontrolling interests and discontinued operations(2)	\$ 1,689	\$ 1,210	\$ 66	\$ (437)	\$ 2,528	\$ 1,543	\$ 1,086	\$ 214	\$ —	\$ 2,843

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(1) Nonoperating expenses include interest expense, interest income, amortization of deferred financing costs, depreciation, and amortization of intangibles.

(2) The following is a reconciliation of the reportable segments' net income before income taxes, noncontrolling interests and discontinued operations to the Trust's consolidated net income before income taxes, noncontrolling interests and discontinued operations for the three months ended March 31:

	2009	2008
Net income before income taxes and discontinued operations for reportable segments	\$ 2,528	\$ 2,843
Other unallocated corporate expenses	(1,681)	(1,674)
Net income before income taxes and discontinued operations	\$ 847	\$ 1,169

Student housing leasing

Student housing operating statistics for all owned and operated properties for the three months ended March 31, 2009 and 2008 were as follows:

	Three months ended March 31, 2009	Three months ended March 31, 2008	Favorable (Unfavorable)
Occupancy			
Physical (1)	89.4%	93.7%	(4.3)%
Economic (2)	89.4%	94.1%	(4.7)%
NARPAB (3)	\$ 365	\$ 373	\$ (8)
Other income per avail. bed (4)	\$ 21	\$ 19	\$ 2
RevPAB (5)	\$ 386	\$ 392	\$ (6)
Operating expense per bed (6) (7)	\$ 169	\$ 172	\$ 3
Operating margin (7)	56.2%	56.2%	—%
Design Beds (8)	74,364	66,892	7,472

- (1) Physical occupancy represents a weighted average of the month-end occupancies for the respective period.
- (2) Economic occupancy represents the effective occupancy calculated by taking net apartment rent accounted for on a GAAP basis for the respective period divided by market rent for the respective period.
- (3) NarPAB represents GAAP net apartment rent for the respective period divided by the sum of the design beds in the portfolio for each of the included months. Does not include food service revenue or other leasing revenue.
- (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/app fees, late fees, termination fees, parking fees, transfer fees, damage recovery, utility recovery, and other misc.
- (5) Represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the design beds in the portfolio for each of the included months.
- (6) Represents property-level operating expense excluding management fees, depreciation and amortization divided by the sum of the design beds for each of the included months.
- (7)

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For the three months ended March 31, 2008, approximately \$8 per bed related to the loss on the sale of land and the parking garage at University Towers (see Note 8 in the condensed consolidated financial statements) is excluded.

(8) Represents the sum of the monthly design beds in the portfolio during the period. As of February 1, 2008, the design beds related to the Place Portfolio were included in the total for the three months ended March 31, 2009 due to the termination of the lease with Place.

The community statistics shown above on a consolidated basis reflect a decline in physical occupancy of 4.3% and a decline in RevPAB of 1.5%. These results are not indicative of the year over year performance of our existing portfolio as they include the impact of assuming management of the Place Portfolio in February of 2008, whose underlying economics are currently different from our existing communities. For the three months ended March 31, 2009, the Place Portfolio had an average physical occupancy of 79.7%, RevPAB of \$300, and operating margins of 48.3% compared to 92.3%, \$411, and 58.2%, respectively, on a same community basis.

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Student housing operating statistics on a same-community basis for the three months ended March 31, 2009 and 2008 were as follows:

	Three months ended March 31, 2009	Three months ended March 31, 2008	Favorable (Unfavorable)
Occupancy			
Physical	92.3%	95.3%	(3.0)%
Economic	92.7%	96.0%	(3.3)%
NARPAB	\$ 389	\$ 387	\$ 2
Other income per avail. bed	\$ 22	\$ 22	\$ —
RevPAB	\$ 411	\$ 409	\$ 2
Operating expense per bed (1)	\$ 172	\$ 174	\$ 2
Operating margin (1)	58.2%	57.5%	0.7%
Design Beds	55,098	55,104	(6)

(1) For the three months ended March 31, 2008, approximately \$9 per bed related to the loss on the sale of land and the parking garage at University Towers (see Note 8 in the condensed consolidated financial statements) is excluded.

Total revenue in the student housing leasing segment was \$29,313 for the three months ended March 31, 2009. This represents an increase of \$482, or 1.7%, from the same period in 2008. Student housing leasing revenue increased 9.5%, or \$2,489. This increase was offset by a decline in other leasing revenue of \$1,945 as a result of the Place lease termination and a \$62 decline in food service revenue. The student housing leasing revenue increase included \$1,590 related to operating the Place Portfolio properties, \$766 related to The Reserve at Saluki Point community, which opened in the fall of 2008, and \$133 related to an approximate 0.6% increase in same-community revenue. The same-community revenue growth of .6% was driven by a 3.4% improvement in rental rates and 0.2% increase in other income that was offset by an approximate 3.0% decline in occupancies.

Operating expenses in the student housing leasing segment increased \$627, or 4.6%, to \$14,295 for the three months ended March 31, 2009 as compared to the same period in 2008. Student housing leasing operations increased a total of \$603, or 5.0%, over the prior year, with an increase of \$878, attributable to operating expenses associated with taking over the Place Portfolio as discussed above, \$254 related to the Reserve at Saluki Point community that opened in August of 2008 and \$72 of pre-opening costs associated with the Syracuse University community currently under development. These increases were offset by a decline of \$600, or 6.0%, in same-community operating expenses year over year. This decrease is primarily attributable to the loss of \$512 on the sale of the University Towers land and parking garage in the prior year. However, a \$362 improvement in property general and administrative and maintenance expenses partially offset by higher marketing, utility and life safety costs also contributed to the expense improvement over 2008.

Non-operating expenses decreased \$191 to \$13,429 for the three months ended March 31, 2009, as compared to the same period in 2008. This decrease was primarily driven by a \$418 decline in depreciation expense due to fully depreciated assets that remain in service. The decrease was partially offset by a \$132 increase in interest expense related to debt on the new community in Carbondale, IL (The Reserve at Saluki Point) and slightly higher debt and interest rates related to the debt refinancing in December 2008.

Equity in earnings of unconsolidated entities represents our share of the net income or loss related to four investments in unconsolidated entities that own student housing communities. These communities are also managed by the Trust. For the three months ended March 31, 2009, equity in earnings was \$100 compared to no equity in earnings in the

prior year. The improvement comes as a result of better operating results from those properties.

31

Development consulting services

The following table represents the development consulting projects that were active during the three months ended March 31, 2009 and 2008:

Project	Beds	Fee Type	Recognized Earnings		
			2009	2008	Difference
University of Michigan	896	Development fee	\$ 34	\$ 100	\$ (66)
University of Alabama — Tuscaloosa	631	Development fee	—	670	(670)
Slippery Rock University — Phase II	746	Development fee	—	161	(161)
Indiana University of Pennsylvania — Phase II	1,102	Development fee	—	648	(648)
Fontainebleu Renovation Project	435	Development fee	46	13	33
West Chester— Phase I	1,197	Development fee	518	195	323
Indiana University of Pennsylvania — Phase III	1,084	Development fee	473	—	473
Colorado State University — Pueblo I	253	Development fee	195	—	195
Colorado State University — Pueblo II	500	Development fee	9	—	9
Auraria Higher Education System	685	Development fee	182	—	182
Southern Illinois University— Carbondale	528	Construction oversight fee	35	—	35
Syracuse University	432	Development fee	439	—	439
Development consulting services			\$ 1,931	\$ 1,787	\$ 144
California University of Pennsylvania — Phase V	356	Development fee	—	(1)	1
Equity in earnings of unconsolidated entities					