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

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from to

Commission file number **001-32417**

Education Realty Trust, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	20-1352180 (IRS Employer Identification No.)
530 Oak Court Drive, Suite 300 Memphis Tennessee (Address of Principal Executive Offices)	38117 (Zip Code)

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

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

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, $.01 par value per share	**New York Stock Exchange**

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

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

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

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

As of June 30, 2010, the last business day of the registrant s most recently completed second quarter, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $340 million, based on the closing sales price of $6.03 per share as reported on the New York Stock Exchange. (For purposes of this calculation all of the registrant s directors and executive officers are deemed affiliates of the registrant.)

As of March 7, 2011, the registrant had 72,174,723 shares of common stock outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

To the extent stated herein, the Registrant incorporates by reference into Part III of this Annual Report on Form 10-K, or Annual Report, portions of its Definitive Proxy Statement on Schedule 14A for the 2011 Annual Meeting of Stockholders to be filed subsequently with the Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

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

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

- risks and uncertainties related to the current recession, the national and local economies, and the real estate industry in general and in our specific markets (including university enrollment conditions and admission policies, and our relationship with these universities);
- volatility in the capital markets;
- rising interest and insurance rates;
- competition from university-owned or other private collegiate housing and our inability to obtain new tenants on favorable terms, or at all, upon the expiration of existing leases;
- availability and terms of capital and financing, both to fund our operations and to refinance our indebtedness as it matures;
- legislative or regulatory changes, including changes to laws governing collegiate housing, construction and real estate investment trusts;
- our possible failure to qualify as a real estate investment trust and the risk of changes in laws affecting real estate investment trusts;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified executives in the future;
- availability of appropriate acquisition and development targets;
- failure to integrate acquisitions successfully;

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

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

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

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

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PART I

Item 1. Business.

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

Our Company

Education Realty Trust, Inc., or we, us, our, EDR or the Trust, is a self-managed and self-advised real estate investment trust, or REIT, incorporated in July 2004 to develop, acquire, own and manage collegiate housing communities located near university campuses. We were formed to continue and expand upon the collegiate housing business of Allen & O Hara, Inc., a company with over 40 years of experience as an owner, manager and developer of collegiate housing. As of December 31, 2010, we owned 36 collegiate housing communities located in 20 states containing 23,704 beds in 7,332 apartment units located at or near 35 universities. As of December 31, 2010, we provided third-party management services for 23 collegiate housing communities located in 10 states containing 11,985 beds in 3,828 apartment units located at or near 19 universities. We selectively develop collegiate housing communities for our own account and also provide third-party development consulting services on collegiate housing development projects for universities and other third parties.

All of our assets are held by, and we have conducted substantially all of our activities through Education Realty Operating Partnership, LP, our Operating Partnership, and its wholly owned subsidiaries, Allen & O Hara Education Services, Inc., or our Management Company or AOES, and Allen & O Hara Development Company, LLC, or our Development Company or AODC. The majority of our operating expenses are borne by our Operating Partnership, our Management Company or our Development Company, as the case may be.

We are the sole general partner of our Operating Partnership. As a result, our board of directors effectively directs all of our Operating Partnership s affairs. We own 98.5% of the outstanding partnership units of our Operating Partnership, and 1.3% of the partnership units are held by the former owners of our initial properties and assets, including members of our management team.

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

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

REIT Status and Taxable REIT Subsidiary

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

Business and Growth Strategy

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

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

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Acquisition and Development Strategy

Acquisitions

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

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

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

Joint Ventures

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

manage a property near the University of Alabama, in which case we will have the majority ownership interest. This strategy enables us to accretively diversify our portfolio by expanding into geographic markets where we are not currently present with lower capital requirements than if we acquired the properties on our own. We expect to continue pursuing joint venture arrangements in the future.

Developments

In 2007, we began developing collegiate housing communities for our ownership, and we plan to increase self-development activity going forward. In 2009, we announced the branding of our private equity program for universities as The On-Campus Equity Plan, or The One Plan^{SM}, which is a collaboration that allows universities to use the Trust s equity and financial stability to develop and revitalize campus housing while preserving their credit capacity for other campus projects. The One Plan^{SM} offers one service provider and one equity source to universities seeking to modernize on-campus housing to meet the needs of today s students. In August 2009, we completed the development of a wholly owned collegiate housing community located on the campus of Syracuse University in Syracuse, New York. The Trust owns and manages the community under a long-term ground lease from Syracuse University. This is the first community EDR developed under The One Plan^{SM}. In July 2010, the University of Texas Board of Regents selected the Trust to be the ground tenant to develop, own and manage a new high-rise apartment community near the campus of the University of Texas at Austin. This will be the second project under the Trust s ONE Plan^{SM} and its third wholly owned development. In February 2011, Syracuse University selected the Trust to develop a second collegiate housing project under the One Plan^{SM}. Also in 2010, EDR created The ONE Plan PLUS to improve those situations where the cost of real estate taxes may make it difficult to provide the desired quality housing at affordable rent levels. The same business structure and criteria apply as with The ONE Plan^{SM}, but with the exception that, instead of acquiring a leasehold interest, EDR secures a second mortgage to make financing the project balance feasible. EDR still uses our equity, but instead of acquiring a leasehold interest, we secure a second mortgage along with conventional construction financing. As a 501(c)(3) not-for-profit corporation, the university/other third party is often exempt from real-estate taxes, resulting in lower rental rates for residents as well as higher annual ground lease payments for the university. In July of 2010, we entered into an agreement to develop, finance and manage a $60,700, 20-story,

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572-bed collegiate housing complex at the Science + Technology Park at Johns Hopkins Medical Institute. The Trust will develop and manage the building which will be constructed on land owned by Johns Hopkins University and leased to a subsidiary of East Baltimore Development, Inc., a nonprofit partnership of private and public entities dedicated to Baltimore s urban revitalization. This is the first community developed by the Trust under the ONE Plan PLUS.

We believe the Trust will continue to enter into more partnerships under The One Plan^{SM} and ONE Plan PLUS due to our years of success in the collegiate housing business. The One Plan^{SM} and ONE Plan PLUS allow us to provide the perfect opportunity to universities to develop new housing and boost enrollment with a plan tailored to specific needs while simultaneously preserving the university s credit capacity.

Operating Strategy

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

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

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

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

Proactive marketing practices. We have developed and implemented proactive marketing practices to enhance the visibility of our collegiate housing communities and to optimize

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

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

Third-Party Services Strategy

In addition to managing our owned collegiate housing communities and developing communities for our ownership, we seek to provide management and development consulting services for universities and other third-party owners who rely upon the private sector for assistance in developing and managing their collegiate housing properties. We perform third-party services in order to enhance our reputation with universities and to benefit our primary goal of owning high quality collegiate housing communities. We perform third-party services for collegiate housing communities serving some of the nation s most prominent systems of higher education, including the University of North Carolina, the California State University System and the Pennsylvania State System of Higher Education.

In order to comply with the rules applicable to our status as a REIT, we provide our third-party services through our Management Company and our Development Company. Unlike the income earned from our properties under the REIT, the income earned by our Management Company and our Development Company is subject to regular federal income tax and state and local income taxes where applicable.

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Third-party management services

We provide third-party management services for collegiate housing communities owned by educational institutions, charitable foundations and others. Our management services typically cover all aspects of operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. These services are comparable to the services that we provide for our owned properties. We typically provide these

services pursuant to multi-year management agreements. These agreements typically have an initial term of two to five years with renewal options of like terms. We believe that providing these services allows us to increase cash flow with little incremental cost by leveraging our existing management expertise and infrastructure. For the year ended December 31, 2010, our fees from third-party management services represented 3.0% of our revenue, excluding operating expense reimbursements.

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

Property	University	# of Beds	# of Units
On-campus properties			
University Park Calhoun Street Apartments	University of Cincinnati	749	288
Reinhard Villages	Clarion University of Pennsylvania	656	180
University Park	Salisbury University (Maryland)	578	145
University Park Phase II	Salisbury University (Maryland)	312	108
Bettie Johnson Hall	University of Louisville		