

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

Education Realty Trust, Inc.

Form 10-Q

November 02, 2015

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 September 30, 2015

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.

Education Realty Operating Partnership, LP

(Exact Name of Registrant as Specified in Its Charter)

Maryland

20-1352180

Delaware

20-1352332

(State or Other Jurisdiction of

(IRS Employer

Incorporation or Organization)

Identification No.)

999 South Shady Grove Road, Suite 600

38120

Memphis, Tennessee

(Address of Principal Executive Offices)

(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.

Education Realty Trust, Inc. Yes  No

Education Realty Operating Partnership, LP Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Education Realty Trust, Inc. Yes  No

Education Realty Operating Partnership, LP 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):

Education Realty Trust, Inc.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Education Realty Operating Partnership, LP  
Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Education Realty Trust, Inc. Yes  No

Education Realty Operating Partnership, LP Yes  No

As of October 29, 2015, Education Realty Trust, Inc. had 48,406,179 shares of common stock outstanding.

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## EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended September 30, 2015 of Education Realty Trust, Inc. and Education Realty Operating Partnership, LP. Unless stated otherwise or the context otherwise requires, references to "EdR" mean only Education Realty Trust, Inc., a Maryland corporation, and references to "EROP" mean only Education Realty Operating Partnership, LP, a Delaware limited partnership. References to the "Trust," "we," "us," or "our" mean collectively EdR, EROP and those entities/subsidiaries owned or controlled by EdR and/or EROP. References to the "Operating Partnership" mean collectively EROP and those entities/subsidiaries owned or controlled by EROP. The following chart illustrates our corporate structure:

The general partner of EROP is Education Realty OP GP, Inc. (the "OP GP"), an entity that is indirectly wholly-owned by EdR. As of September 30, 2015, OP GP held an ownership interest in EROP of less than 1%. The limited partners of EROP are Education Realty OP Limited Partner Trust, a wholly-owned subsidiary of EdR, and other limited partners consisting of current and former members of management. The OP GP, as the sole general partner of EROP, has the responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of EROP, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Management operates EdR and the Operating Partnership as one business. The management of EdR consists of the same members as the management of the Operating Partnership.

The Trust is structured as an umbrella partnership real estate investment trust ("UPREIT") and EdR contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, EdR receives an equal number of partnership units of EROP (the "OP Units"). Contributions of properties to the Trust can be structured as tax-deferred transactions through the issuance of OP Units. Holders of OP Units may tender their OP Units for redemption by the Operating Partnership in exchange for cash equal to the market price of EdR's common stock at the time of redemption or, at EdR's option, for shares of EdR's common stock. Pursuant to the partnership agreement of EROP, the number of shares to be issued upon the redemption of OP Units is equal to the number of OP Units being redeemed. Additionally, for every one share of common stock offered and sold by EdR for cash, EdR must contribute the net proceeds to EROP and, in return, EROP will issue one OP Unit to EdR.

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The Trust believes that combining the quarterly reports on Form 10-Q of EdR and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of the Trust by enabling investors to view the business of EdR and the Operating Partnership as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both EdR and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

EdR consolidates the Operating Partnership for financial reporting purposes, and EdR essentially has no assets or liabilities other than its investment in the Operating Partnership. Therefore, the assets and liabilities of EdR and the Operating Partnership are the same on their respective financial statements. However, the Trust believes it is important to understand the few differences between EdR and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Trust's property ownership, development and related business operations are conducted through the Operating Partnership. EdR also issues public equity from time to time and guarantees certain debt of EROP. EdR does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds all of the assets of the Trust, including the Trust's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from EdR's equity offerings, which are contributed to the capital of EROP in exchange for OP Units on the basis of one share of common stock for one OP Unit, the Operating Partnership generates all remaining capital required by the Trust's business, including as a result of the incurrence of indebtedness. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facilities, proceeds from mortgage indebtedness and debt issuances, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Trust and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Trust's financial statements include the same noncontrolling interests at the Operating Partnership level. The differences between stockholders' equity and partners' capital result from differences in the type of equity issued by EdR and the Operating Partnership.

To help investors understand the significant differences between the Trust and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Trust and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Trust and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable.

In order to highlight the differences between the Trust and the Operating Partnership, the separate sections in this report for the Trust and the Operating Partnership specifically refer to the Trust and the Operating Partnership. In the sections that combine disclosure of the Trust and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Trust. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Trust is appropriate because the Trust operates its business through the Operating Partnership. The separate discussions of the Trust and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Trust on a consolidated basis and how management operates the Trust.

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Education Realty Trust, Inc.  
Education Realty Operating Partnership, LP  
Form 10-Q  
For the Quarter Ended September 30, 2015  
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## PART I - Financial Information

## Item 1. Financial Statements.

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	September 30, 2015	December 31, 2014
Assets:		
Collegiate housing properties, net	\$1,798,809	\$1,586,009
Assets under development	71,065	120,702
Cash and cash equivalents	14,169	18,385
Restricted cash	10,442	10,342
Other assets	81,870	76,199
Total assets	\$1,976,355	\$1,811,637
Liabilities:		
Mortgage and construction loans, net of unamortized premium	\$233,081	\$249,637
Unsecured revolving credit facility	221,000	24,000
Unsecured term loans	187,500	187,500
Senior unsecured notes	250,000	250,000
Accounts payable and accrued expenses	92,088	76,869
Deferred revenue	22,699	17,301
Total liabilities	1,006,368	805,307
Commitments and contingencies (see Note 7)	—	—
Redeemable noncontrolling interests	12,450	14,512
Equity:		
Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 48,362,091 and 47,999,427 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	484	480
Preferred shares, \$0.01 par value per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	996,039	1,034,683
Accumulated deficit	(36,771)	(41,909)
Accumulated other comprehensive loss	(7,894)	(4,465)
Total Education Realty Trust, Inc. stockholders' equity	951,858	988,789
Noncontrolling interests	5,679	3,029
Total equity	957,537	991,818
Total liabilities and equity	\$1,976,355	\$1,811,637

See accompanying notes to the condensed consolidated financial statements.



EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Three Months Ended September		Nine Months Ended	
	30,		September 30,	
	2015	2014	2015	2014
Revenues:				
Collegiate housing leasing revenue	\$54,725	\$47,657	\$168,842	\$144,677
Third-party development consulting services	490	3,705	1,531	5,264
Third-party management services	865	1,052	2,698	2,856
Operating expense reimbursements	2,109	2,290	6,571	6,492
Total revenues	58,189	54,704	179,642	159,289
Operating expenses:				
Collegiate housing leasing operations	28,444	26,920	75,452	70,062
Development and management services	3,019	2,337	8,228	6,964
General and administrative	1,434	3,422	6,632	7,520
Depreciation and amortization	17,828	14,688	49,605	42,928
Ground lease expense	2,938	2,329	7,956	6,162
Loss on impairment of collegiate housing properties	—	953	—	12,734
Reimbursable operating expenses	2,109	2,290	6,571	6,492
Total operating expenses	55,772	52,939	154,444	152,862
Operating income	2,417	1,765	25,198	6,427
Nonoperating (income) expenses:				
Interest expense	6,223	4,508	17,615	15,076
Amortization of deferred financing costs	520	516	1,527	1,533
Interest income	(39)	(9,527)	(144)	(9,638)
Gain on insurance settlement	—	(8,133)	—	(8,133)
Loss on extinguishment of debt	—	243	—	892
Total nonoperating expenses (income)	6,704	(12,393)	18,998	(270)
Income (loss) before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	(4,287)	14,158	6,200	6,697
Equity in losses of unconsolidated entities	(427)	(236)	(823)	(370)
Income (loss) before income taxes and gain on sale of collegiate housing properties	(4,714)	13,922	5,377	6,327
Income tax expense	157	910	325	598
Income (loss) before gain on sale of collegiate housing properties	(4,871)	13,012	5,052	5,729
Gain on sale of collegiate housing properties	—	8,421	—	19,322
Net income (loss)	(4,871)	21,433	5,052	25,051
Less: Net income (loss) attributable to the noncontrolling interests	(151)	33	(86)	393
Net income (loss) attributable to Education Realty Trust, Inc.	\$(4,720)	\$21,400	\$5,138	\$24,658



See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Comprehensive income (loss):				
Net income (loss)	\$ (4,871	) \$ 21,433	\$ 5,052	\$ 25,051
Other comprehensive income (loss):				
Gain (loss) on cash flow hedging derivatives	(3,081	) 1,343	(3,429	) (2,414
Comprehensive income (loss)	\$ (7,952	) \$ 22,776	\$ 1,623	\$ 22,637
Less: Comprehensive income (loss) attributable to the noncontrolling interests	(151	) 33	(86	) 393
Comprehensive income (loss) attributable to Education Realty Trust, Inc.	\$ (7,801	) \$ 22,743	\$ 1,709	\$ 22,244
Earnings per share information:				
Net income (loss) attributable to Education Realty Trust, Inc. common stockholders per share – basic	\$ (0.10	) \$ 0.46	\$ 0.11	\$ 0.60
Net income (loss) attributable to Education Realty Trust, Inc. common stockholders per share – diluted	\$ (0.10	) \$ 0.45	\$ 0.11	\$ 0.59
Distributions per share of common stock	\$ 0.37	\$ 0.36	\$ 1.09	\$ 1.02
Weighted average common shares outstanding:				
Weighted average common shares outstanding – basic	48,526	46,767	48,406	41,340
Weighted average common shares outstanding – diluted	48,526	47,113	48,726	41,686

See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

 (Amounts in thousands, except shares)  
 (Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount					
Balance, December 31, 2013	38,246,718	\$383	\$814,305	\$ (88,964 )	\$ —	\$ 4,245	\$729,969
Proceeds from issuance of common stock, net of offering costs	9,149,099	91	270,855	—	—	—	270,946
Amortization of restricted stock and long-term incentive plan awards	58,364	1	561	—	—	—	562
Common stock issued to officers and directors	13,384	—	420	—	—	—	420
Cash dividends	—	—	(42,050 )	—	—	—	(42,050 )
Return of equity to noncontrolling interests	—	—	—	—	—	(818 )	(818 )
Contributions from noncontrolling interests	—	—	—	—	—	2,205	2,205
Purchase of noncontrolling interests	—	—	(6,507 )	—	—	(2,795 )	(9,302 )
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(2,775 )	—	—	—	(2,775 )
Comprehensive income (loss)	—	—	—	24,658	(2,414 )	187	22,431
Balance, September 30, 2014	47,467,565	\$475	\$1,034,809	\$ (64,306 )	\$ (2,414 )	\$ 3,024	\$971,588
Balance, December 31, 2014	47,999,427	\$480	\$1,034,683	\$ (41,909 )	\$ (4,465 )	\$ 3,029	\$991,818
Common stock issued to officers and directors	12,300	—	408	—	—	—	408
Proceeds from issuance of common stock, net of offering costs	339,557	4	11,699	—	—	—	11,703
Amortization of restricted stock and long-term incentive plan awards	10,807	—	1,429	—	—	—	1,429
Cash dividends	—	—	(52,602 )	—	—	(163 )	(52,765 )
Contributions from noncontrolling interests	—	—	—	—	—	2,913	2,913
Adjustments to reflect redeemable noncontrolling	—	—	422	—	—	—	422

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interests at fair value

Comprehensive income (loss)	—	—	—	5,138	(3,429 )	(100 )	1,609
Balance, September 30, 2015	48,362,091	\$484	\$996,039	\$ (36,771 )	\$ (7,894 )	\$ 5,679	\$957,537

See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Net income	\$5,052	\$25,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,605	42,928
Loss on disposal of assets	—	54
Gain on sale of collegiate housing properties	—	(19,322)
Gain on insurance settlement	—	(8,133)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	3,596	3,634
Loss on impairment of collegiate housing properties	—	12,734
Loss on extinguishment of debt	—	892
Amortization of deferred financing costs	1,527	1,533
Amortization of unamortized debt premiums	(632)	(598)
Distributions of earnings from unconsolidated entities	233	52
Noncash compensation expense related to stock-based incentive awards	2,032	1,775
Equity in losses of unconsolidated entities	823	370
Change in operating assets and liabilities (net of acquisitions)	4,001	10,310
Net cash provided by operating activities	66,237	71,280
Investing activities:		
Property acquisitions	(57,876)	(132,202)
Purchase of corporate assets	(728)	(759)
Restricted cash	(100)	(1,229)
Insurance proceeds received on property losses	—	2,129
Investment in collegiate housing properties	(11,517)	(14,676)
Proceeds from sale of collegiate housing properties	—	69,000
Notes receivable	(2,069)	(250)
Repayment on notes receivable	—	18,000
Earnest money deposits	(335)	—
Investment in assets under development	(138,165)	(177,847)
Distributions from unconsolidated entities	692	—
Investments in unconsolidated entities	(575)	(8,342)
Net cash used in investing activities	(210,673)	(246,176)

See accompanying notes to the condensed consolidated financial statements.

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	Nine Months Ended September 30,	
	2015	2014
Financing activities:		
Payment of mortgage and construction notes	(67,799	) (95,720
Borrowings under mortgage and construction loans	51,875	9,751
Borrowings on unsecured term loan	—	187,500
Debt issuance costs	(756	) (2,183
Debt extinguishment costs	—	(446
Borrowings on line of credit	199,000	344,000
Repayments of line of credit	(2,000	) (490,900
Proceeds from issuance of common stock	10,881	271,461
Payment of offering costs	(221	) (514
Purchase and return of equity to noncontrolling interests	—	(10,138
Contributions from noncontrolling interests	2,936	2,205
Dividends and distributions paid to common and restricted stockholders	(52,602	) (42,050
Dividends and distributions paid to noncontrolling interests	(881	) (800
Repurchases of common stock for payments of restricted stock tax withholding	(213	) (921
Net cash provided by financing activities	140,220	171,245
Net decrease in cash and cash equivalents	(4,216	) (3,651
Cash and cash equivalents, beginning of period	18,385	22,073
Cash and cash equivalents, end of period	\$14,169	\$18,422
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$15,561	\$19,939
Income taxes paid	\$32	\$121
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder	\$960	\$—
Capital expenditures in accounts payable and accrued expenses related to developments	\$21,371	\$7,670

See accompanying notes to the condensed consolidated financial statements.

EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except unit data)

(Unaudited)

	September 30, 2015	December 31, 2014
Assets:		
Collegiate housing properties, net	\$1,798,809	\$1,586,009
Assets under development	71,065	120,702
Cash and cash equivalents	14,169	18,385
Restricted cash	10,442	10,342
Other assets	81,870	76,199
Total assets	\$1,976,355	\$1,811,637
Liabilities:		
Mortgage and construction loans, net of unamortized premium	\$233,081	\$249,637
Unsecured revolving credit facility	221,000	24,000
Unsecured term loans	187,500	187,500
Senior unsecured notes	250,000	250,000
Accounts payable and accrued expenses	92,088	76,869
Deferred revenue	22,699	17,301
Total liabilities	1,006,368	805,307
Commitments and contingencies (see Note 7)	—	—
Redeemable limited partner units	7,850	10,081
Redeemable noncontrolling interests	4,600	4,431
Partners' capital:		
General partner - 6,920 units outstanding as of September 30, 2015 and December 31, 2014, respectively	184	191
Limited partners - 48,355,171 and 47,992,507 units issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	959,568	993,063
Accumulated other comprehensive loss	(7,894	) (4,465
Total partners' capital	951,858	988,789
Noncontrolling interests	5,679	3,029
Total partners' capital	957,537	991,818
Total liabilities and partners' capital	\$1,976,355	\$1,811,637

See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands, except per unit data)

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2015	2014	2015	2014
Revenues:				
Collegiate housing leasing revenue	\$54,725	\$47,657	\$168,842	\$144,677
Third-party development consulting services	490	3,705	1,531	5,264
Third-party management services	865	1,052	2,698	2,856
Operating expense reimbursements	2,109	2,290	6,571	6,492
Total revenues	58,189	54,704	179,642	159,289
Operating expenses:				
Collegiate housing leasing operations	28,444	26,920	75,452	70,062
Development and management services	3,019	2,337	8,228	6,964
General and administrative	1,434	3,422	6,632	7,520
Depreciation and amortization	17,828	14,688	49,605	42,928
Ground lease expense	2,938	2,329	7,956	6,162
Loss on impairment of collegiate housing properties	—	953	—	12,734
Reimbursable operating expenses	2,109	2,290	6,571	6,492
Total operating expenses	55,772	52,939	154,444	152,862
Operating income	2,417	1,765	25,198	6,427
Nonoperating (income) expenses:				
Interest expense	6,223	4,508	17,615	15,076
Amortization of deferred financing costs	520	516	1,527	1,533
Interest income	(39)	(9,527)	(144)	(9,638)
Gain on insurance settlement	—	(8,133)	—	(8,133)
Loss on extinguishment of debt	—	243	—	892
Total nonoperating expenses (income)	6,704	(12,393)	18,998	(270)
Income (loss) before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	(4,287)	14,158	6,200	6,697
Equity in losses of unconsolidated entities	(427)	(236)	(823)	(370)
Income (loss) before income taxes and gain on sale of collegiate housing properties	(4,714)	13,922	5,377	6,327
Income tax expense	157	910	325	598
Income (loss) before gain on sale of collegiate housing properties	(4,871)	13,012	5,052	5,729
Gain on sale of collegiate housing properties	—	8,421	—	19,322
Net income (loss)	(4,871)	21,433	5,052	25,051
Less: Net income (loss) attributable to the noncontrolling interests	(133)	(103)	(119)	136
Net income (loss) attributable to Education Realty Operating Partnership	\$(4,738)	\$21,536	\$5,171	\$24,915



See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Comprehensive income (loss):				
Net income (loss)	\$(4,871	) \$21,433	\$5,052	\$25,051
Other comprehensive income (loss):				
Gain (loss) on cash flow hedging derivatives	(3,081	) 1,343	(3,429	) (2,414
Comprehensive income (loss)	(7,952	) 22,776	1,623	22,637
Less: Comprehensive income (loss) attributable to the noncontrolling interests	(133	) (103	) (119	) 136
Comprehensive income (loss) attributable to unitholders	\$(7,819	) \$22,879	\$1,742	\$22,501
Earnings per unit information:				
Net income (loss) attributable to unitholders – basic and diluted	\$(0.10	) \$0.46	\$0.11	\$0.60
Weighted average units outstanding:				
Weighted average units outstanding – basic	48,775	47,044	48,657	41,617
Weighted average units outstanding – diluted	48,775	47,113	48,726	41,686

See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL AND  
 NONCONTROLLING INTERESTS

(Amounts in thousands, except units)

(Unaudited)

	General Partner		Limited Partners		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Units	Amount	Units	Amount			
Balance, December 31, 2013	6,920	\$ 190	38,239,798	\$ 725,534	\$ —	\$ 4,245	\$ 729,969
Vesting of restricted stock and restricted stock units	—	—	13,384	420	—	—	420
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	9,149,099	270,946	—	—	270,946
Amortization of restricted stock and long-term incentive plan awards	—	—	58,364	562	—	—	562
Distributions	—	(7 )	—	(42,043 )	—	—	(42,050 )
Return of equity to noncontrolling interests	—	—	—	—	—	(818 )	(818 )
Contributions from noncontrolling interests	—	—	—	—	—	2,205	2,205
Purchase of noncontrolling interests	—	—	—	(6,507 )	—	(2,795 )	(9,302 )
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	(2,775 )	—	—	(2,775 )
Comprehensive income (loss)	—	10	—	24,648	(2,414 )	187	22,431
Balance, September 30, 2014	6,920	\$ 193	47,460,645	\$ 970,785	\$ (2,414 )	\$ 3,024	\$ 971,588
Balance, December 31, 2014	6,920	\$ 191	47,992,507	\$ 993,063	\$ (4,465 )	\$ 3,029	\$ 991,818
Vesting of restricted stock and restricted stock units	—	—	12,300	408	—	—	408
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	339,557	11,703	—	—	11,703
Amortization of restricted stock and long-term incentive plan awards	—	—	10,807	1,429	—	—	1,429
Distributions	—	(8 )	—	(52,594 )	—	(163 )	(52,765 )
Contributions from noncontrolling interests	—	—	—	—	—	2,913	2,913
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	422	—	—	422
Comprehensive income (loss)	—	1	—	5,137	(3,429 )	(100 )	1,609

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Balance, September 30, 2015	6,920	\$ 184	48,355,171	\$ 959,568	\$ (7,894 )	\$ 5,679	\$ 957,537
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See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Net income	\$5,052	\$25,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,605	42,928
Loss on disposal of assets	—	54
Gain on sale of collegiate housing properties	—	(19,322)
Gain on insurance settlement	—	(8,133)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	3,596	3,634
Loss on impairment of collegiate housing properties	—	12,734
Loss on extinguishment of debt	—	892
Amortization of deferred financing costs	1,527	1,533
Amortization of unamortized debt premiums	(632)	(598)
Distributions of earnings from unconsolidated entities	233	52
Noncash compensation expense related to stock-based incentive awards	2,032	1,775
Equity in losses of unconsolidated entities	823	370
Change in operating assets and liabilities (net of acquisitions)	4,001	10,310
Net cash provided by operating activities	66,237	71,280
Investing activities:		
Property acquisitions	(57,876)	(132,202)
Purchase of corporate assets	(728)	(759)
Restricted cash	(100)	(1,229)
Insurance proceeds received on property losses	—	2,129
Investment in collegiate housing properties	(11,517)	(14,676)
Proceeds from sale of collegiate housing properties	—	69,000
Notes receivable	(2,069)	(250)
Repayment on notes receivable	—	18,000
Earnest money deposits	(335)	—
Investment in assets under development	(138,165)	(177,847)
Distributions from unconsolidated entities	692	—
Investments in unconsolidated entities	(575)	(8,342)
Net cash used in investing activities	(210,673)	(246,176)
Financing activities:		
Payment of mortgage and construction notes	(67,799)	(95,720)
Borrowings under mortgage and construction loans	51,875	9,751
Borrowings on unsecured term loan	—	187,500
Debt issuance costs	(756)	(2,183)
Debt extinguishment costs	—	(446)
Borrowings on line of credit	199,000	344,000

See accompanying notes to the condensed consolidated financial statements.



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	Nine Months Ended September 30,	
	2015	2014
Repayments of line of credit	(2,000	) (490,900
Proceeds from issuance of common units in exchange for contributions	10,881	271,461
Payment of offering costs	(221	) (514
Purchase and return of equity to noncontrolling interests	—	(10,138
Contributions from noncontrolling interests	2,936	2,205
Distributions paid on unvested restricted stock and long-term incentive plan awards	(138	) (52
Distributions paid to unitholders	(52,464	) (41,998
Distributions paid to noncontrolling interests	(881	) (800
Repurchases of units for payments of restricted stock tax withholding	(213	) (921
Net cash provided by financing activities	140,220	171,245
Net decrease in cash and cash equivalents	(4,216	) (3,651
Cash and cash equivalents, beginning of period	18,385	22,073
Cash and cash equivalents, end of period	\$14,169	\$18,422
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$15,561	\$19,939
Income taxes paid	\$32	\$121
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder	\$960	\$—
Capital expenditures in accounts payable and accrued expenses related to developments	\$21,371	\$7,670

See accompanying notes to the condensed consolidated financial statements.

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EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Organization and description of business

Education Realty Trust, Inc. ("EdR" and collectively with its consolidated subsidiaries, the "Trust") was organized in the state of Maryland on July 12, 2004 and commenced operations effective with the initial public offering that was completed on January 31, 2005. Through the Trust's controlling interest in both the sole general partner and the majority owning limited partner of Education Realty Operating Partnership L.P. ("EROP" and collectively with its consolidated subsidiaries, the "Operating Partnership"), the Trust is one of the largest developers, owners and managers of collegiate housing communities in the United States in terms of beds owned and under management. The Trust is a self-administered and self-managed real estate investment trust ("REIT") that is publicly traded on the New York Stock Exchange under the ticker symbol "EDR." Under the 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 sole general partner of EROP is Education Realty OP GP, Inc. ("OP GP"), an entity that is indirectly wholly-owned by EdR. As of September 30, 2015, OP GP held an ownership interest in EROP of less than 1%. The limited partners of EROP are Education Realty OP Limited Partner Trust, a wholly-owned subsidiary of EdR, and other limited partners consisting of current and former members of management. OP GP, as the sole general partner of EROP, has the responsibility and discretion in the management and control of EROP, and the limited partners of EROP, in such capacity, have no authority to transact business for, or participate in the management activities of EROP. Management operates the Trust and the Operating Partnership as one business. The management of the Trust consists of the same members as the management of the Operating Partnership. EdR consolidates the Operating Partnership for financial reporting purposes, and EdR does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Trust and the Operating Partnership are the same on their respective financial statements. Unless otherwise indicated, the accompanying Notes to the Condensed Consolidated Financial Statements apply to both the Trust and the Operating Partnership.

The Trust also provides real estate facility management, development and other advisory services through EDR Management Inc. (the "Management Company"), a Delaware corporation performing collegiate housing management activities. The Management Company has been designated as a taxable REIT subsidiary ("TRS"). Through EDR Development LLC (the "Development Company"), a Delaware limited liability company and wholly owned subsidiary of the Management Company, the Trust provides development consulting services for third party collegiate housing communities.

2. Summary of significant accounting policies

Basis of presentation

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 of the Trust represent the assets and liabilities and operating results of the Trust and its majority owned subsidiaries.

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, 2014, as filed with the Securities and Exchange Commission (the "SEC") on February 27, 2015.

#### 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 periods. Actual results could differ 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 may exceed the amount the Federal Deposit Insurance Corporation ("FDIC") insures. As of September 30, 2015, the Trust had \$11.3 million cash on deposit that was uninsured by the FDIC or in excess of the FDIC limits.

#### Restricted cash

Restricted cash includes resident security deposits, as required by law in certain states, and escrow accounts held by lenders for the purpose of paying taxes, insurance, principal and interest and funding capital improvements.

#### Notes receivable

On August 26, 2013, the Trust provided a \$0.5 million promissory loan to College Park Apartments, Inc. ("CPA"), the Trust's partner in the unconsolidated joint venture University Village-Greensboro LLC (see Note 5), at an interest rate of 10% per annum and a maturity date of August 1, 2020. Under the loan, CPA can make one draw per calendar quarter. As of September 30, 2015 and December 31, 2014, the outstanding balance was \$0.5 million and \$0.4 million, respectively. The loan is secured by CPA's interest in the joint venture.

On March 20, 2015, the Trust provided a \$1.7 million promissory loan to Concord Eastridge, Inc, the Trust's partner in the joint venture at Roosevelt Point, at an interest rate equal to 2% plus London InterBank Offered Rate ("LIBOR") per annum compounded monthly and a maturity date of March 1, 2017. The loan is secured by Concord Eastridge's interest in the joint venture. As of September 30, 2015, \$1.7 million was outstanding.

#### Collegiate housing properties

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

For assets under development, the Trust capitalizes interest and internal development costs as assets under development. Capitalized interest is determined using the weighted average interest costs of total debt. When the property opens, these costs, along with other direct costs of the development, are transferred into the applicable asset category and depreciation commences.

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

consolidated statements of income and comprehensive income.

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

During the three and nine months ended September 30, 2014, the Trust recorded a \$1.0 million and \$12.7 million loss on impairment of collegiate housing properties, respectively. The impairment losses were due to a change in circumstances that indicated the respective carrying value may not be recoverable. The change in circumstances for the property could be attributable to changes in property specific market conditions, changes in anticipated future use and/or leasing results or a combination of these factors.

When a collegiate housing community has met the criteria to be classified as held for sale, the fair value less cost to sell such asset is estimated. If the fair value less cost to sell the asset is less than the carrying amount of the asset, an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a collegiate housing community has met the held for sale criteria. Only dispositions that represent a strategic shift in the business will qualify for treatment as discontinued operations. The four property dispositions during the nine months ended September 30, 2014 did not qualify for treatment as discontinued operations.

#### Redeemable noncontrolling interests (the Trust) / redeemable limited partners (EROP)

The Trust follows the guidance issued by the Financial Accounting Standards Board ("FASB") regarding the classification and measurement of redeemable securities. The Trust classifies redeemable noncontrolling interests, which include redeemable interests in consolidated joint ventures and units of limited partnership interest in University Towers Operating Partnership, LP and in the Operating Partnership in the mezzanine section of the accompanying condensed consolidated balance sheets. In the accompanying condensed consolidated balance sheets of the Operating Partnership, the redeemable units of limited partnership in the Operating Partnership are classified as redeemable limited partners. The redeemable noncontrolling interest units / redeemable limited partner units are adjusted to the greater of carrying value or fair market value based on the common share price of EdR at the end of each respective reporting period.

#### Common stock issuances and offering costs

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

The Trust is structured as an umbrella partnership REIT ("UPREIT") and contributes all proceeds from its various equity offerings to EROP. For every one share of common stock offered and sold by EdR for cash, EdR must contribute the net proceeds to EROP and, in return, EROP will issue one OP Unit to EdR.

During October 2014, the Trust entered into agreements to establish an at-the-market equity offering program ("ATM Program") authorized to sell a maximum of \$150.0 million in additional shares of EdR common stock. The Trust sold 0.3 million shares under these distribution agreements during the nine months ended September 30, 2015 and received net proceeds of \$10.8 million. The Trust used the net proceeds to repay debt, fund its development pipeline and for general corporate purposes.

On November 20, 2014, the Board authorized a 1-for-3 reverse stock split of shares of EdR common stock, effective December 1, 2014. On April 30, 2015, the Operating Partnership entered into a Second Amended and Restated Agreement of Limited Partnership, which reduced the number of units of limited partnership of the Operating Partnership (the "OP Units") outstanding as a result of the 1-for-3 reverse stock split the Trust completed in December 2014. Accordingly, every three issued and outstanding shares of EdR common stock and OP Units prior to the split were reduced to one. All shares and units and related per-share and per-unit information presented in these financial statements for periods prior to the effective date have been retroactively adjusted to reflect the decreased number of shares and OP Units.

Debt premiums

Differences between the estimated fair value of debt and the principal value of debt assumed in connection with collegiate housing property acquisitions are amortized over the term of the related debt as an offset to interest expense using the effective interest method. As of September 30, 2015 and December 31, 2014, net unamortized debt premiums totaled \$0.9 million and \$1.5 million, respectively. These amounts are included in mortgage and construction loans in the accompanying condensed consolidated balance sheets.

## Income taxes

EdR qualifies as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). EdR is generally not subject to federal, state and local income taxes on any of its taxable income that it distributes if it distributes at least 90% of its REIT taxable income for each tax year to its stockholders and meets certain other requirements. If EdR fails to qualify as a REIT for any taxable year, EdR will be subject to federal, state and local income taxes (including any applicable alternative minimum tax) on its taxable income.

The Trust has elected to treat certain of its subsidiaries, including the Management Company, as TRSs. A TRS is subject to federal, state and local income taxes. The Management Company provides management services and through the Development Company, provides development services, which if directly provided by the Trust would jeopardize EdR's REIT status. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse.

The Trust had no unrecognized tax benefits as of September 30, 2015 and December 31, 2014. The Trust and its subsidiaries file federal and state income tax returns. As of September 30, 2015, open tax years generally included tax years for 2012, 2013 and 2014. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. As of September 30, 2015 and December 31, 2014, the Trust had no interest or penalties recorded related to unrecognized tax benefits.

## Goodwill and other intangible assets

Goodwill is not subject to amortization, but is tested annually for impairment as of December 31, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The accumulated impairment loss recorded as of December 31, 2008 was \$0.4 million. No additional impairment has been recorded through September 30, 2015. The carrying value of goodwill was \$3.1 million as of September 30, 2015 and December 31, 2014, of which \$2.1 million was recorded on the management services segment and \$0.9 million was recorded on the development consulting services segment. Other intangible assets generally include in-place leases acquired in connection with acquisitions and are amortized over the estimated life of the lease/contract term. The carrying value of other intangible assets was \$0.3 million and \$0.4 million as of September 30, 2015 and December 31, 2014, respectively.

## Investment in unconsolidated entities

The Trust accounts for its investments in unconsolidated joint ventures using the equity method whereby the costs of an investment are 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 are allocated based on each owner's respective ownership interests. These investments are classified as other assets or accrued expenses, depending on whether the distributions exceed the Trust's contributions and share of earnings in the joint ventures, in the accompanying condensed consolidated balance sheets (see Note 5).

## Stock-based compensation

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

guidance.

Earnings per share

Earnings per Share - The Trust

Basic earnings per share is calculated by dividing net earnings available to common stockholders by weighted average shares of common stock outstanding, including outstanding units in the Operating Partnership designated as LTIP Units ("LTIP Units"). Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. The Trust follows the authoritative guidance regarding the determination of whether certain instruments are participating securities. All unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are included in the computation of earnings per share under the two-class method. This

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results in shares of unvested restricted stock and LTIP Units being included in the computation of basic earnings per share for all periods presented.

#### Earnings per OP Unit - EROP

Basic earnings per unit is calculated by dividing net earnings available to unitholders by the weighted average number of OP Units and LTIP Units outstanding. Diluted earnings per unit is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. EROP follows the authoritative guidance regarding the determination of whether certain instruments are participating securities.

#### Fair value measurements

The Trust follows the guidance contained in FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures ("ASC 820"). Fair value is generally defined as the exit price at which an asset or liability could be exchanged in a current transaction between willing unrelated parties, other than in a forced liquidation or sale. ASC 820 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data, and requires disclosures for assets and liabilities measured at fair value based on their level in the hierarchy.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Observable inputs other than those included in Level 1, for example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 - Unobservable inputs reflecting management's own assumption about the inputs used in pricing the asset or liability at the measurement date.

#### Derivative instruments and hedging activities

All derivative financial instruments are recorded on the balance sheet at fair value. Changes in fair value are recognized either in earnings or as other comprehensive income (loss), depending on whether the derivative has been designated as a fair value or cash flow hedge and whether it qualifies as part of a hedging relationship, the nature of the exposure being hedged, and how effective the derivative is at offsetting movements in underlying exposure. Hedge accounting is discontinued when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated, or exercised; it is no longer probable that the forecasted transaction will occur; or management determines that designating the derivative as a hedging instrument is no longer appropriate. The Trust uses interest rate swaps to effectively convert a portion of its variable rate debt to fixed rate, thus reducing the impact of changes in interest rates on interest payments (see Notes 6 and 10). These instruments are designated as cash flow hedges and the interest differential to be paid or received is recorded as interest expense.

#### Recent accounting pronouncements

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30)" ("ASU 2015-03"). ASU 2015-03 simplifies the presentation of debt issuance costs and requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendments in ASU 2015-03. In August 2015, the FASB issued ASU 2015-15 to supplement the requirements of



ASU 2015-03 by allowing an entity to defer and present debt issuance costs related to a line of credit arrangement as an asset and subsequently amortize the deferred cost ratably over the term of the line of credit. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years, with retrospective application required. The Trust is currently evaluating the provisions of this guidance.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810)" ("ASU 2015-02"), which amends the consolidation requirements in ASC 810, Consolidation. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs,

particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception for certain entities. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years and permits the use of either the retrospective or cumulative effect transition method. The Trust is currently evaluating the provisions of this guidance.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including the guidance on real estate derecognition for most transactions. ASU 2014-09 provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years and permits the use of either the retrospective or cumulative effect transition method. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Trust is currently evaluating the provisions of this guidance.

### 3. Acquisition and development of real estate investments

#### Acquisition of collegiate housing properties

##### 2015 Acquisitions

During the nine months ended September 30, 2015, the Trust completed the following two collegiate housing property acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
The Commons on Bridge	University of Tennessee Knoxville, Tennessee	June 2015	150	51	\$9,700
The Province at Boulder	University of Colorado Boulder, Colorado	Sept 2015	317	84	\$48,800

Combined acquisition costs for these purchases were \$0.2 million and are included in general and administrative expenses in the accompanying condensed statements of income and comprehensive income for the nine months ended September 30, 2015. The Trust funded these acquisitions with proceeds from draws on the Fifth Amended Revolver (as defined in Note 6).

Due to the timing of the completion of the acquisition of The Province at Boulder, work is still ongoing to determine the fair value of the assets and liabilities as of the acquisition date, and as a result, the following amounts are preliminary. Below is the allocation of the purchase price to the fair values of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	The Commons on Bridge	The Province at Boulder	Total
Collegiate housing properties	\$9,624	\$48,522	\$58,146
In-place leases	76	278	354
Other assets	5	85	90
Current liabilities	(338	) (376	) (714
Total net assets acquired	\$9,367	\$48,509	\$57,876

The \$0.6 million difference between contracted price of \$58.5 million and the net assets above represents working capital and other liabilities that were not part of the contractual purchase price, but were acquired.

In conjunction with the acquisition of the The Province at Boulder, the Trust entered into a reverse Section 1031 like-kind exchange agreement with a third party intermediary, which, for a maximum of 180 days, allows us to defer for tax purposes, gains on the sale of other properties identified and sold within this period. Until the earlier of the termination of the exchange agreements or 180 days after the respective acquisition date, the third party intermediary is the legal owner of the property; however, the Trust controls the activities that most significantly impact the property and retains all of the economic benefits and risks associated with the property. Therefore, at the date of the acquisition, it was determined that the Trust was the primary beneficiary of this VIE and consolidated the property and its operations as of the respective acquisition date. As of September 30, 2015, this VIE had total assets of \$49.0 million, no significant liabilities, and no significant cash flows.

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The unaudited pro forma information had the acquisition date been January 1, 2014 is as follows (in thousands, except per share and per unit amounts):

	Nine months ended September 30,	
	2015	2014
Total revenue	\$182,238	\$160,311
Net income attributable to the Trust	\$6,210	\$24,767
Net income attributable to common shareholders - basic	\$0.13	\$0.60
Net income attributable to common shareholders - diluted	\$0.13	\$0.59
Net income attributable to EROP	\$6,248	\$25,024
Net income attributable to unitholders - basic and diluted	\$0.13	\$0.60

2014 Acquisitions

During the year ended December 31, 2014, the following collegiate housing property acquisitions were completed:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
109 Tower	Florida International University Miami, Florida	Aug 2014	542	149	\$43,500
District on Apache	Arizona State University Tempe, Arizona	Sept 2014	900	279	\$89,800

Combined acquisition costs for these purchases were \$0.9 million. These acquisitions were funded with proceeds from the follow-on equity offering in June 2014, draws on the Fourth Amended Revolver and the Fifth Amended Revolver (see Note 6) and cash on hand.

A summary follows of the fair values of the assets acquired and the liabilities assumed as of the dates of the acquisitions (in thousands):

	109 Tower	District on Apache	Total
Collegiate housing properties	\$43,384	\$89,216	\$132,600
In-place leases	—	643	643
Other assets	200	36	236
Current liabilities	(746	) (1,341	) (2,087
Total net assets acquired	\$42,838	\$88,554	\$131,392

The contracted purchase price of \$133.3 million, reflected in the table above, net of \$2.1 million in assumed liabilities, represents a net asset value of \$131.2 million. The \$0.2 million difference between this amount and the net assets reflected in the second table above represents working capital and other assets that were not part of the contractual purchase price, but were acquired.

During 2014, the Trust also purchased the remaining 30% of its joint venture partner's interest in The Retreat at Oxford and a portion of its joint venture partner's interest in Roosevelt Point (see Note 8).

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The unaudited pro forma information had the acquisition date been January 1, 2013 is as follows (in thousands, except per share and per unit amounts):

	Nine months ended September 30, 2014
Total revenue <sup>(1)</sup>	\$165,458
Net income attributable to the Trust <sup>(1)</sup>	\$28,383
Net income attributable to common shareholders - basic	\$0.69
Net income attributable to common shareholders - diluted	\$0.68
Net income attributable to EROP <sup>(1)</sup>	\$28,664
Net income attributable to unitholders - basic and diluted	\$0.69

<sup>(1)</sup> As the 109 Tower opened for 2014/2015 lease year, the supplemental pro forma revenue and net income for the period between January 1, 2014 to September 30, 2014 only includes its operations from the date it opened.

Development of collegiate housing properties

During the nine months ended September 30, 2015, the Trust developed the following communities which opened during the 2015/2016 lease year. The costs incurred to date represent the balance capitalized in collegiate housing properties, net as of September 30, 2015 (dollars in thousands):

Name	Primary University Served	Bed Count	Costs Incurred as of September 30, 2015	Internal Development Costs Capitalized Nine months ended September 30, 2015	Interest Costs Capitalized	Internal Development Costs Capitalized Three months ended September 30, 2015	Interest Costs Capitalized
Woodland Glen III, IV & V	University of Kentucky	1,610	\$ 102,991	\$353	\$ 2,414	\$163	\$ 558
The Oaks on the Square - Phase IV	University of Connecticut	391	44,005	301	633	193	228
The Retreat at Louisville <sup>(1)</sup>	University of Louisville	656	43,923	176	568	60	186
Total - owned communities		2,657	190,919	830	3,615	416	972
Georgia Heights <sup>(2)</sup>	University of Georgia	292	51,227	216	273	89	54
Total joint ventures		292	51,227	216	273	89	54
Total		2,949	\$ 242,146	\$ 1,046	\$ 3,888	\$ 505	\$ 1,026

<sup>(1)</sup> In June 2014, the Trust announced an agreement with a subsidiary of Landmark Property Holdings, LLC ("Landmark") to develop, own and manage cottage-style collegiate housing property adjacent to The University of Louisville. The Trust is the majority owner and managing member of the joint venture.

<sup>(2)</sup> In 2013, the Trust entered into an agreement to develop, own and manage a mixed-use development adjacent to the main entrance of the University of Georgia. The costs above represent total costs incurred for the joint venture development. The Trust holds a 50% interest in the joint venture and manages the community. The Trust does not consolidate the joint venture and its investment in the community of \$10.5 million and \$10.2 million as of September 30, 2015 and December 31, 2014, respectively, is classified as other assets in the accompanying condensed consolidated balance sheets.

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During 2014, the Trust developed the following communities which opened during the 2014/2015 lease year. The costs incurred to date represent the balance capitalized in collegiate housing properties, net as of December 31, 2014 (dollars in thousands):

Name	Primary University Served	Bed Count	Costs Incurred as of December 31, 2014	Internal Development Costs Capitalized Nine months ended September 30, 2014	Interest Costs Capitalized	Internal Development Costs Capitalized Three months ended September 30, 2014	Interest Costs Capitalized
The Lotus <sup>(1)</sup>	University of Colorado	195	\$27,800	\$131	\$254	\$34	\$81
Haggin Hall <sup>(2)</sup>	University of Kentucky	396	23,840	121	319	60	110
Champions Court I <sup>(2)</sup>	University of Kentucky	740	47,368	145	778	81	233
Champions Court II <sup>(2)</sup>	University of Kentucky	427	24,329	96	405	20	123
Woodland Glen I & II <sup>(2)</sup>	University of Kentucky	818	45,730	146	714	80	222
605 West <sup>(3)</sup>	Duke University	384	45,258	84	607	12	174
The Oaks on the Square - Phase III <sup>(4)</sup>	University of Connecticut	116	12,482	124	156	73	44
Total owned communities		3,076	226,807	847	3,233	360	987
The Marshall <sup>(5)</sup>	University of Minnesota	994	93,976	96	383	27	110
Total joint ventures		994	93,976	96	383	27	110
Total		4,070	\$320,783	\$943	\$3,616	\$387	\$1,097

<sup>(1)</sup> In November 2011, the Trust purchased a collegiate housing property near the University of Colorado, Boulder ("The Lotus"). The Trust developed additional housing on the existing land, which opened for the 2014/2015 lease year.

<sup>(2)</sup> In December 2011, the Trust was selected by the University of Kentucky to develop, own and manage new collegiate housing on its campus. This project will be financed through the ONE Plan<sup>SM</sup>. Phase I opened in August 2013 and Phase II, which includes these communities, opened for the 2014-2015 lease year. The third phase opened in August 2015.

<sup>(3)</sup> In March 2013, the Trust announced an agreement with Javelin 19 Investments, LLC ("Javelin 19") to develop, own and manage 605 West, a new collegiate housing property near Duke University. The Trust is the majority owner and managing member of the joint venture and manages the community, which opened in August 2014. For a period of five years from the date on which the property receives its initial certificate of occupancy, Javelin 19 has the right to require the Trust to purchase Javelin 19's 10% interest in the joint venture at a price to be determined.

<sup>(4)</sup> In 2010, LeylandAlliance LLC and the Trust entered into an agreement to develop the first two phases of Storrs Center, a mixed-use town center project, adjacent to the University of Connecticut. The Trust developed, owns and manages the collegiate housing properties in these first two phases and both phases include commercial and residential offerings. The first phase opened in August 2012 and the second phase opened in August 2013. LeylandAlliance LLC and the Trust subsequently entered into additional agreements to develop the third and fourth phases of the project. The third phase opened in August 2014 and the fourth phase opened in August 2015.

<sup>(5)</sup> In 2012, Trust entered into an agreement to develop, own and manage a mixed-use development located two blocks from University of Minnesota. The costs above represent total costs incurred for the joint venture development. The Trust holds a 50% interest in the joint venture and manages the community, which opened in August 2014. The Trust does not consolidated the joint venture and its investment in the community of \$17.2 million and \$18.4 million as of September 30, 2015 and December 31, 2014, respectively, is classified as other assets in the accompanying condensed consolidated balance sheets.

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The following represents a summary of active developments as of September 30, 2015, including development costs and costs capitalized (dollars in thousands):

Name	Primary University Served	Bed Count	Costs Incurred as of September 30, 2015	Internal Development Costs Capitalized Nine months ended September 30, 2015	Interest Costs Capitalized	Internal Development Costs Capitalized Three months ended September 30, 2015	Interest Costs Capitalized
Limestone Park I & II	University of Kentucky	1,141	\$ 39,571	\$ 276	\$ 586	\$ 82	\$ 283
Retreat at Oxford - Phase II	University of Mississippi	350	8,998	44	112	14	59
University Flats	University of Kentucky	771	5,752	161	27	87	25
Honors College	University of Kentucky	350	307	—	—	—	—
Boise State University	Boise State University	656	173	26	—	26	—
Retreat at Blacksburg - Phase I & II	Virginia Tech	829	15,563	79	56	74	56
Total active projects under development		4,097	\$ 70,364	\$ 586	\$ 781	\$ 283	\$ 423

All costs related to the development of collegiate housing communities are classified as assets under development in the accompanying condensed consolidated balance sheets until the community is completed and opened.

#### 4. Disposition of real estate investments

During the nine months ended September 30, 2014, the Trust sold four owned off-campus communities: College Station at W. Lafayette, the Reserve on West 31st, the Pointe West, and the Reserve on South College, containing an aggregate of 2,736 beds for a combined sales price of approximately \$71.7 million, resulting in total net proceeds of approximately \$52.2 million, after payoffs of mortgage debt of \$16.7 million and closing costs. The net income attributable to these properties is included in operations in the accompanying condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2014. The Trust recognized a \$19.3 million gain on these dispositions.

#### 5. Investments in unconsolidated entities

As of September 30, 2015 and December 31, 2014, the Trust had investments in the following unconsolidated joint ventures (see Note 2), which are accounted for under the equity method:

- a 50% interest in 1313 5th Street MN Holdings, LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as The Marshall at the University of Minnesota;
- a 50% interest in West Clayton Athens GA Owner, LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as Georgia Heights at the University of Georgia;
- a 25% interest in University Village-Greensboro LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as University Village - Greensboro; and
- a 10% interest in Elauwit Networks, a South Carolina limited liability company, which is a student housing technology services provider.



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The Trust participates in major operating decisions of, but does not control, these entities; therefore, the equity method is used to account for these investments.

The following is a summary of the results of operations related to the Trust's unconsolidated joint ventures for the nine months ended September 30, 2015 and 2014 (in thousands):

Results of Operations of Unconsolidated Entities:

For the nine months ended September 30,	2015	2014
Revenues	\$26,776	\$22,006
Net loss	\$(1,766	) \$(1,246
Equity in losses of unconsolidated entities	\$(823	) \$(370

As of September 30, 2015 and December 31, 2014, the Trust had \$28.5 million and \$29.5 million, respectively, of investments in unconsolidated entities classified in other assets in the accompanying condensed consolidated balance sheets. As of

September 30, 2015 and December 31, 2014, liabilities are recorded totaling \$1.9 million and \$1.7 million, respectively, related to investments in unconsolidated entities where distributions exceeded contributions and equity in earnings and the Trust has historically provided financial support; therefore, these investments are classified in accrued expenses in the accompanying condensed consolidated balance sheets (see Note 2).

## 6. Debt

### Revolving credit facility

On November 19, 2014, the Operating Partnership entered into a Fifth Amended and Restated Credit Agreement (the "Fifth Amended Revolver"). The Fifth Amended Revolver amended and restated that certain Fourth Amended and Restated Credit Agreement (the "Fourth Amended Revolver"). The Fifth Amended Revolver has a maximum availability of \$500.0 million and an accordion feature to \$1.0 billion, which may be exercised during the first four years subject to satisfaction of certain conditions. The Fifth Amended Revolver is scheduled to mature on November 19, 2018.

EdR serves as the guarantor for any funds borrowed by the Operating Partnership under the Fifth Amended Revolver. The interest rate per annum applicable to the Fifth Amended Revolver is, at the Operating Partnership's option, equal to a base rate or the LIBOR plus an applicable margin based upon our leverage. As of September 30, 2015, the interest rate applicable to the Fifth Amended Revolver was 1.45%. As of September 30, 2015, the outstanding balance under the Fifth Amended Revolver was \$221.0 million, thus, our remaining availability was \$279.0 million.

The Fifth Amended Revolver contains customary affirmative and negative covenants and contains financial covenants that, among other things, require the maintenance of 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, and distributions are prohibited in excess of 95% of funds from operations ("FFO") except to comply with the legal requirements to maintain REIT status. As of September 30, 2015, the Operating Partnership was in compliance with all covenants of the Fifth Amended Revolver.

### Unsecured term loan facility

On January 13, 2014, the Operating Partnership and certain subsidiaries entered into an unsecured term loan facility under a Credit Agreement (the "Credit Agreement"), which was subsequently amended and restated on November 19, 2014 (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement removed certain subsidiaries as borrowers and amended certain financial covenants to align with the Fifth Amended Revolver.

Under the Amended and Restated Credit Agreement, the unsecured term loans have an aggregate principal amount of \$187.5 million, consisting of a \$122.5 million Tranche A term loan with a seven-year maturity (the "Tranche A Term Loan") and a \$65.0 million Tranche B term loan with a five-year maturity (the "Tranche B Term Loan" and, together with the Tranche A Term Loan, the "Term Loans"). The Tranche A Term Loan matures on January 13, 2021 and the Tranche B Term Loan matures on January 13, 2019. The Credit Agreement contains an accordion feature pursuant to which the Borrowers may request that the total aggregate amount of the Term Loans be increased to \$250.0 million, which may be allocated to Tranche A or Tranche B, subject to certain conditions, including obtaining commitments from any one or more lenders to provide such additional commitments. The Operating Partnership used proceeds from the Term Loan to repay a portion of the outstanding balance under the Fourth Amended Revolver.

The interest rate per annum on the Tranche A Term Loan is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin ranging from 155 to 225 basis points. The interest rate per annum on the Tranche B Term Loan is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin ranging from 120 to 190 basis points. The applicable margin for the Term Loans is based on leverage.

The Amended and Restated Credit Agreement contains customary affirmative and restrictive covenants substantially similar to those contained in the Fifth Amended Revolver. EdR serves as the guarantor for any funds borrowed under the Amended and Restated Credit Agreement. As of September 30, 2015, the Operating Partnership was in compliance with all covenants of the Credit Agreement.

In connection with entering into the Credit Agreement, the Operating Partnership entered into multiple interest rate swaps with notional amounts totaling \$187.5 million to hedge the interest payments on the LIBOR-based Term Loans (see Note 10). As of September 30, 2015, the effective interest rate on the Tranche A Term Loan was 3.85% (weighted average swap rate of 2.30%)

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plus the current margin of 1.55%) and the effective interest rate on the Tranche B Term Loan was 2.86% (weighted average swap rate of 1.66% plus the current margin of 1.20%).

Senior unsecured notes

On November 24, 2014, the Operating Partnership completed the public offering of \$250.0 million senior unsecured notes (the "Senior Unsecured Notes") under an existing shelf registration statement. The 10-year Senior Unsecured Notes were issued at 99.991% of par value with a coupon of 4.6% per annum and are fully and unconditionally guaranteed by EdR. Interest on the Senior Unsecured Notes is payable semi-annually on June 1 and December 1 of each year. The Senior Unsecured Notes will mature on December 1, 2024. The terms of Senior Unsecured Notes contain certain covenants that restrict the ability of EdR, and the Operating Partnership to incur additional secured and unsecured indebtedness. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of September 30, 2015, the Operating Partnership was in compliance with all covenants of the Senior Unsecured Notes.

Mortgage and construction debt

As of September 30, 2015 and December 31, 2014, mortgage and construction notes payable consist of the following, which were secured by the underlying collegiate housing properties (amounts in thousands):

Property	Outstanding Balance at		Interest Rate at September 30, 2015	Interest Rate Type	Initial Maturity Date	
	September 30, 2015	December 31, 2014				
Various Communities <sup>(1)</sup>	\$21,417	\$21,696	5.67	%	Fixed	1/1/2020
Various Communities <sup>(2)</sup>	54,793	55,523	6.02	%	Fixed	1/1/2019
Various Communities <sup>(3)</sup>	15,920	16,137	5.45	%	Fixed	1/1/2017
Master Secured Credit Facility	92,130	93,356	5.84	% <sup>(4)</sup>		
The Suites at Overton Park	23,844	24,216	4.16	% <sup>(5)</sup>	Fixed	4/1/2016 <sup>(5)</sup>
The Centre at Overton Park	22,440	22,697	5.60	% <sup>(5)</sup>	Fixed	1/1/2017 <sup>(5)</sup>
University Towers	33,825	34,000	2.35	% <sup>(6)</sup>	Variable	7/1/2016 <sup>(6)</sup>
Mortgage Debt	80,109	80,913	3.80	% <sup>(4)</sup>		
The Retreat at Louisville	33,942	8,114	2.26	% <sup>(7)</sup>	Variable	8/1/2017 <sup>(7)</sup>
The Varsity	—	32,420	n/a			
The Oaks on the Square - Phase IV	25,571	—	2.21	% <sup>(8)</sup>	Variable	10/20/2017 <sup>(8)</sup>
The Retreat at Blacksburg	475	—	2.24	% <sup>(9)</sup>	Variable	2/4/2019
Roosevelt Point	—	33,348	n/a			
Construction Loans	59,988	73,882	2.24	% <sup>(4)</sup>		
Total debt / weighted average rate	232,227	248,151	4.20	% <sup>(4)</sup>		
Unamortized premium	854	1,486				
Total net of unamortized premium	233,081	249,637				
Less current portion	(58,185 )	(68,675 )				
Total long-term debt, net of current portion	\$174,896	\$180,962				

<sup>(1)</sup> As of September 30, 2015 and December 31, 2014, the following properties secured this note: The Reserve at Saluki Pointe and River Pointe.

<sup>(2)</sup> As of September 30, 2015 and December 31, 2014, the following properties secured this note: The Reserve at Athens, The Reserve at Perkins, The Commons at Knoxville and The Reserve on Stinson.

- (3) As of September 30, 2015 and December 31, 2014, The Reserve at Columbia secured this note.
- (4) Represents the weighted average interest rate as of September 30, 2015.
- (5) In connection with the acquisitions of The Suites at Overton Park and The Centre at Overton Park during 2012, the Trust assumed fixed-rate mortgage debt. If no event of default occurs, the Trust has the option to extend the maturity dates for one year at a base rate plus a margin of 2.5%. Principal and interest are repaid monthly on these loans.
- (6) The interest rate per year applicable to the loan is, at the option of the Trust, equal to a prime rate plus a 0.50% margin or LIBOR plus a 2.10% margin and was interest only through July 1, 2015. The loan may be extended for two 12-month periods, provided that the debt service coverage ratio calculated as of the preceding quarter is at least 1.30 to 1.00 and an extension fee is paid.
- (7) During 2014, the Trust entered into a \$35.7 million construction loan related to the development of a jointly owned cottage-style

community located in Louisville, Kentucky (The Retreat at Louisville). The Operating Partnership is the majority owner and will manage the community following its completion. The interest rate per year applicable to the loan is, at the option of the Operating Partnership, equal to a base rate plus a 1.05% margin or LIBOR plus a 2.05% margin and is interest only through August 1, 2017. If certain conditions are met, the Operating Partnership has the option to extend the loan for two one-year extension periods. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

<sup>(8)</sup> During 2014, the Operating Partnership entered into a construction loan of \$38.0 million related to the development of the fourth phase of a wholly-owned collegiate housing community in Storrs, Connecticut (The Oaks on the Square - Phase IV). The interest rate per year applicable to the loan is, at the option of the Operating Partnership, equal to a base rate plus a 1.00% margin or LIBOR plus a 2.00% margin and is interest only through October 20, 2017. If certain conditions are met, the Operating Partnership has the option to extend the loan for two one-year extension periods. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

<sup>(9)</sup> During 2015, the Operating Partnership entered into a construction loan of \$49.6 million related to the development of a jointly owned cottage-style community located in Blacksburg, Virginia (The Retreat at Blacksburg). The Operating Partnership is the majority owner and will manage the community following its completion. The interest rate per year applicable to the loan is, at the option of the Operating Partnership, equal to a base rate plus a 1.05% margin or LIBOR plus a 2.05% margin and is interest only through February 4, 2019. If certain conditions are met, the Operating Partnership has the option to extend the loan for two one-year extension periods. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

#### Master Secured Credit Facility

The Operating Partnership has a credit facility with Fannie Mae (the "Master Secured Credit Facility") that was entered into on December 31, 2008 and expanded on December 2, 2009. All notes under the Master Secured Credit Facility contain cross-default provisions; all properties securing the notes are cross-collateralized. The Operating Partnership was in compliance with all financial covenants, including consolidated net worth and liquidity tests, contained in the Master Secured Credit Facility as of September 30, 2015.

#### Mortgage debt

All mortgage loans contain customary financial covenants, such as minimum debt service ratios. As of September 30, 2015, the Operating Partnership was in compliance with all covenants.

#### Construction loans

On March 20, 2015, the Operating Partnership paid in full variable rate construction debt with an outstanding principal balance of \$33.3 million related to the development of Roosevelt Point. The effective interest rate at the repayment date was 2.44%.

On June 8, 2015, the Operating Partnership paid in full variable rate construction debt with an outstanding principal balance of \$32.4 million related to The Varsity. The effective interest rate at the repayment date was 1.78%.

All constructions loans contain customary financial covenants, such as minimum debt service ratios. As of September 30, 2015, the Operating Partnership was in compliance with all covenants.

The scheduled maturities of outstanding indebtedness (excluding the Fifth Amended Revolver) as of September 30, 2015 are as follows (in thousands):

Year	
2015 (three months ending December 31, 2015)	\$818
2016	59,468

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2017	98,575
2018	1,629
2019	117,163
2020	19,574
Thereafter	372,500
Total	669,727
Debt premium	854
Outstanding as of September 30, 2015, net of debt premium	\$670,581

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7. Commitments and contingencies

The Operating Partnership and various joint venture partners have jointly and severally guaranteed partial repayment on third-party mortgage and construction debt secured by the following underlying collegiate housing properties, all of which are unconsolidated joint ventures. The Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the respective operating agreement, the joint venture partner agreed to indemnify, defend and hold harmless the Trust with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, exposure under the guaranties for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates is not expected to exceed the Operating Partnership's proportionate interest in the related mortgage debt in the case of the non-recourse, carve-out guaranty, or in the Operating Partnership's proportionate interest in the partial repayment guaranty, as applicable.

The following summarizes the Operating Partnership's exposure under such guaranties (dollars in thousands):

	September 30, 2015				December 31, 2014					
	Ownership Percent	Joint Venture Loan Balance	Partial Repayment Guarantee	Operating Partnership's Proportionate Interest Loan Balance	Partial Repayment Guarantee	Joint Venture Loan Balance	Partial Repayment Guarantee	Operating Partnership's Proportionate Interest Loan Balance	Partial Repayment Guarantee	
University Village - Greensboro	25	%	\$23,386	n/a	\$5,847	n/a	\$23,643	n/a	\$5,911	n/a
The Marshall Georgia Heights	50	%	56,575	8,767	28,288	4,384	55,663	8,767	27,832	4,384
	50	%	26,121	7,230	13,061	3,615	—	7,230	—	3,615

In connection with the development agreement entered into on July 14, 2010 for a project at the Science + Technology Park at Johns Hopkins Medical Institute, the Trust committed to provide a guarantee of repayment of a \$42.0 million third-party construction loan for a \$3.0 million fee, of which the carrying value approximated fair value. On July 1, 2014, the third-party owners refinanced the construction loan and the Trust was released from the guarantee obligations. The Trust collected and recognized the \$3.0 million guarantee fee during the third quarter of 2014.

During October 2014, the Operating Partnership and LeylandAlliance LLC entered into a \$38.0 million construction loan for the fourth phase of the The Oaks on the Square project (see Note 3). The Operating Partnership and LeylandAlliance LLC jointly committed to provide a guarantee of repayment for the construction loan. As of September 30, 2015, \$30.9 million had been drawn on the construction loan, of which \$5.4 million was attributable to LeylandAlliance LLC, and has not been included in our condensed consolidated financial statements.

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

During the six months ended June 30, 2015, an arbitration proceeding was filed against a subsidiary of the Trust and a companion federal suit was filed against the Trust itself, both actions related to a change order dispute by the general contractor on a completed third-party development project. The general contractor is seeking damages in the amount



of \$1.6 million plus attorney and other fees. Since that time, the federal suit was dismissed; and, the subsidiary of the Trust is involved in ongoing arbitration proceedings. The Trust has accrued an estimate of costs to settle such claims in the condensed consolidated financial statements; however, the Trust continues to vigorously defend this matter and believes it has viable counterclaims.

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, are not expected to have a material effect on our financial position, results of operations or liquidity.

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

After being awarded a development consulting contract, the Trust will enter into predevelopment consulting contracts with educational institutions to develop collegiate housing communities on their behalf. The Trust will enter into reimbursement agreements that provide for the Trust to be reimbursed for the predevelopment costs incurred prior to the institution's governing body formally approving the final development contract. As of September 30, 2015 and December 31, 2014, the Trust had reimbursable predevelopment costs of \$1.8 million and \$1.7 million, respectively, which are reflected in other assets in the accompanying condensed consolidated balance sheets.

## 8. Noncontrolling interests

### Operating Partnership

**Joint Ventures:** As of September 30, 2015, EROP had entered into four joint venture agreements to develop, own and manage properties near: Arizona State University - Downtown Phoenix (Roosevelt Point), Duke University (605 West), The University of Louisville (The Retreat at Louisville) and Virginia Tech (The Retreat at Blacksburg). EROP is deemed to be the primary beneficiary of these communities; therefore, EROP accounts for the joint ventures using the consolidation method of accounting.

EROP's joint venture partner's investments in 605 West met the requirements to be classified outside of permanent equity, and is therefore classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets and net income (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of income and comprehensive income due to the partner's ability to put their ownership interests to EROP as stipulated in the operating agreements.

EROP's joint venture partner's investments in the Arizona State University - Downtown Phoenix joint venture, The University of Louisville joint venture and the Virginia Tech joint venture are accounted for as noncontrolling interests in the accompanying condensed consolidated balance sheets and statements of changes in partner's capital and noncontrolling interests and net income (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of income and comprehensive income.

On August 29, 2014, EROP purchased its joint venture partner's 30% interest in The Retreat at Oxford for \$8.5 million. Prior to the acquisition of EROP's joint venture partners' interest, the investment was accounted for as noncontrolling interests in the accompanying condensed consolidated financial statements. This collegiate housing property is now wholly-owned by EROP.

On April 15, 2014, EROP purchased a portion of its joint venture partner's interest in Roosevelt Point for \$0.8 million. As a result of this purchase, EROP now holds a 95% ownership in the Roosevelt Point collegiate housing property.

The units of the limited partnership interest of University Towers Operating Partnership, LP ("University Towers Operating Partnership Units") are also referred to as noncontrolling interests. EROP follows the guidance issued by the FASB regarding the classification and measurement of redeemable securities. The University Towers Operating Partnership Units are redeemable at the option of the holder and they participate in net income and distributions. Accordingly, EROP has determined that the University Towers Operating Partnership Units meet the requirements to be classified outside of permanent equity, and are therefore also classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets. Income related to such units are recorded as net income attributable to noncontrolling interests in the accompanying condensed consolidated statements of income and comprehensive income. As of September 30, 2015, there were 69,086 University Towers Operating Partnership Units outstanding.

The following table sets forth activity with the redeemable noncontrolling interests for the nine months ended September 30, 2015 and 2014 (in thousands):

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	Nine months ended September 30,	
	2015	2014
Beginning balance	\$4,431	\$2,359
Net loss	(19	) (55
Contributions from redeemable noncontrolling interests	26	—
Adjustments to report redeemable noncontrolling interests at fair value	496	1,765
Distributions	(334	) (518
Ending balance	\$4,600	\$3,551

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The value of redeemable noncontrolling interests is reported at the greater of fair value or historical cost at the end of each reporting period. As of September 30, 2015 and 2014, EROP reported the redeemable noncontrolling interests at fair value, which was greater than historical cost.

Redeemable Limited Partner Units: The OP Units that EROP is required, either by contract or securities law, to deliver registered shares of common stock of the Trust or cash, at the general partner's discretion, to the exchanging Operating Partnership unitholder is classified as redeemable limited partner units in the mezzanine section of the accompanying condensed consolidated balance sheets of the Operating Partnership. The redeemable limited partner units are reported at the greater of fair value or historical cost at the end of each reporting period. As of September 30, 2015 and 2014, EROP reported the redeemable limited partner units at fair value, which was greater than historical cost.

During the nine months ended September 30, 2015, 25,000 OP Units were redeemed for 25,000 shares of common stock. As of September 30, 2015, there were 249,317 OP Units outstanding.

Below is a table summarizing the activity of redeemable limited partners' unit for the nine months ended September 30, 2015 and 2014 (in thousands):

	Nine months ended September 30,	
	2015	2014
Beginning balance	\$10,081	\$7,512
Net income	33	261
Distributions	(386	) (282
Redemption of operating partnership units	(960	) —
Adjustments to report redeemable limited partner units at fair value	(918	) 1,010
Ending balance	\$7,850	\$8,501

#### The Trust

The noncontrolling interests of the Trust include the third-party equity interests in the joint venture properties at Roosevelt Pointe, The Retreat at Louisville and Virginia Tech, as discussed above, which are presented as a component of equity in the Trust's accompanying condensed consolidated balance sheets.

The Trust's redeemable noncontrolling interests include: (1) the redeemable limited partners presented in the accompanying condensed consolidated balance sheets of EROP; and (2) the University Towers Operating Partnership Units and the Trust's joint venture partner's investments in 605 West which are also presented as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets of EROP. The redeemable noncontrolling interests are reported at the greater of fair value or historical cost at the end of each reporting period.

#### 9. Incentive plans

On May 4, 2011, the Trust's stockholders approved the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the "2011 Plan"). The purpose of the 2011 Plan is to promote the interests of the Trust and its stockholders by attracting, motivating and retaining talented executive officers, employees and directors of the Trust and linking their compensation to the long-term interests of the Trust and its stockholders. The 2011 Plan replaced the Education Realty Trust, Inc. 2004 Incentive Plan in its entirety and authorizes the grant of the 105,000 shares that remained available for grant under the 2004 plan, as well as 1,049,167 additional shares. As of September 30, 2015, the Trust had 652,356 shares of its common stock reserved for issuance pursuant to the 2011 Plan. Automatic increases in the number of shares available for issuance are not provided. The 2011 Plan provides for the grant of stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, other stock-based incentive awards to

employees, directors and other key persons providing services to the Trust.

A restricted stock award is an award of the Trust's common stock that is subject to restrictions on transferability and other restrictions as the Trust's compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as the compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted stock will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or

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distributions on the shares. Restricted stock is generally taxed at the time of vesting. As of September 30, 2015 and December 31, 2014, unearned compensation related to restricted stock totaled \$0.4 million and \$0.6 million, respectively, and will be recorded as expense over the applicable vesting period. The value is determined based on the market value of the Trust's common stock on the grant date. During the nine months ended September 30, 2015 and 2014, compensation expense of \$0.3 million and \$0.5 million, respectively, was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of restricted stock. During the three months ended September 30, 2015 and 2014, compensation expense of \$0.1 million and \$0.2 million, respectively, was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of restricted stock.

Effective January 1, 2014, the Trust adopted the 2014 Long-Term Incentive Plan (the "2014 LTIP"). The purpose of the 2014 LTIP is to attract, retain and motivate the executive officers and certain key employees of the Trust to promote the long-term growth and profitability of the Trust. On January 1, 2014, the Trust issued 24,742 time vested restricted stock to executives and key employees under the 2014 LTIP. Additional shares were issued in August 2014 pursuant to the 2014 LTIP. The restricted stock granted under the 2014 LTIP will vest ratably over three years as long as the participants remain employed by the Trust.

An RSU award is an award that will vest based upon the Trust's achievement of total stockholder returns at specified levels as compared to the average total stockholder returns of a peer group of companies and/or the National Association of Real Estate Investment Trusts Equity Index over three years (the "Performance Period"). At the end of the Performance Period, the compensation committee of the Board will determine the level and the extent to which the performance goal was achieved. RSUs that satisfy the performance goal will be converted into fully-vested shares of the Trust's common stock and the Trust will receive a tax deduction for the compensation expense at the time of vesting. Prior to vesting, the participants are not eligible to vote or receive dividends or distributions on the RSUs.

On January 1, 2014, the Trust granted 102,297 performance vested RSUs to executives and key employees under the 2014 LTIP described above. As of September 30, 2015 and December 31, 2014, unearned compensation related to RSUs totaled \$0.9 million and \$1.5 million, respectively, and will be recorded as expense over the applicable vesting period. The value was determined using a Monte Carlo simulation technique. During the nine months ended September 30, 2015 and 2014, compensation expense of \$0.7 million and \$1.0 million, respectively, was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of RSUs. During the three months ended September 30, 2015 and 2014, compensation expense of \$0.2 million and \$0.3 million, respectively, was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of RSUs. On January 1, 2015, 8,754 fully-vested shares of common stock were issued pursuant to the vesting of RSUs granted in 2012.

On February 4, 2015, the compensation committee approved the structure, including the awards, for the 2015 Long-Term Incentive Plan (the "2015 LTIP"). The 2015 LTIP differs in two respects from the prior plans: (i) the participants have elected to receive LTIP Units in the Operating Partnership instead of time restricted stock or RSUs; and (ii) the performance criteria for the performance based award has been revamped to measure the Trust's performance based on a mixture of objective internal achievement goals and relative performance against its industry peers and other REITs. Under the 2015 LTIP, 155,778 LTIP Units were issued to the participants.

The 2015 LTIP provides that 25% of a participant's award consists of a time-vested grant of LTIP Units subject to the rights, preferences and other privileges as designated in the partnership agreement of the Operating Partnership (the "Partnership Agreement"). Similar to the treatment of restricted stock under the 2014 LTIP, the time-vested 2015 LTIP Units vest over a three-year period and are valued for award purposes at a value equal to the price of the Trust's stock on the grant date. The time-vested 2015 LTIP Units are entitled to voting and distribution rights from the effective date of the grant in accordance with the Partnership Agreement, but are non-transferable and non-convertible until fully vested.

The remaining 75% of a participant's award consists of a grant of performance-based 2015 LTIP Units. Similar to the 2014 LTIP, the vesting of performance-based 2015 LTIP Units is dependent upon the Trust's achievement of six performance criteria approved by the compensation committee, over a three-year period, with a minimum, threshold and maximum performance standard for each performance criterion. Three of the performance criteria are based on market conditions and three have performance vesting conditions under ASC 718, "Compensation - Stock Compensation". The fair value of the awards subject to market conditions was determined using a Monte Carlo simulation technique. The fair value of the awards subject to performance conditions was calculated based on the closing market value of EdR's common stock on the grant date. The probability of achieving the performance conditions will be assessed quarterly. The performance-based 2015 LTIP Units are entitled to voting and distribution rights from the effective date of the grant in accordance with the operating agreement of the Operating Partnership, but are non-transferable and non-convertible until fully vested. After the determination of the achievement of the performance criteria, any performance-based 2015 LTIP Units that were awarded but did not become vested LTIP Units will be canceled. Once fully vested, the 2015 LTIP Units may be converted to OP Units in the Operating Partnership

and thereafter, at the election of the unitholder, redeemable into shares of EdR's stock or cash, at the discretion of the general partner, in accordance with the terms of the Partnership Agreement.

Compensation expense recognized in general and administrative expense in the accompanying condensed consolidated statement of income and comprehensive income related to the LTIP Units was \$0.3 million and \$0.7 million for the three and nine months ended September 30, 2015, respectively. As of September 30, 2015, unearned compensation related to LTIP Units totaled \$2.3 million, and will be recorded as expense over the applicable vesting period.

Total stock-based compensation recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2015 and 2014 was \$1.6 million and \$1.7 million, respectively. Total stock-based compensation recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income for the three months ended September 30, 2015 and 2014 was \$0.6 million for both periods.

A summary of the stock-based incentive plan activity as of and for the nine months ended September 30, 2015 is as follows:

	Restricted Stock Awards		Weighted-Average Grant Date Fair Value Per Restricted Stock Award	RSU Awards		Weighted-Average Grant Date Fair Value Per RSU	LTIP Units	Weighted-Average Grant Date Fair Value Per LTIP Unit
Outstanding as of December 31, 2014	46,810	(1)	\$ 27.94	146,911		\$ 20.58	—	\$ —
Granted	—		—	—		—	155,778	18.83
Vested	(17,774	)	27.76	—	(2)	—	—	—
Surrendered	(3,467	)	29.72	—		—	—	—
Outstanding as of September 30, 2015	25,569	(1)	\$ 28.32	146,911		\$ 20.58	155,778	\$ 18.83

(1) Represents unvested shares of restricted stock awards as of the date indicated.

(2) On January 1, 2012, the Trust granted a total of \$1.1 million of performance vesting RSUs that were denominated in cash and converted into common stock at the end of the performance period to executives and key employees under the 2012 LTIP. On January 1, 2015, the Trust issued 8,754 shares of common stock related to the vesting of the RSUs under the 2012 LTIP.

## 10. Derivatives and hedging activities

### Cash Flow Hedges of Interest Rate Risk

The objectives in using interest rate derivatives are to add stability to interest expense and to manage the exposure to interest rate movements. To accomplish this objective, interest rate swaps are used as part of the interest rate risk management strategy. During the nine months ended September 30, 2015 and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. As of September 30, 2015, six interest rate swaps were outstanding with a combined notional amount of \$187.5 million that were designated as cash flow hedges of interest rate risk. The counter-parties to such swaps are major financial institutions.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives, which is immaterial for all periods presented, is recognized directly in earnings. During the next twelve months, an



additional \$3.2 million is estimated to be reclassified to earnings as an increase to interest expense. As of September 30, 2015 and December 31, 2014, the fair value of the derivatives is a liability of \$7.9 million and \$4.5 million, respectively, and is included in accrued expenses in the accompanying condensed consolidated balance sheets.

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The following table discloses the effect of the derivative instruments on the condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2015 and 2014 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)
2015 Interest rate contracts	\$(6,121	) Interest expense	\$2,691
2014 Interest rate contracts	\$(5,021	) Interest expense	\$2,607

The following table discloses the effect of the derivative instruments on the condensed consolidated statements of income and comprehensive income for the three months ended September 30, 2015 and 2014 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)
2015 Interest rate contracts	\$(3,985	) Interest expense	\$903
2014 Interest rate contracts	\$423	Interest expense	\$919

The above contracts are subject to enforceable master netting arrangements that provide a right of offset with each counterparty; however, no offsetting positions exist due to certain duplicate terms across all contracts. Therefore, the derivatives are not subject to offset in the condensed consolidated balance sheets.

#### Credit-risk-related Contingent Features

The Operating Partnership has agreements with each of its derivative counterparties that contain a provision where if the Operating Partnership defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Operating Partnership could also be declared in default on its derivative obligations. In addition, the Operating Partnership has agreements with each of its derivative counterparties that contain a provision where the Operating Partnership could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Operating Partnership's default on the indebtedness.

As of September 30, 2015 and December 31, 2014, the fair value of derivatives related to these agreements, which includes accrued interest, but excludes any adjustment for nonperformance risk, was a liability of \$8.2 million and \$4.7 million, respectively. As of September 30, 2015, the Operating Partnership has not posted any collateral related to these agreements. If the Operating Partnership had breached any of these provisions at September 30, 2015, it could have been required to settle its obligations under the agreements at their termination value of \$8.3 million.

#### 11. Earnings per share/unit

##### Earnings per Share - The Trust

The following is a summary of the components used in calculating earnings per share for the three and nine months ended September 30, 2015 and 2014 (amounts in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator - basic and diluted earnings per share:				
Net income (loss) attributable to common shareholders	\$(4,720	) \$21,400	\$5,138	\$24,658

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Denominator:

Basic weighted average shares of common stock outstanding	48,526	46,767	48,406	41,340
OP Units <sup>(1)</sup>	—	277	251	<sup>(2)</sup> 277
University Towers Operating Partnership Units	—	69	69	69
Diluted weighted average shares of common stock outstanding	48,526	<sup>(3)</sup> 47,113	48,726	41,686

Earnings per share - basic:

Net income (loss) attributable to common shareholders	\$ (0.10	)	\$ 0.46	\$ 0.11	\$ 0.60
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Earnings per share - diluted:				
Net income (loss) attributable to common shareholders	\$(0.10	) \$0.45	\$0.11	\$0.59
Distributions declared per common share	\$0.37	\$0.36	\$1.09	\$1.02

(1) In April 2015, the Operating Partnership entered into a Second Amended and Restated Agreement of Limited Partnership. The units presented above have been recast in accordance with the terms of the Second Amended and Restated Agreement of Limited Partnership, taking into account the 1-for-3 reverse stock split that the Trust completed in December 2014.

(2) Includes the impact of weighted average number of OP Units outstanding during the period.

(3) For the three months ended September 30, 2015, diluted weighted average shares of common stock does not include 249,317 OP Units and 69,086 University Towers Operating Partnership Units because their inclusion would be anti-dilutive.

Earnings per Unit - EROP

The following is a summary of the components used in calculating earnings per unit for the three and nine months ended September 30, 2015 and 2014 (amounts in thousands, except per unit data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator - basic and diluted earnings per unit:				
Net income (loss) attributable to unitholders	\$(4,738	) \$21,536	\$5,171	\$24,915
Denominator:				
Weighted average units outstanding	48,370	46,767	48,269	41,340
Redeemable Operating Partnership units	249	277	251	277
LTIP units	156	—	137	—
Weighted average units outstanding - basic	48,775	47,044	48,657	41,617
Redeemable University Towers Operating Partnership Units	—	(1 ) 69	69	69
Weighted average units outstanding - diluted	48,775	47,113	48,726	41,686

Earnings per unit - basic and diluted:				
Net income (loss) attributable to unitholders	\$(0.10	) \$0.46	\$0.11	\$0.60

Distributions declared per unit	\$0.37	\$0.36	\$1.09	\$1.02
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(1) For the three months ended September 30, 2015, diluted weighted average shares of common stock does not include 69,086 University Towers Operating Partnership Units because their inclusion would be anti-dilutive.

12. Fair Value of Financial Instruments

Non-financial assets measured at fair value on a nonrecurring basis consist of real estate assets and investments in partially owned entities that have been written-down to estimated fair value when it has been determined that asset

values are not recoverable. Fair value is estimated relating to impairment assessments based upon an income capitalization approach (which considers prevailing market capitalization rates and operations of the community) or the negotiated sales price, if applicable. Based upon the inputs used to value properties under the income capitalization approach, valuations under this method are classified within Level 3 of the fair value hierarchy. For the communities for which the estimated fair value was based on negotiated sales prices, the valuation is classified within Level 2 of the fair value hierarchy.

One non-financial asset was impaired during the year ended December 31, 2014 and has remained on the accompanying condensed consolidated balance sheet as of September 30, 2015. The asset was written down to \$15.0 million and the valuation was classified within Level 2 of the fair value hierarchy.

As discussed in Note 10, interest rate swaps are used to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of ASC 820, credit valuation adjustments are incorporated to appropriately reflect both nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of the derivative contracts for the effect of nonperformance risk, the Trust has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Trust has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Trust has determined that the significance of the impact of the credit valuation adjustments made to its derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of the Trust's derivatives held as of September 30, 2015 and December 31, 2014 were classified as Level 2 of the fair value hierarchy.

The table below presents the assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, aggregated by the level in the fair value hierarchy within which those measurements fall and summarizes the carrying amounts and fair values of these financial instruments as of September 30, 2015 and December 31, 2014 (in thousands):

	Carrying value	Estimated Fair Value		
		Level 1	Level 2	Level 3
September 30, 2015:				
Derivative financial instruments (liability position)	\$7,894	\$—	\$7,894	\$—
Deferred compensation plan assets	364	364	—	—
December 31, 2014:				
Derivative financial instruments (liability position)	\$4,465	\$—	\$4,465	\$—
Deferred compensation plan assets	520	520	—	—

Financial assets and liabilities that are not measured at fair value in our condensed consolidated financial statements include mezzanine notes receivable and debt. Estimates of the fair values of these instruments are based on assessments of available market information and valuation methodologies, including discounted cash flow analyses. Due to the fact that our unsecured revolving credit facility, unsecured term loan facility and variable rate mortgage and construction loans bear interest at variable rates, carrying value approximates the fair value.

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The table below summarizes the carrying amounts and fair values of these financial instruments as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015			
	Carrying value	Estimated Fair Value Level 1	Level 2	Level 3
Notes receivable	\$2,167	\$—	\$2,100	\$—
Senior unsecured notes	250,000	—	246,938	—
Unsecured revolving credit facility	221,000	—	221,000	—
Unsecured term loan facility	187,500	—	187,500	—
Variable rate mortgage and construction loans	93,814	—	93,814	—
Fixed rate mortgage and construction loans	138,414	—	153,393	—
	December 31, 2014			
	Carrying value	Estimated Fair Value Level 1	Level 2	Level 3
Notes receivable	\$375	\$—	\$318	\$—
Senior unsecured notes	250,000	—	234,583	—
Unsecured revolving credit facility	24,000	—	24,000	—
Unsecured term loan facility	187,500	—	187,500	—
Variable rate mortgage and construction loans	107,882	—	107,882	—
Fixed rate mortgage and construction loans	140,270	—	154,542	—

The Trust discloses the fair value of financial instruments for which it is practicable to estimate. The Trust considers the carrying amounts of cash and cash equivalents, restricted cash, student contracts receivable, accounts payable and accrued expenses to approximate fair value due to the short maturity of these instruments. The carrying value of restricted cash approximates its fair value based on the nature of our assessment of the ability to recover these amounts.

### 13. Segments

The Trust defines business segments by their distinct customer base and service provided. The Trust has identified three reportable segments: collegiate housing leasing, development consulting services and management services. Management evaluates each segment's performance based on net operating income, which is defined as income before depreciation, amortization, ground leases, impairment losses, interest expense (income), (gains) losses on extinguishment of debt, equity in earnings of unconsolidated entities and noncontrolling interests. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany fees are reflected at the contractually stipulated amounts.

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The following table represents the Trust's segment information for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Collegiate Housing Leasing:</b>				
Collegiate housing leasing revenue	\$54,725	\$47,657	\$168,842	\$144,677
Collegiate housing leasing operations	28,444	26,920	75,452	70,062
Net operating income	\$26,281	\$20,737	\$93,390	\$74,615
Total segment assets at end of period <sup>(1)</sup>	\$1,907,740	\$1,750,705	\$1,907,740	\$1,750,705
<b>Development Consulting Services:</b>				
Third-party development consulting services	\$490	\$1,124	\$1,531	\$2,683
General and administrative	975	692	2,344	1,922
Net operating income (loss)	\$(485)	\$432	\$(813)	\$761
Total segment assets at end of period <sup>(2)</sup>	\$4,317	\$4,941	\$4,317	\$4,941
<b>Management Services:</b>				
Third-party management services	\$865	\$1,052	\$2,698	\$2,856
General and administrative	648	630	2,119	1,933
Net operating income	\$217	\$422	\$579	\$923
Total segment assets at end of period <sup>(2)</sup>	\$11,110	\$9,106	\$11,110	\$9,106
<b>Reconciliations:</b>				
Segment revenue	\$56,080	\$49,833	\$173,071	\$150,216
Operating expense reimbursements	2,109	2,290	6,571	6,492
Eliminations / adjustments <sup>(3)</sup>	—	2,581	—	2,581
Total segment revenues	\$58,189	\$54,704	\$179,642	\$159,289
Segment operating expenses	\$30,067	\$28,242	\$79,915	\$73,917
Reimbursable operating expenses	2,109	2,290	6,571	6,492
Total segment operating expenses	\$32,176	\$30,532	\$86,486	\$80,409
Segment net operating income	\$26,013	\$24,172	\$93,156	\$78,880
Other unallocated general and administrative expenses	(2,830)	(4,437)	(10,397)	(10,629)
Depreciation and amortization	(17,828)	(14,688)	(49,605)	(42,928)
Ground lease	(2,938)	(2,329)	(7,956)	(6,162)
Loss on impairment of collegiate housing properties	—	(953)	—	(12,734)
Nonoperating income (expenses)	(6,704)	12,393	(18,998)	270
Equity in losses of unconsolidated entities	(427)	(236)	(823)	(370)
Income (loss) before income taxes and gain on sale of collegiate housing properties	\$(4,714)	\$13,922	\$5,377	\$6,327

<sup>(1)</sup> The increase in segment assets related to the collegiate housing segment during the three and nine months ended September 30, 2015 as compared to the same periods in 2014 is primarily related to the opening of five new communities, two property acquisitions and continued development of seven communities for ownership by the Trust.

<sup>(2)</sup> Total segment assets also include goodwill of \$2,149 related to management services and \$921 related to development consulting services.

<sup>(3)</sup> In 2014, the eliminations / adjustments to segment revenues (specifically to development consulting) is to add the previously deferred



development fee recognized relating to the participating project at the Science + Technology Park at Johns Hopkins to total revenues. The

related revenue was recognized in the accompanying consolidated financial statements during 2014, but was recognized in segment

revenues in prior periods.

14. Subsequent events

On October 15, 2015, the Board declared a third quarter distribution of \$0.37 per share of common stock and OP Unit for the quarter ended on September 30, 2015. The distributions will be paid on November 13, 2015 to stockholders of record at the close of business on October 30, 2015.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q ("Report") and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2014. Certain statements contained in this Report 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 or dispositions, 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 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 "Forward-Looking Statements" and "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, as well as risks, uncertainties and other factors discussed in this Report and other documents filed by us with the Securities Exchange Commission ("SEC"). 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.

All references to "we," "our," "us," "EdR," "Trust" and the "Company" in this Report mean Education Realty Trust, Inc. and its consolidated subsidiaries including Education Realty Operating Partnership, LP (the "Operating Partnership"), except where it is made clear that the term means only Education Realty Trust, Inc.

#### Overview

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

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

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

#### Our Business Segments

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

#### Collegiate housing leasing

Collegiate housing leasing revenue represented 97.6% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting, for the nine months ended September 30, 2015.

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

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guarantor unless the resident provides adequate proof of income and/or pays a deposit, which is usually equal to two months' rent.

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

The majority of our leases commence in mid-August of each year and terminate the last day of July of each year. These dates generally coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. In addition, several of our properties (University Towers, The Berk, University Village on Colvin and all of the University of Kentucky properties) operate under nine or 10 month leases. As such, we are required to re-lease each community in its entirety each year, resulting in significant turnover in our resident population from year to year. In 2015 and 2014, approximately 74.3% and 72.2%, respectively, of our beds were leased to students who were first-time residents at our communities. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in October and ends in August of each year. Our communities' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

Prior to the commencement of each new lease period, primarily during the first two weeks of August, but also during September at some communities, we prepare the units for new incoming residents. Other than revenue generated by in-place leases for renewing residents, we do not generally recognize lease revenue during this period referred to as "Turn," as we have no leases in place. In addition, we incur significant expenses during Turn to make our units ready for occupancy. These expenses are recognized when incurred. This Turn period results in seasonality in our operating results during the third quarter of each year. During certain periods in the summer months, no rent revenue is recognized, resulting in seasonality in our operating results during that time.

#### Development consulting services

For the nine months ended September 30, 2015, revenue from our development consulting services represented 0.9% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting. We provide development consulting services primarily to colleges and universities seeking to modernize their on-campus collegiate housing communities, to other third-party investors and to our collegiate housing leasing segment in order to develop communities for our ownership. Our development consulting services typically include the following:

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

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

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

## Management services

For the nine months ended September 30, 2015, revenue from our management services segment represented 1.5% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting. We provide management services for collegiate housing communities owned by educational institutions, charitable foundations, ourselves and others. Our management services typically cover all aspects of community operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. We provide these services pursuant to multi-year management agreements under which management fees are typically 3 – 5% of leasing revenue. These agreements usually have an initial term of two to five years with renewal options of like terms. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our management services business.

## Trends and Outlook

### Rents and occupancy

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

Over the last couple of years, there has been an increase in supply across the student housing industry. However, in the markets we serve, we expect the pace of new supply growth in 2016 to decline 20% from the pace in 2015. We are projecting a 1.8% increase in supply in 2016, which slightly outpaces enrollment growth in our markets where the three-year compounded annual enrollment growth rate is 1.5%. We also believe that enrollment growth alone does not reflect total demand as there is pent-up demand that exists for new, purpose-built student housing product, where students are moving out of old, outdated housing, and into newer communities with more amenities. This is evidenced by the 4% growth in same-community revenue we achieved in our 2014-2015 leasing cycle and 3.8% growth we achieved for the current 2015-2016 leasing cycle, as well as other market data. As a result, we believe that the growth characteristics of our well-located portfolio, which has produced a compounded annual revenue growth of 4.2% over the last six years, has not changed significantly.

We define our same-community portfolio as currently active properties that were owned and operating prior to January 1, 2014 and are not conducting or planning to conduct substantial development or redevelopment activities and were not classified as discontinued operations or sold during the respective periods. During fiscal 2014, we sold seven properties, all of which are excluded from same-community results.

Our community occupancy rates are typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year. For the nine months ended September 30, 2015, same-community revenue per occupied bed increased to \$713 and same-community physical occupancy increased to 91.8%, compared to same-community revenue per occupied bed of \$680 and same-community physical occupancy of 90.0% for the nine months ended September 30, 2014. The results represent averages for the same-community portfolio, which are not necessarily indicative of every community in the portfolio. Individual communities can and

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

The same-community leasing portfolio opened the 2015-2016 lease term with a 3.8% increase in rental revenue. Opening occupancy was up 40 basis points to 97.0% and net rental rates opened the term 3.4% above the prior year. New-communities opened the 2015-2016 lease term with an average occupancy of 95.5%.



#### Development consulting services

For the nine months ended September 30, 2015 and 2014, third-party development revenue was \$1.5 million and \$2.7 million (excluding \$2.6 million of previously deferred revenue recognized relating to the participating project at the Science + Technology Park at Johns Hopkins in 2014), respectively. In recent years, we have had approximately two to three third-party development consulting projects per year. As more universities are turning toward private industry to fund and own new collegiate housing projects, we expect to see an increase in equity deals and the volume of true third-party fee development contracts to be stagnant. We are currently providing third-party development services to Clarion University of Pennsylvania, with the first phase of the project for collegiate housing delivered in August 2015, the second phase of the project for collegiate housing scheduled to deliver in December 2015 and a third phase of the project for other capital improvements scheduled to deliver in the summer of 2016. We are also currently providing third-party development services with a project under construction at the University of California, Berkeley - Bowles Hall. Construction is scheduled to begin on another third-party development at East Stroudsburg University - Pennsylvania Phase II in the spring of 2016.

We develop collegiate housing communities on- and off-campus for our ownership, and we expect this to be a significant part of our external growth going forward. The ONE Plan<sup>SM</sup> is our private equity program which allows universities to use our equity and financial stability to develop and revitalize campus housing while preserving their credit capacity for other campus projects. This program is designed to provide our equity to solve a university's housing needs through a ground lease structure where we typically own the land improvements and operate the community. Others in the industry have similar programs and to date we have fourteen ONE Plan<sup>SM</sup> projects representing nineteen communities completed or underway. In December 2011, we were selected by the University of Kentucky ("UK") to negotiate the potential revitalization of UK's entire campus housing portfolio and expansion of UK's campus housing portfolio to more than 9,000 beds within five to seven years. We refer to this project as the UK Campus Housing Revitalization Plan. Phase I of the UK Campus Revitalization Plan, with 601 total beds, opened in August 2013 100% leased. Phase II, which includes five communities with 2,381 beds and a total project cost of approximately \$138.0 million, opened in August 2014 with all beds leased. Phase III, which includes three communities with 1,610 beds for a total cost of \$101.2 million, opened in August 2015. Construction on the 2016 deliveries is on-track to deliver 1,141 beds for a total cost of \$83.9 million. We are also working on planning and development of the 2017 deliveries at UK, which includes a \$74.0 million delivery for 771 beds and a recently awarded delivery for an Honors College. We view our entry into the partnership with UK as a defining moment, not only for EdR, but also for our industry. Most state universities face many of the same challenges as UK, including reduced support from constrained state budgets, aged on-campus housing and demands on institutional funds for academic and support services. We believe this declining state support for higher education is the norm rather than the exception. These external factors provide a great opportunity for EdR. As universities see the progress of the UK Campus Revitalization Plan, the volume of discussions we are having with other universities continues to increase as additional universities investigate this type of structure to replace their aging on-campus housing stock.

While considering the possible shift in the types of projects universities pursue, the amount and timing of future revenue from development consulting services will be contingent upon our ability to successfully compete in public colleges and universities' competitive procurement processes, our ability to successfully structure financing of these projects and our ability to ensure completion of construction within committed timelines and budgets.

#### Collegiate housing operating costs

In 2014, 2013 and 2012, same-community operating expenses increased 2.6%, 4.2% and 2.3%, respectively. We expect full year same-community operating expenses to increase between 3.0-4.0% in 2015, which we believe is a reasonable level of growth for the foreseeable future.

#### General and administrative costs

General and administrative costs for the nine months ended September 30, 2015 and 2014 were \$6.2 million (excluding development pursuit costs and acquisition costs of \$0.4 million) and \$6.1 million (excluding development pursuit costs and acquisition costs of \$1.4 million), respectively, an increase of \$0.1 million, or 1.3%. We expect general and administrative costs to increase for the remainder of 2015 and going forward due to our growth in assets and revenue.

### Asset repositioning and capital recycling

Starting in 2010, we made a concerted effort to reposition and improve our owned portfolio with a significant part of the process completed prior to 2013. Since 2009, we have acquired \$873 million of collegiate housing communities, completed \$674 million of developments and disposed of \$378 million of collegiate housing communities. These transactions have improved our median distance to campus to 0.10 miles and increased our average rental rate to \$726. Currently, 77% of our beds and 83% of our community net operating income ("NOI") are located on or pedestrian to campus.

In the fall of 2015, we completed development projects on five collegiate housing communities that we own for a total project cost of \$179.9 million. The communities at the University of Connecticut and the University of Louisville are located within walking distance from campus, and the communities at the University of Kentucky are located directly on campus (see Note 3 to the accompanying condensed consolidated financial statements).

Also, during the nine months ended September 30, 2015, we completed the acquisition of two collegiate housing properties for \$58.5 million, resulting in an increase to our portfolio by 467 beds.

We continue to add to the size and quality of our portfolio with new developments. Construction is proceeding as expected on the 2016 deliveries at the University of Kentucky, which includes 1,141 beds for a total cost of \$83.9 million. The second phase of the development at the Retreat at Oxford is expected to be delivered in 2016 as well and has a total cost of approximately \$26.2 million. In July 2015, we entered into agreements for a multiple phase cottage development at Virginia Tech (The Retreat at Blacksburg). The total development consists of 829 beds with a development cost of \$64.4 million. Approximately two-thirds of the beds will be delivered in the fall of 2016, with the remainder of the beds to be delivered in the fall of 2017.

In February 2015, we were awarded three new on-campus developments that are currently expected to be funded through the Trust's ONE Plan<sup>SM</sup>. These developments, one at Boise State University and two at the University of Kentucky, are anticipated to be delivered in 2017. One of the two recently awarded developments at the University of Kentucky is progressing for a 2017 delivery for 771 beds with development costs of \$74.0 million. The initiation and completion of the awarded projects at Boise State and the second development at the University of Kentucky are contingent upon execution of transaction documents, including such items as development agreements, construction agreements and ground leases.

### Critical Accounting Policies

There have been no significant changes to our critical accounting policies as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 27, 2015.

### Recent Accounting Pronouncements

A discussion of recent accounting pronouncements affecting the Trust is included in Note 2 of the accompanying condensed consolidated financial statements.

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Results of Operations for the nine months ended September 30, 2015 and 2014

The following table presents our results of operations for the nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Nine months ended September 30,				
	2015	2014	Change (\$)	Change (%)	
<b>Collegiate Housing Leasing:</b>					
Collegiate housing leasing revenue	\$ 168,842	\$ 144,677	\$ 24,165	16.7	%
Collegiate housing leasing operating expenses	75,452	70,062	5,390	7.7	%
Net operating income	\$ 93,390	\$ 74,615	\$ 18,775	25.2	%
<b>Development Consulting Services:</b>					
Third-party development consulting services	\$ 1,531	\$ 2,683	\$ (1,152)	(42.9)	%
General and administrative	2,344	1,922	422	22.0	%
Net operating (loss) income	\$ (813)	\$ 761	\$ (1,574)	(206.8)	%
<b>Management Services:</b>					
Third-party management services	\$ 2,698	\$ 2,856	\$ (158)	(5.5)	%
General and administrative	2,119	1,933	186	9.6	%
Net operating income	\$ 579	\$ 923	\$ (344)	(37.3)	%
<b>Reconciliations:</b>					
Segment revenue	\$ 173,071	\$ 150,216	\$ 22,855	15.2	%
Operating expense reimbursements	6,571	6,492	79	1.2	%
Eliminations / adjustments <sup>(1)</sup>	—	2,581	(2,581)	(100.0)	%
Total segment revenues	\$ 179,642	\$ 159,289	\$ 20,353	12.8	%
Segment operating expenses	\$ 79,915	\$ 73,917	\$ 5,998	8.1	%
Reimbursable operating expenses	6,571	6,492	79	1.2	%
Total segment operating expenses	\$ 86,486	\$ 80,409	\$ 6,077	7.6	%
Segment net operating income	\$ 93,156	\$ 78,880	\$ 14,276	18.1	%
Other unallocated general and administrative expenses	(10,397)	(10,629)	232	(2.2)	%
Depreciation and amortization	(49,605)	(42,928)	(6,677)	15.6	%
Ground lease	(7,956)	(6,162)	(1,794)	29.1	%
Loss on impairment of collegiate housing properties	—	(12,734)	12,734	(100.0)	%
Nonoperating (expenses) income	(18,998)	270	(19,268)	(7,136.3)	%
Equity in losses of unconsolidated entities	(823)	(370)	(453)	122.4	%
Income before income taxes and gain on sale of collegiate housing properties	\$ 5,377	\$ 6,327	\$ (950)	(15.0)	%

<sup>(1)</sup> In 2014, the eliminations / adjustments to segment revenues (specifically to development consulting) is to add the previously deferred development fee recognized relating to the participating project at the Science + Technology Park at Johns Hopkins to total revenues.



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Collegiate housing leasing

Collegiate housing operating statistics for total communities and same-communities for the nine months ended September 30, 2015 and 2014 were as follows:

	Nine Months Ended September		Favorable (Unfavorable)	
	30, 2015	2014		
Total communities:				
Occupancy				
Physical <sup>(1)</sup>	89.8	% 90.1	% (30	)
Economic <sup>(2)</sup>	85.5	% 84.0	% 150	bps
NarPOB <sup>(3)</sup>	\$683	\$606	\$77	
Other income per occupied bed <sup>(4)</sup>	\$55	\$49	\$6	
RevPOB <sup>(5)</sup>	\$738	\$655	\$83	
Operating expense per bed <sup>(6)</sup>	\$296	\$286	\$(10	)
Operating margin <sup>(7)</sup>	55.3	% 51.6	% 370	bps
Design Beds <sup>(8)</sup>	254,965	245,048	9,917	
Same-communities <sup>(9)</sup> :				
Occupancy				
Physical <sup>(1)</sup>	91.8	% 90.0	% 180	bps
Economic <sup>(2)</sup>	88.6	% 84.9	% 370	bps
NarPOB <sup>(3)</sup>	\$657	\$627	\$30	
Other income per occupied bed <sup>(4)</sup>	\$56	\$53	\$3	
RevPOB <sup>(5)</sup>	\$713	\$680	\$33	
Operating expense per bed <sup>(6)</sup>	\$303	\$283	\$(20	)
Operating margin <sup>(7)</sup>	53.7	% 53.7	% —	
Design Beds <sup>(8)</sup>	207,711	207,711	—	

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

(2) 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) Net apartment rent per occupied bed ("NarPOB") represents GAAP net apartment rent for the respective period divided by the sum of the occupied beds in the portfolio for each of the included months.

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

(5) Revenue per occupied bed ("RevPOB") represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the occupied beds in the portfolio for each of the included months.

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

(7) Represents operating income divided by revenue.

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

(9) Represents operating statistics for communities that were owned by us and were operating for the full year ended December 31, 2014. The same community portfolio excludes properties that are sold or have met the held for sale accounting treatment.



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The following table shows the impact of the same-communities, acquisitions and developments and communities sold during the period on collegiate housing leasing revenue and operating expenses for the nine months ended September 30, 2015 (in thousands):

	Collegiate Housing Leasing Revenue	Collegiate Housing Leasing Operating Expenses
Nine months ended September 30, 2014	\$ 144,677	\$ 70,062
Increase in same-community	8,816	4,163
Increase from 2014 development deliveries	14,241	3,803
Increase from 2014 acquisitions	9,837	3,728
Increase from 2015 development deliveries	3,184	889
Increase from 2015 acquisitions	493	177
Pre-opening expense on future developments	—	527
Decrease from sold communities	(12,406	) (7,897
Nine months ended September 30, 2015	\$ 168,842	\$ 75,452

The increase in same-community revenue of \$8.8 million, or 6.9%, was attributable to a 3.7% increase in rental rates, a 2.7% improvement in occupancy and a 0.6% growth in other income. Same-community operating expenses increased \$4.2 million, or 7.1%, over the prior year. During the nine months ended September 30, 2015, the Trust accrued \$0.8 million in real estate tax expense relating to the settlement of an assessment dispute with a local school board at one community. Without this charge, same community operating expenses would have only increased 3.8% over prior year, which reflects a normalized growth rate from operating the communities.

The increase from the 2014 acquisitions and development deliveries relates to a full nine months of operating results in the current period compared to the prior year. The increase from the 2015 acquisitions and development deliveries relate to revenue and expenses recognized in 2015, with no revenue and expense (other than pre-opening expenses) recognized in the prior year. Pre-opening expenses are incurred prior to the opening of future developments. Pre-opening expenses recognized in the nine months ended September 30, 2015 relate to 2016 and 2017 development deliveries. Sold-communities reflects the impact of the seven communities sold in 2014 for which there are no operating results in 2015.

Development consulting services

The following table represents the development consulting revenue recognized by project for the nine months ended September 30, 2015 and 2014:

Project	Beds	Fee Type	Segment Revenues		Difference
			2015	2014	
			(in thousands)		
Clarion University of Pennsylvania	728	Development fee	\$ 1,004	\$ 470	\$ 534
West Chester University of Pennsylvania – Phase II	653	Development fee	—	442	(442)
Athens – Georgia Heights	488	Development fee	101	—	101
Mansfield University of Pennsylvania – Phase II	684	Development fee	—	3	(3)
Wichita State University	784	Development fee	10	1,736	(1,726)
Bowles Hall	192	Development fee	264	—	264
Purchasing fees	—	Purchasing fee	152	30	122
Miscellaneous consulting fees	—	Development Consulting fee	—	2	(2)
Third-party development consulting services total			\$ 1,531	\$ 2,683	\$(1,152)



Third-party development consulting services revenue decreased \$1.2 million to \$1.5 million for the nine months ended September 30, 2015 as compared to the same period in 2014. Third-party development consulting revenue fluctuates based on the number and timing of development jobs. In addition, during the nine months ended September 30, 2014, we recognized

\$0.6 million of cost savings on the Wichita State University project. There were no revenues associated with cost savings for the nine months ended September 30, 2015.

General and administrative expenses for the segment increased \$0.4 million, or 22.0%, for the nine months ended September 30, 2015 compared to the same period in the prior year. General and administrative expenses fluctuate based on the number and timing of development jobs.

#### Management services

Total management services revenue decreased \$0.2 million, or 5.5% as compared to the same period in the prior year. General and administrative expenses for our management services segment increased \$0.2 million, or 9.6%, for the nine months ended September 30, 2015 compared to the same period in the prior year.

#### Other unallocated general and administrative expenses

Other unallocated general and administrative expenses decreased \$0.2 million, or 2.2%, during the nine months ended September 30, 2015 over the same period in the prior year. The decrease includes a decrease of approximately \$1.0 million in acquisition and development pursuit costs. Offsetting this decrease in expenses is an increase in costs related primarily to payroll costs as a result of growth in our portfolio.

#### Depreciation and amortization

Depreciation and amortization increased \$6.7 million, or 15.6%, during the nine months ended September 30, 2015 as compared to the same period in the prior year. This increase relates primarily to 17 new communities (acquisitions or developments) opened since January 1, 2014, partially offset by sold communities.

#### Ground lease expense

For the nine months ended September 30, 2015, the cost of ground leases increased \$1.8 million, or 29.1%, compared to the same period in the prior year. This increase relates primarily to the opening of five communities on the campus of the University of Kentucky in 2014. We recognize ground lease expense on a straight-line basis over the life of the related ground lease.

#### Loss on impairment of collegiate housing properties

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value. Management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data. During the nine months ended September 30, 2014, the Trust recorded a \$12.7 million impairment loss. The impairment losses recorded were related to an impairment recognized in the first quarter of 2014 prior to the sale of a property during the first quarter of 2014 and for two additional properties identified in the second and third quarters that were determined to be impaired due to a change in circumstances that indicated their respective carrying values may not be recoverable. During the nine months ended September 30, 2015, we recorded no impairment losses.

## Nonoperating expenses

Nonoperating expenses consist of the following for the nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Nine Months Ended September				Change (%)	
	2015	2014	Change (\$)			
Interest expense	\$(17,615	) \$(15,076	) \$(2,539	) 16.8	%	
Amortization of deferred financing costs	(1,527	) (1,533	) 6	(0.4	)%	
Interest income	144	152	(8	) (5.3	)%	
Guarantee fee income from Participating Development	—	3,000	(3,000	) (100.0	)%	
Interest on loan to Participating Development	—	6,486	(6,486	) (100.0	)%	
Loss on extinguishment of debt	—	(892	) 892	(100.0	)%	
Gain on insurance settlement	—	8,133	(8,133	) (100.0	)%	
Total nonoperating income (expenses)	\$(18,998	) \$270	\$(19,268	) (7,136.3	)%	

Total nonoperating income decreased \$19.3 million, for the nine months ended September 30, 2015 compared to the same period in 2014. In 2014, we recognized nonoperating income of \$17.6 million on three nonrecurring items which contributed to the decrease in nonoperating income from prior year: interest income and a guarantee fee related to the participating project at John Hopkins of \$6.5 million and \$3.0 million, respectively, and a gain of \$8.1 million related to the insurance settlement on the 3949 Lindell property, which was damaged by fire in July 2012.

## Results of Operations for the three months ended September 30, 2015 and 2014

The following table presents our results of operations for the three months ended September 30, 2015 and 2014 (dollars in thousands):

	Three months ended September 30,				
	2015	2014	Change (\$)	Change (%)	
<b>Collegiate Housing Leasing:</b>					
Collegiate housing leasing revenue	\$54,725	\$47,657	\$7,068	14.8	%
Collegiate housing leasing operating expenses	28,444	26,920	1,524	5.7	%
Net operating income	\$26,281	\$20,737	\$5,544	26.7	%
<b>Development Consulting Services:</b>					
Third-party development consulting services	\$490	\$1,124	\$(634)	(56.4)	%
General and administrative	975	692	283	40.9	%
Net operating (loss) income	\$(485)	\$432	\$(917)	(212.3)	%
<b>Management Services:</b>					
Third-party management services	\$865	\$1,052	\$(187)	(17.8)	%
General and administrative	648	630	18	2.9	%
Net operating income	\$217	\$422	\$(205)	(48.6)	%
<b>Reconciliations:</b>					
Segment revenue	\$56,080	\$49,833	\$6,247	12.5	%
Operating expense reimbursements	2,109	2,290	(181)	(7.9)	%
Eliminations / adjustments <sup>(1)</sup>	—	2,581	(2,581)	(100.0)	%
Total segment revenues	\$58,189	\$54,704	\$3,485	6.4	%
Segment operating expenses	\$30,067	\$28,242	\$1,825	6.5	%
Reimbursable operating expenses	2,109	2,290	(181)	(7.9)	%
Total segment operating expenses	\$32,176	\$30,532	\$1,644	5.4	%
Segment net operating income	\$26,013	\$24,172	\$1,841	7.6	%
Other unallocated general and administrative expenses	(2,830)	(4,437)	1,607	(36.2)	%
Depreciation and amortization	(17,828)	(14,688)	(3,140)	21.4	%
Ground lease	(2,938)	(2,329)	(609)	26.1	%
Loss on impairment of collegiate housing properties	—	(953)	953	(100.0)	%
Nonoperating (expenses) income	(6,704)	12,393	(19,097)	(154.1)	%
Equity in losses of unconsolidated entities	(427)	(236)	(191)	80.9	%
Income (loss) before income taxes and gain on sale of collegiate housing properties	\$(4,714)	\$13,922	\$(18,636)	(133.9)	%

<sup>(1)</sup> In 2014, the eliminations / adjustments to segment revenues (specifically to development consulting) is to add the previously deferred development fee recognized relating to the participating project at the Science + Technology Park at Johns Hopkins to total revenues.

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Collegiate housing leasing

Collegiate housing operating statistics for total communities and same-communities for the three months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September		Favorable (Unfavorable)	
	30, 2015	2014		
Total communities:				
Occupancy				
Physical <sup>(1)</sup>	89.0	% 89.8	% (80	)
Economic <sup>(2)</sup>	75.9	% 75.6	% 30	bps
NarPOB <sup>(3)</sup>	\$623	\$572	\$51	
Other income per occupied bed <sup>(4)</sup>	\$67	\$61	\$6	
RevPOB <sup>(5)</sup>	\$690	\$633	\$57	
Operating expense per bed <sup>(6)</sup>	\$320	\$321	\$1	
Operating margin <sup>(7)</sup>	48.0	% 43.5	% 450	bps
Design Beds <sup>(8)</sup>	88,993	83,876	5,117	
Same-communities <sup>(9)</sup> :				
Occupancy				
Physical <sup>(1)</sup>	90.8	% 89.2	% 160	bps
Economic <sup>(2)</sup>	80.2	% 76.9	% 330	bps
NarPOB <sup>(3)</sup>	\$608	\$583	\$25	
Other income per occupied bed <sup>(4)</sup>	\$68	\$66	\$2	
RevPOB <sup>(5)</sup>	\$676	\$649	\$27	
Operating expense per bed <sup>(6)</sup>	\$342	\$324	\$(18	)
Operating margin <sup>(7)</sup>	44.3	% 44.0	% 30	bps
Design Beds <sup>(8)</sup>	69,237	69,237	—	

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

(2) 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) Net apartment rent per occupied bed ("NarPOB") represents GAAP net apartment rent for the respective period divided by the sum of the occupied beds in the portfolio for each of the included months.

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

(5) Revenue per occupied bed ("RevPOB") represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the occupied beds in the portfolio for each of the included months.

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

(7) Represents operating income divided by revenue.

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

(9) Represents operating statistics for communities that were owned by us and were operating for the full year ended December 31, 2014. The same community portfolio excludes properties that are sold or have met the held for sale accounting treatment.



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The following table shows the impact of the same-communities, acquisitions and developments and communities sold during the period on collegiate housing leasing revenue and operating expenses for the three months ended September 30, 2015 (in thousands):

	Collegiate Housing Leasing Revenue	Collegiate Housing Leasing Operating Expenses
Three months ended September 30, 2014	\$47,657	\$26,920
Increase in same-community	2,458	1,246
Increase from 2014 development deliveries	1,222	367
Increase from 2014 acquisitions	2,426	1,227
Increase from 2015 deliveries	3,176	354
Increase from 2015 acquisitions	450	162
Pre-opening expense on future developments	—	455
Decrease from sold communities	(2,664	) (2,287
Three months ended September 30, 2015	\$54,725	\$28,444

The increase in same-community revenue of \$2.5 million, or 6.1%, was driven from a 3.2% increase in rental rates, a 2.4% improvement in occupancy and a 0.5% growth in other income. Same-community operating expenses increased \$1.2 million, or 5.5%, over the prior year due to an increase in real estate taxes, maintenance and repairs.

The increase from the 2014 acquisitions and development deliveries relates to a full quarter of operating results in the current period compared to the prior year. The increase from the 2015 acquisitions and development deliveries relate to revenue and expenses recognized in 2015, with no revenue and expense (other than pre-opening expenses) recognized in the prior year. Pre-opening expenses are incurred prior to the opening of future developments. Pre-opening expenses recognized in the three months ended September 30, 2015 relate to 2016 and 2017 development deliveries. Sold-communities reflects the impact of the seven communities sold in 2014 for which there are no operating results in 2015.

#### Development consulting services

The following table represents the development consulting revenue recognized by project for the three months ended September 30, 2015 and 2014:

Project	Beds	Fee Type	Segment Revenues		Difference
			2015	2014	
			(in thousands)		
Clarion University of Pennsylvania	728	Development fee	\$229	\$318	\$(89)
West Chester University of Pennsylvania – Phase II	653	Development fee	—	30	(30)
Athens - Georgia Heights	488	Development fee	16	—	16
Bowles Hall	192	Development fee	245	—	245
Wichita State University	784	Development fee	—	776	(776)
Third-party development consulting services total			\$490	\$1,124	\$(634)

Third-party development consulting services revenue decreased \$0.6 million to \$0.5 million for the three months ended September 30, 2015, as compared to the same period in 2014. Third-party development consulting revenue fluctuates based on the number and timing of development jobs. In addition, during the three months ended September 30, 2014, we recognized \$0.6 million of cost savings on the Wichita State University project. There were no revenues associated with cost savings for the three months ended September 30, 2015.

General and administrative expenses for the segment increased \$0.3 million, or 40.9%, for the three months ended September 30, 2015 compared to the same period in the prior year. General and administrative expenses fluctuate

based on the number and timing of development jobs.



Management services

Management services revenue decreased \$0.2 million, or 17.8% while general and administrative expenses remained flat for the three months ended September 30, 2015 when compared to the same period in 2014.

Other unallocated general and administrative expenses

Other unallocated general and administrative expenses decreased \$1.6 million, or 36.2%, during the three months ended September 30, 2015 over the same period in the prior year. The decrease is driven by a \$1.6 million decrease in acquisition and development pursuit costs over prior year.

Depreciation and amortization

Depreciation and amortization increased \$3.1 million, or 21.4%, during the three months ended September 30, 2015 as compared to the same period in the prior year. This increase relates primarily to 17 new properties (acquisitions or developments) opened since January 1, 2014, partially offset by sold communities.

Ground lease expense

For the three months ended September 30, 2015, the cost of ground leases increased \$0.6 million, or 26.1%, compared to the same period in the prior year. This increase relates primarily to the opening of three communities on the campus of the University of Kentucky in 2015. We recognize ground lease expense on a straight-line basis over the life of the related ground lease.

Loss on impairment of collegiate housing properties

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value. Management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data. During the three months ended September 30, 2014, the Trust recorded a \$1.0 million impairment loss on a property that was subsequently sold during the fourth quarter. During the three months ended September 30, 2015, we recorded no impairment losses related to collegiate housing communities.

Nonoperating expenses

Nonoperating expenses consist of the following for the three months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended		Change (\$)	Change (%)	
	September 30, 2015	September 30, 2014			
Interest expense	\$(6,223)	\$(4,508)	\$(1,715)	38.0	%
Amortization of deferred financing costs	(520)	(516)	(4)	0.8	%
Interest income	39	41	(2)	(4.9)	%
Guarantee fee income from Participating Development	—	3,000	(3,000)	—	%
Interest on loan to Participating Development	—	6,486	(6,486)	—	%
Loss on extinguishment of debt	—	(243)	243	—	%
Gain on insurance settlement	—	8,133	(8,133)	—	%

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Total nonoperating income (expenses)                      \$(6,704        ) \$12,393                      \$(19,097        ) (154.1        )%

Total nonoperating income decreased \$19.1 million for the three months ended September 30, 2015 compared to the same period in 2014. In 2014, we recognized nonoperating income of \$17.6 million on three nonrecurring items which contributed to the decrease in nonoperating income from prior year: interest income and a guarantee fee related to the participating project at John Hopkins of \$6.5 million and \$3.0 million, respectively, and a gain of \$8.1 million related to the insurance settlement on the 3949 Lindell property, which was damaged by fire in July 2012.

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## Legal Proceedings

During the six months ended June 30, 2015, an arbitration proceeding was filed against a subsidiary of the Trust and a companion federal suit was filed against the Trust itself, both actions related to a change order dispute by the general contractor on a completed third-party development project. The general contractor is seeking damages in the amount of \$1.6 million plus attorney and other fees. Since that time, the federal suit was dismissed; and, the subsidiary of the Trust is involved in ongoing arbitration proceedings. The Trust has accrued an estimate of costs to settle such claims in the accompanying condensed consolidated financial statements; however, the Trust continues to vigorously defend this matter and believes it has viable counterclaims.

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, are not expected to have a material effect on our financial position, results of operations or liquidity.

## Non-GAAP Measures

### Funds From Operations (FFO)

As defined by the National Association of Real Estate Investment Trusts ("NAREIT"), FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of collegiate housing assets and impairment write-downs of depreciable real estate, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. We present FFO available to all stockholders and unitholders because we consider it to be an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. As such, we also exclude the impact of noncontrolling interests, only as they relate to operating partnership units, in our calculation. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from collegiate housing asset dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income.

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

We also use core funds from operations ("Core FFO") as an operating performance measure. Core FFO is defined as FFO adjusted to include the economic impact of revenue on participating projects for which recognition is deferred for GAAP purposes. The adjustment for this revenue is calculated on the same percentage of completion method used to recognize revenue on third-party development projects. Core FFO also includes adjustments to exclude the impact of

straight-line adjustments for ground leases, gains/losses on extinguishment of debt, transaction costs related to acquisitions and reorganization or severance costs. We believe that these adjustments are appropriate in determining Core FFO as they are not indicative of the operating performance of our assets. In addition, management uses Core FFO in the assessment of our operating performance and comparison to its industry peers and believes that Core FFO is a useful supplemental measure for the investing community to use in comparing our results to other REITs as many REITs provide some form of adjusted or modified FFO.

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The following table presents a reconciliation of FFO and Core FFO available to our stockholders and unitholders to net income for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss) attributable to Education Realty Trust, Inc.	\$(4,720)	) \$21,400	\$5,138	\$24,658
Gain on sale of collegiate housing properties	—	(8,421)	) —	(19,322)
Gain on insurance settlement	—	(8,133)	) —	(8,133)
Loss on impairment of collegiate housing assets	—	953	—	12,734
Real estate related depreciation and amortization	17,433	14,444	48,473	42,365
Equity portion of real estate depreciation and amortization on equity investees	514	45	1,357	144
Noncontrolling interests	(85)	) 71	37	250
FFO available to stockholders and unitholders	13,142	20,359	55,005	52,696
FFO adjustments:				
Loss on extinguishment of debt	—	243	—	892
Acquisition costs	203	1,034	293	1,058
Severance costs, net of tax	—	29	—	314
Straight-line adjustment for ground leases	1,195	1,209	3,596	3,634
FFO adjustments	1,398	2,515	3,889	5,898
FFO on Participating Developments:				
Interest on loan to Participating Development	—	(6,486)	) —	(5,581)
Development fees on Participating Development, net of costs and taxes	—	(1,548)	) —	(1,548)
FFO on Participating Developments	—	(8,034)	) —	(7,129)
Core FFO available to stockholders and unitholders	\$14,540	\$14,840	\$58,894	\$51,465

Net Operating Income (NOI)

We believe NOI is a useful measure of our collegiate housing operating performance. We define NOI as rental and other community-level revenues earned from our collegiate housing communities less community-level operating expenses, excluding management fees and expenses, development consulting fees and expenses, depreciation, amortization, ground lease expense and impairment charges and including regional and other corporate costs of supporting the communities. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs. We believe that this measure provides an operating perspective not immediately apparent from GAAP operating income or net income. We use NOI to evaluate performance on a community-by-community basis because it allows management to evaluate the impact that factors such as lease structure, lease rates and resident base, which vary by property, have on our operating results. However, NOI should only be used as an alternative measure of our financial performance.

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The following is a reconciliation of our GAAP operating income to NOI for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September		Nine Months Ended September	
	30, 2015	2014	30, 2015	2014
Operating income	\$2,417	\$1,765	\$25,198	\$6,427
Less: Third-party development services revenue	490	3,705	1,531	5,264
Less: Third-party management services revenue	865	1,052	2,698	2,856
Plus: Development and management services expenses	3,019	2,337	8,228	6,964
Plus: General and administrative expenses	1,434	3,422	6,632	7,520
Plus: Ground leases	2,938	2,329	7,956	6,162
Plus: Depreciation and amortization	17,828	14,688	49,605	42,928
Plus: Loss on impairment of collegiate housing properties	—	953	—	12,734
NOI	\$26,281	\$20,737	\$93,390	\$74,615

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)

Adjusted EBITDA is defined as net income excluding: (1) straight line adjustment for ground leases; (2) acquisition costs; (3) depreciation and amortization; (4) loss on impairment of collegiate housing properties; (5) gain on sale of collegiate housing properties; (6) gain on insurance settlement; (7) interest expense; (8) amortization of deferred financing costs; (9) interest income (10) interest on loan to Participating Development; (11) loss on extinguishment of debt; (12) income tax expense (benefit); and (13) noncontrolling interests. We consider Adjusted EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. The following is a reconciliation of our GAAP net income to Adjusted EBITDA for the trailing twelve months ended September 30, 2015 (in thousands):

	Nine Months Ended September 30, 2015	Plus: Year Ended December 31, 2014	Less: Nine Months ended September 30, 2014	Trailing Twelve Months ended September 30, 2015
Net income attributable to Education Realty Trust, Inc.	\$5,138	\$47,055	\$24,658	\$27,535
Straight line adjustment for ground leases	3,596	4,835	3,634	4,797
Acquisition costs	293	1,058	1,058	293
Depreciation and amortization	49,605	58,974	42,928	65,651
Loss on impairment of collegiate housing properties	—	12,734	12,734	—
Gain on sale of collegiate housing properties	—	(33,231)	(19,322)	(13,909)
Gain on insurance settlement	—	(8,133)	(8,133)	—
Interest expense, net	17,615	20,656	15,076	23,195
Amortization of deferred financing costs	1,527	2,156	1,533	2,150
Interest income	(144)	(190)	(152)	(182)
Interest on loan to Participating Development	—	(6,486)	(6,486)	—
Loss on extinguishment of debt	—	3,543	892	2,651
Income tax expense (benefit)	325	261	598	(12)
Noncontrolling interest	(86)	599	393	120

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Adjusted EBITDA	\$77,869	\$103,831	\$69,411	\$112,289
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Debt to gross assets

Debt to gross assets is defined as total debt, excluding the unamortized debt premium, divided by gross assets, or total assets excluding accumulated depreciation on real estate assets. We consider debt to gross assets useful to an investor in evaluating

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our leverage and in assessing our capital structure, because it excludes noncash items such as accumulated depreciation and provides a more accurate depiction of our capital structure.

The following is a reconciliation of our GAAP total assets to gross assets as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014	
Mortgage and construction loans, net of unamortized premium	\$233,081	\$249,637	
Unamortized premium	854	1,486	
Mortgage and construction loans	232,227	248,151	
Unsecured revolving credit facility	221,000	24,000	
Unsecured term loan	187,500	187,500	
Unsecured senior bonds	250,000	250,000	
Total debt	\$890,727	\$709,651	
Total assets	\$1,976,355	\$1,811,637	
Accumulated depreciation <sup>(1)</sup>	257,628	210,047	
Gross assets	\$2,233,983	\$2,021,684	
Debt to gross assets	39.9	%	35.1 %

<sup>(1)</sup> Represents accumulated depreciation on real estate assets.

### Liquidity and Capital Resources

#### Cash and cash flows

As of September 30, 2015, we had \$14.2 million cash on hand and \$10.4 million of restricted cash, compared to \$18.4 million cash on hand and \$10.3 million restricted cash as of December 31, 2014. Restricted cash includes escrow accounts held by lenders for the purpose of paying taxes, insurance, principal and interest and funding capital improvements as well as security deposit accounts required for refundable resident deposits and escrows related to construction retention on certain development projects.

During the nine months ended September 30, 2015, we generated \$66.2 million of cash from operations compared to \$71.3 million over the same period in 2014. This decrease of \$5.0 million is mostly attributable to a net \$6.3 million increase in working capital from the prior year.

During the nine months ended September 30, 2015, we used \$210.7 million of cash in investing activities compared to \$246.2 million over the same period in 2014. This decrease in cash used for investing activities of \$35.5 million is mostly attributable to the following:

- a decrease in cash used to acquire collegiate housing properties of \$74.3 million (\$132.2 million in 2014 compared to \$57.9 million in 2015), and
- a decrease in cash spent on development activities of \$39.7 million, offset by
- a decrease in cash generated from the disposition of collegiate housing properties of \$69.0 million (four dispositions in 2014 with none in 2015), and
- a decrease in cash generated from collections of notes receivable (\$18.0 million in 2014 with none in 2015).

During the nine months ended September 30, 2015, we generated \$140.2 million of cash from financing activities compared to \$171.2 million during the same period in 2014. This decrease of \$31.0 million is mostly attributable to a



decrease in cash received from common stock offerings of \$260.6 million during the nine months ended September 30, 2015 compared to the same period in 2014, partially offset by a decrease in repayments (net of borrowings) on our revolving credit facility and mortgage and construction loans during the nine months ended September 30, 2015 of \$226.4 million compared to the same period in 2014.

### Liquidity outlook and capital requirements

Our short-term liquidity needs include funds for distributions to our stockholders and unitholders, including those required to maintain our REIT status and satisfy our current annual distribution target of \$1.48 per share to our stockholders and unitholders, funds for capital expenditures, fund for our active development projects, funds for debt repayment and, potentially, funds for new property acquisitions and development. We generally expect to meet our short-term liquidity requirements through existing cash provided by operations, draws on our revolving credit facility or other new debt, debt refinancing and recycling capital through potential asset sales. We believe that these sources of capital will be sufficient to provide for our short-term capital needs. We have managed our balance sheet so that all capital needs, including announced and committed development deals, are pre-funded by our balance sheet capacity. In June 2014, we completed a follow-on equity offering selling 8.2 million shares of our common stock for net proceeds of approximately \$239.4 million, which were used to repay a portion of our revolving credit facility. The offering improved our leverage metrics and provided additional balance sheet capacity to fund two additional 2015 developments and purchase The District on Apache adjacent to Arizona State University for \$89.8 million in September 2014. In addition, during November 2014, we obtained investment grade credit ratings and completed our inaugural public offering of senior unsecured notes, as further discussed below. We will continue to monitor both the debt and equity markets and in the future anticipate accessing capital through our at-the-market equity offering programs, additional follow on equity offerings or additional offerings of public unsecured notes.

Distributions for the nine months ended September 30, 2015 totaled \$52.6 million, or \$1.09 per share/unit, compared to cash provided by operations of \$66.2 million, or \$1.37 per weighted average share/unit.

Based on our closing share price of \$32.95 on September 30, 2015, our total enterprise value was \$2.5 billion. With net debt (total debt less cash) of \$876.6 million as of September 30, 2015, our debt to enterprise value was 35.3% compared to 28.1% as of December 31, 2014. With gross assets of \$2.2 billion, which excludes accumulated depreciation of \$257.6 million, our debt to gross assets ratio was 39.9% as of September 30, 2015 as compared to 35.1% as of December 31, 2014.

### ATM Program

In October 2014, we entered into agreements to establish the ATM Program to sell a maximum of \$150.0 million in additional shares of EdR common stock. The Trust sold 0.3 million shares under these distribution agreements during the nine months ended September 30, 2015 and received net proceeds of \$10.8 million. The Trust used the net proceeds to repay debt, fund its development pipeline, fund acquisitions and for general corporate purposes. As of September 30, 2015, the Trust had remaining availability to sell common shares under the ATM Program of \$120.7 million.

### Revolving credit facility

As described in Note 6 to the accompanying condensed consolidated financial statements, on November 19, 2014, the Operating Partnership entered into a Fifth Amended and Restated Credit Agreement (the "Fifth Amended Revolver"), which has a maximum availability of \$500.0 million and an accordion feature to \$1.0 billion. The Fifth Amended Revolver contains customary affirmative and negative covenants and financial covenants, along with restrictions on distributions. As of September 30, 2015, we were in compliance with all covenants of the Fifth Amended Revolver and had remaining availability of \$279.0 million. The interest rate applicable to the Fifth Amended Revolver was 1.45% at September 30, 2015.

### Unsecured term loan facility

On January 13, 2014, the Operating Partnership entered into an unsecured term loan facility, which was subsequently amended and restated on November 19, 2014 (see Note 6 to the accompanying condensed consolidated financial statements). Under the Amended and Restated Credit Agreement (the "Credit Agreement"), the unsecured term loans have an aggregate principal amount of \$187.5 million (with an accordion feature to \$250.0 million), consisting of a \$122.5 million Tranche A term loan with a seven-year maturity and a \$65.0 million Tranche B term loan with a five-year maturity (collectively, the "Term Loans").

The Credit Agreement contains customary affirmative and restrictive covenants substantially similar to those contained in the Fifth Amended Revolver. EdR serves as the guarantor for any funds borrowed by the Borrower under the Credit Agreement. As of September 30, 2015, we were in compliance with all covenants of the Credit Agreement.

In connection with entering into the Credit Agreement, the Operating Partnership entered into multiple interest rate swaps with notional amounts totaling \$187.5 million to hedge the interest payments on the LIBOR-based Term Loans (see Note 6 to the accompanying condensed consolidated financial statements). As of September 30, 2015, the effective interest rate on the

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Tranche A Term Loan was 3.85% (weighted average swap rate of 2.30% plus the current margin of 1.55%) and the effective interest rate on the Tranche B Term Loan was 2.86% (weighted average swap rate of 1.66% plus the current margin of 1.20%).

### Senior Unsecured Notes

On November 24, 2014, the Operating Partnership completed the public offering of \$250.0 million senior unsecured notes (the "Senior Unsecured Notes") under an existing shelf registration statement. The 10-year Senior Unsecured Notes were issued at 99.991% of par value with a coupon of 4.6% per annum and are fully and unconditionally guaranteed by EdR. Interest on the Senior Unsecured Notes is payable semi-annually on June 1 and December 1 of each year. The Senior Unsecured Notes will mature on December 1, 2024. The terms of Senior Unsecured Notes contain certain covenants that restrict the ability of EdR, and the Operating Partnership to incur additional secured and unsecured indebtedness. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as minimum interest coverage level. As of September 30, 2015, the Operating Partnership was in compliance with all covenants of the Senior Unsecured Notes.

### Acquisition, disposition and development activity

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

In 2014, we sold the following seven off-campus properties for a combined sales price of approximately \$138.5 million resulting in total proceeds of approximately \$116.3 million after repayment of debt and customary closing costs.

Property	Year Built	Year Acquired	Distance to Campus (in miles)	Primary University Served
The Reserve on West 31st	1998	2005	1.30	University of Kansas
College Station at West Lafayette	2000	2005	2.00	Purdue University
Pointe West	2003	2005	1.90	University of South Carolina
Reserve on South College	1999	2005	0.40	Auburn University
The Point at South Florida	1999	2005	0.50	University of South Florida
The Avenue at Southern	1993	2006	0.20	Georgia Southern University
Commons on Kinnear	2000	2005	0.40	Ohio State University

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

During the nine months ended September 30, 2015, we completed the following collegiate housing property acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
The Commons on Bridge		June 2015	150	51	\$9,700

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The Province at Boulder	University of Tennessee Knoxville, Tennessee University of Colorado Boulder, Colorado	Sept 2015	317	84	\$48,800
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During 2014, we completed the following collegiate housing property acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
109 Tower	Florida International University Miami, Florida	Aug 2014	542	149	\$43,500
District on Apache	Arizona State University Tempe, Arizona	Sept 2014	900	279	\$89,800

The acquisition of 109 Tower was made pursuant to a presale agreement, subject to on-time completion of the project by the developer. We were responsible for the lease-up of the community.

We currently have six active development projects that we are developing for our ownership with our share of aggregate development costs of \$272.2 million. As of September 30, 2015, \$57.2 million of the anticipated costs had been funded.

### Predevelopment expenditures

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

### Long-term liquidity requirements

Our long-term liquidity requirements consist primarily of funds necessary for scheduled debt maturities, distributions, acquisitions, developments, renovations and other non-recurring capital expenditures that are needed periodically for our communities. We expect to meet these needs through existing working capital, cash provided by operations, additional borrowings under our Fifth Amended Revolver, net proceeds from potential asset sales, the issuance of equity securities, including common or preferred stock, OP Units or additional debt, if market conditions permit.

### Commitments

For the nine months ended September 30, 2015, our commitments, contingencies and contractual obligations were not materially different from the amounts reported for the year ended December 31, 2014, except for the net decrease in long-term debt (which excludes the Fifth Amended Revolver) of \$15.9 million (see Note 6 to the accompanying condensed consolidated financial statements). As a result of the decrease in long-term debt, our contractual interest obligations have declined \$18.1 million.

### Long-term indebtedness

As of September 30, 2015, 48, or 80%, of our communities were unencumbered by mortgage or construction debt. As of September 30, 2015, the outstanding mortgage and construction debt had a weighted average interest rate of 4.20% and carried an average term to maturity of 2.03 years.

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As of September 30, 2015, we had outstanding long-term indebtedness of \$670.6 million (net of unamortized debt premium of \$0.9 million), which excludes the outstanding balance on our Fifth Amended Revolver.

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The scheduled future maturities of this indebtedness as of September 30, 2015 were as follows (in thousands):

Year	
Three months ending December 31, 2015	\$818
2016	59,468
2017	98,575
2018	1,629
2019	117,163
2020	19,574
Thereafter	372,500
Total	669,727
Debt premium	854
Outstanding as of September 30, 2015, net of debt premium	\$670,581

We also have \$221.0 million outstanding under the Fifth Amended Revolver as of September 30, 2015. The Fifth Amended Revolver matures on November 19, 2018, and provides that EROP may extend the maturity date one year subject to certain conditions. The Fifth Amended Revolver requires interest only payments through maturity. The interest rate per annum applicable to the Fifth Amended Revolver is, at EROP's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage. The interest rate applicable to the Fifth Amended Revolver as of September 30, 2015 was 1.45%.

### Distributions

We are required to distribute 90% of our REIT taxable income (excluding the deduction for dividends paid and net capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to holders of our common stock and OP Units. All such distributions are authorized at the sole discretion of the Board. We may be required to use borrowings under our Fifth Amended Revolver, if necessary, to meet REIT distribution requirements, avoid the imposition of federal income and excise taxes and maintain our REIT status. Additionally, we may make certain distributions consisting of both cash and shares to meet REIT distribution requirements. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. During May 2015, the Board increased the annual dividend target from \$1.44 to \$1.48 per share/unit to our stockholders and unitholders becoming effective with the August 14, 2015 dividend.

On October 15, 2015, the Board declared a third quarter distribution of \$0.37 per share of common stock and per OP Unit for the quarter ended September 30, 2015. The distributions will be paid on November 13, 2015 to stockholders and unitholders of record at the close of business on October 30, 2015.

### Off-Balance Sheet Arrangements

The Operating Partnership and various joint venture partners have jointly and severally guaranteed partial repayment on third-party mortgage and construction debt secured by the following underlying collegiate housing properties, all of which are unconsolidated joint ventures. The Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the respective operating agreement, the joint venture partner agreed to indemnify, defend and hold harmless the Trust with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, exposure under the guaranties for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates are not expected to exceed the Operating Partnership's proportionate interest in the related mortgage debt in the case of the non-recourse, carve-out guaranty, or in the Operating Partnership's proportionate interest in the partial



repayment guaranty, as applicable.

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The following summarizes the Operating Partnership's exposure under such guaranties (amounts in thousands):

	September 30, 2015					December 31, 2014				
	Joint Venture		Operating			Joint Venture		Operating		
	Ownership	Loan	Partial	Loan	Partial	Loan	Partial	Loan	Partial	
Percent	Balance	Repayment	Balance	Repayment	Balance	Repayment	Balance	Repayment	Guarantee	
		Guarantee	Proportionate	Interest			Proportionate	Interest		
			Balance	Guarantee			Balance	Guarantee		
University Village - Greensboro	25	%	\$23,386	n/a	\$5,847	n/a	\$23,643	n/a	\$5,911	n/a
The Marshall Georgia Heights	50	%	56,575	8,767	28,288	4,384	55,663	8,767	27,832	4,384
	50	%	26,121	7,230	13,061	3,615	—	7,230	—	3,615

In connection with the development agreement entered into on July 14, 2010 for a project at the Science + Technology Park at Johns Hopkins Medical Institute, the Trust committed to provide a guarantee of repayment of a \$42.0 million third-party construction loan for a \$3.0 million fee, of which the carrying value approximated fair value. On July 1, 2014, the third-party owners refinanced the construction loan and the Trust was released from the guarantee obligations. The Trust collected and recognized the \$3.0 million guarantee fee during the third quarter of 2014.

During October 2014, the Operating Partnership and LeylandAlliance LLC entered into a \$38.0 million construction loan for the fourth phase of the The Oaks on the Square project (see Note 3 to the accompanying condensed consolidated financial statements). The Operating Partnership and LeylandAlliance LLC jointly committed to provide a guarantee of repayment for the construction loan. As of September 30, 2015, \$30.9 million had been drawn on the construction loan, of which \$5.4 million was attributable to LeylandAlliance LLC. This amount is not included in our accompanying condensed consolidated financial statements.

#### Inflation

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

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, we manage exposure to fluctuations in market interest rates for its borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable. In addition, we use interest rate swaps to effectively convert a portion of its variable rate debt to fixed rate, thus reducing the impact of changes in interest rates on interest payments (see Notes 6 and 10 to the accompanying condensed consolidated financial statements). We did not enter into derivatives or other financial instruments for trading or speculative purposes.

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest changes generally do not affect the fair market

value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. As of September 30, 2015, we had fixed rate debt of \$388.4 million. Holding other variables constant, a 100 basis point increase in interest rates would cause a \$20.6 million decline in the fair value for our fixed rate debt. Conversely, a 100 basis point decrease in interest rates would cause a \$22.4 million increase in the fair value of our fixed rate debt.

As of September 30, 2015, the effect of our hedge agreements was to fix the interest rate on \$187.5 million variable rate term loans. Had the hedge agreements not been in place during the nine months ended September 30, 2015, our interest costs would have been approximately \$2.4 million lower, based on balances and reported interest rates through the year as the variable interest rates were less than effective interest rates on the hedge agreements.

No material changes have occurred with regards to market risk since our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on February 27, 2015.

Item 4. Controls and Procedures.

Education Realty Trust, Inc.

Evaluation of Disclosure Controls and Procedures

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to the Trust's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Trust also has investments in unconsolidated entities which are not under its control. Consequently, the Trust's disclosure controls and procedures with respect to these entities are necessarily more limited than those it maintains with respect to its consolidated subsidiaries.

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Trust's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of September 30, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of September 30, 2015, the Trust's disclosure controls and procedures were effective in causing material information relating to the Trust to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures with SEC disclosure obligations.

Changes in Internal Control Over Financial Reporting

There were no changes in the Trust's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2015 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Education Realty Operating Partnership, LP

Evaluation of Disclosure Controls and Procedures

EROP maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to EROP's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. EROP also has investments in unconsolidated entities which are not under its control. Consequently, EROP's disclosure controls and procedures with respect to these entities are necessarily more limited than those it maintains with respect to its consolidated subsidiaries.

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of EROP's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of September 30, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of September 30, 2015, EROP's disclosure controls and procedures were effective in causing material information relating to EROP to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures with SEC disclosure obligations.

Changes in Internal Control Over Financial Reporting

There were no changes in EROP's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2015 that materially affected, or are reasonably likely to materially affect, EROP's internal control over financial reporting.

## PART II - Other Information

### Item 1. Legal Proceedings.

During the six months ended June 30, 2015, an arbitration proceeding was filed against a subsidiary of the Trust and a companion federal suit was filed against the Trust itself, both actions related to a change order dispute by the general contractor on a completed third-party development project. The general contractor is seeking damages in the amount of \$1.6 million plus attorney and other fees. Since that time, the federal suit was dismissed; and, the subsidiary of the Trust is involved in ongoing arbitration proceedings. The Trust has accrued an estimate of costs to settle such claims in the accompanying condensed consolidated financial statements; however, the Trust continues to vigorously defend this matter and believes it has viable counterclaims.

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, are not expected to have a material effect on our financial position, results of operations or liquidity.

### Item 1A. Risk Factors

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.

The discussion of the Trust's business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, which describes various risks and uncertainties to which we are or may be subject. These risks and uncertainties have the potential to affect the Trust's business, financial condition, results of operations, cash flows and prospects in a material adverse manner.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

#### Issuer Repurchases of Equity Securities

During the nine months ended September 30, 2015, certain of our employees surrendered shares of common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with vesting of restricted shares of common stock and restricted stock units issued under the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the "2011 Plan"). There were 3,467 shares repurchased during the first quarter of 2015; there were no repurchases during the second or third quarters of 2015.

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

In September 2012, the Trust adopted the Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan (the "DRSPP"), which offers the following:

- automatic reinvestment of some or all of the cash distributions paid on common stock, shares of other classes of stock that we might issue in the future and units of limited partnership interest;
- an opportunity to make an initial purchase of our common stock and to acquire additional shares over time; and
- safekeeping of shares and accounting for distributions received and reinvested at no cost.

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

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

During the three months ended September 30, 2015, in connection with the DRSP, we directed the plan administrator to purchase 337 shares of our common stock in the open market for a total of \$10,714 pursuant to the dividend reinvestment component of the DRSP with respect to our dividend for the third quarter of 2015. We also directed the plan administrator to purchase 392 shares of our common stock in the open market for investors for a total of \$11,942 pursuant to the direct stock purchase component of the DRSP. The following chart summarizes these purchases of our common stock for the three months ended September 30, 2015.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 – 31, 2015	76	\$32.77	—	—
August 1 – 31, 2015	400	\$31.76	—	—
September 1 – 30, 2015	253	\$29.30	—	—
Total	729	\$31.08	—	—

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

Recent Sales of Unregistered Securities

None.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Report.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Education Realty Trust, Inc.

Date: November 2, 2015

By: /s/ Randy Churchey

Randy Churchey

Chief Executive Officer and Chairman of the Board of Directors

By: /s/ Edwin B. Brewer, Jr.

Edwin B. Brewer, Jr.

Executive Vice President and Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Education Realty Operating Partnership, LP

By: Education Realty OP GP, Inc., its general partner

Date: November 2, 2015

By: /s/ Randy Churchey

Randy Churchey

Chief Executive Officer and Chairman of the Board of Directors

By: /s/ Edwin B. Brewer, Jr.

Edwin B. Brewer, Jr.

Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Second Articles of Amendment and Restatement of Education Realty Trust, Inc., as supplemented (Incorporated by reference to Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q, filed on November 7, 2014.)
3.2	Amended and Restated Bylaws of Education Realty Trust, Inc., as amended. (Incorporated by reference to Exhibit 3.2 to the Trust's Quarterly Report on Form 10-Q, filed on November 7, 2014.)
4.1	Form of Certificate for Common Stock of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 4.1 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010.)
4.2	Indenture by and among Education Realty Operating Partnership, LP, Education Realty Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee, dated November 7, 2014. (Incorporated by reference to Exhibit 4.6 the Trust's and the Operating Partnership's joint Registration Statement on Form S-3 (File No. 333-199988), filed on November 7, 2014.)
4.3	First Supplemental Indenture by and among Education Realty Operating Partnership, LP, Education Realty Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.1 to the Trust's and the Operating Partnership's Current Report on Form 8-K, filed on November 25, 2014.)
31.1	Education Realty Trust, Inc. - Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Education Realty Trust, Inc. - Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.3	Education Realty Operating Partnership, LP - Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.4	Education Realty Operating Partnership, LP - Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Education Realty Trust, Inc. - Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Education Realty Trust, Inc. - Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.3	Education Realty Operating Partnership, LP - Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.4	Education Realty Operating Partnership, LP - Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.	INS XBRL Instance Document**
101.	SCH XBRL Taxonomy Extension Schema Document**
101.	CAL XBRL Taxonomy Extension Calculation Linkbase Document**
101.	LAB XBRL Taxonomy Extension Label Linkbase Document**
101.	PRE XBRL Taxonomy Extension Presentation Linkbase Document**
101.	DEF XBRL Taxonomy Extension Definition Linkbase Document**

\* Filed herewith.

\*\* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) the unaudited Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2015 and 2014, (iii) the unaudited Condensed Consolidated Statements of Changes in Equity for the nine months ended September 30, 2015 and 2014, (iv) the unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended

September 30, 2015 and 2014 and (v) the Notes to Condensed Consolidated Financial Statements (unaudited).