Education Realty Trust, Inc.
Form 10-Q
May 07, 2010

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

(Mark One)

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

For the quarterly period ended March 31, 2010

Or

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

For the transition period from to

Commission File Number: 001-32417

Education Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	20-1352180
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
530 Oak Court Drive, Suite 300, Memphis, Tennessee	38117
(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. Yes x No o

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

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer o

(Do not check if a smaller reporting company)	Smaller reporting company o

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

As of May 6, 2010, the latest practicable date, the Registrant had outstanding 56,927,966 shares of common stock, $.01 par value per share.

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FORM 10-Q
QUARTER ENDED MARCH 31, 2010
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Part I — Financial Information

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Assets:		
Student housing properties, net	$ 746,616	$ 749,884
Corporate office furniture, net	1,045	1,118
Cash and cash equivalents	28,384	31,169
Restricted cash	4,282	4,579
Student contracts receivable, net	268	386
Receivable from affiliate	19	18
Management fee receivable from third party	311	277
Goodwill and other intangibles, net	3,070	3,073
Other assets	15,726	14,109
Total assets	$ 799,721	$ 804,613
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and construction loans, net of unamortized premium/discount	$ 405,300	$ 406,365
Accounts payable	336	235
Accrued expenses	11,493	11,423
Deferred revenue	8,790	10,346
Total liabilities	425,919	428,369
Commitments and contingencies (see Note 6)	—	—
Redeemable noncontrolling interests	11,228	11,079
Equity:		
Education Realty Trust, Inc. stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized, 56,714,466 and 56,705,605 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	567	567
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	408,429	410,455
Accumulated deficit	(48,466)	(48,636)
Total Education Realty Trust, Inc. stockholders' equity	360,530	362,386
Noncontrolling interest	2,044	2,779
Total equity	362,574	365,165
Total liabilities and equity	$ 799,721	$ 804,613

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)
(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues:		
Student housing leasing revenue	$ 29,651	$ 29,313
Third-party development services	693	1,457
Third-party management services	866	909
Operating expense reimbursements	1,908	2,190
Total revenues	33,118	33,869
Operating expenses:		
Student housing leasing operations	13,438	13,170
General and administrative	4,300	3,994
Depreciation and amortization	7,416	7,164
Reimbursable operating expenses	1,908	2,190
Total operating expenses	27,062	26,518
Operating income	6,056	7,351
Nonoperating expenses:		
Interest expense	5,611	6,352
Amortization of deferred financing costs	334	301
Interest income	(117)	(49)
Total nonoperating expenses	5,828	6,604
Income from continuing operations before equity in earnings of unconsolidated entities, income taxes, redeemable noncontrolling interests and discontinued operations	228	747
Equity in earnings of unconsolidated entities	79	100
Income from continuing operations before income taxes, redeemable noncontrolling interests and discontinued operations	307	847
Income tax expense (benefit)	(74)	188
Income from continuing operations before redeemable noncontrolling interests and discontinued operations	381	659
Income attributable to redeemable noncontrolling interests	205	201
Income from continuing operations	176	458
Loss from discontinued operations	—	(16)
Net income	176	442
Less: Net income attributable to the noncontrolling interest	6	9
Net income attributable to Education Realty Trust, Inc.	$ 170	$ 433

See accompanying notes to the condensed consolidated financial statements.

	Three months ended March 31, 2010	Three months ended March 31, 2009
Earnings per share information:		
Income attributable to Education Realty Trust, Inc. common stockholders per share — basic and diluted:		
Continuing operations	$ 0.00	$ 0.02
Discontinued operations	—	—
Net income attributable to Education Realty Trust, Inc. common stockholders per share	$ 0.00	$ 0.02
Weighted average common shares outstanding – basic	56,759,922	28,516,522
Weighted average common shares outstanding – diluted	57,870,917	29,637,517
Amounts attributable to Education Realty Trust, Inc. – common stockholders:		
Income from continuing operations, net of tax	$ 170	$ 449
Loss from discontinued operations, net of tax	—	(16)
Net income	170	433
Distributions per share of common stock	$ 0.0500	$ 0.1025

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands, except share data)
(Unaudited)

	Common Stock		Additional			
			Paid-In	Accumulated	Noncontrolling	
	Shares	Amount	Capital	Deficit	Interest	Total
Balance, December 31, 2008	28,475,855	$ 285	$ 308,356	$ (41,381)	$ 2,918	$ 270,178
Common stock issued to officers and directors	4,000	—	15	—	—	15
Amortization of restricted stock	9,000	—	151	—	—	151
Cash dividends	—	—	(2,923)	—	(27)	(2,950)
PIU's issued	—	—	—	—	13	13
Net income	—	—	—	433	9	442
Balance, March 31, 2009	28,488,855	$ 285	$ 305,599	$ (40,948)	$ 2,913	$ 267,849
Balance, December 31, 2009	56,705,605	$ 567	$ 410,455	(48,636)	$ 2,779	$ 365,165
Common stock issued to officers and directors	4,000	—	22	—	—	22
Amortization of restricted stock	4,861	—	60	—	—	60
PIU's forfeited	—	—	730	—	(730)	—
Cash dividends	—	—	(2,838)	—	(11)	(2,849)
Net income	—	—	—	170	6	176
Balance, March 31, 2010	56,714,466	$ 567	$ 408,429	$ (48,466)	$ 2,044	$ 362,574

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Operating activities:		
Net income	$ 176	$ 442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,416	7,164
Depreciation included in discontinued operations	—	25
Deferred tax expense (benefit)	171	(38)
Loss (gain) on disposal of assets	5	(71)
Amortization of deferred financing costs	334	301
Loss (gain) on interest rate cap	188	(8)
Amortization of unamortized debt premiums/discounts	(99)	(101)
Distributions of earnings from unconsolidated entities	122	85
Noncash compensation expense related to PIUs and restricted stock	182	192
Equity in earnings of unconsolidated entities	(79)	(100)
Redeemable noncontrolling interests	205	201
Change in operating assets and liabilities	(3,757)	4,317
Net cash provided by operating activities	4,864	12,409
Investing activities:		
Purchase of corporate furniture and fixtures	(31)	(23)
Restricted cash	297	253
Investment in student housing properties	(4,046)	(2,614)
Payments on note receivable	22	—
Insurance proceeds received from property damage	—	75
Investment in assets under development	—	(9,338)
Investment in unconsolidated entities	(26)	(171)
Net cash used in investing activities	(3,784)	(11,818)
Financing activities:		
Payment of mortgage notes	(966)	(639)
Borrowings under mortgage notes and construction loans	—	3,268
Debt refund (issuance) costs	7	(268)
Dividends and distributions paid to common and restricted stockholders	(2,838)	(2,923)
Dividends and distributions paid to noncontrolling interests	(68)	(143)
Net cash used in financing activities	(3,865)	(705)
Net decrease in cash and cash equivalents	(2,785)	(114)
Cash and cash equivalents, beginning of period	31,169	9,003
Cash and cash equivalents, end of period	$ 28,384	$ 8,889

See accompanying notes to the condensed consolidated financial statements.

	Three months ended March 31, 2010	Three months ended March 31, 2009
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,194	$ 5,685
Income taxes paid	$ 82	$ 126

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)
(Unaudited)

1. Organization and description of business

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

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

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

- Allen & O’Hara Education Services, Inc. (“AOES”), a Delaware corporation performing collegiate student housing management activities.
- Allen & O’Hara Development Company, LLC (“AODC”), a Delaware limited liability company providing development consulting services for third party collegiate student housing communities.

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

2. Summary of significant accounting policies

Basis of presentation and principles of consolidation

The accompanying 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.

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

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

Interim financial information

The accompanying unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation of the Trust's financial position, results of operations and cash flows for such periods. Because of the seasonal nature of the business, the operating results and cash flows are not necessarily indicative of results that may be expected for any other interim periods or for the full fiscal year. These financial statements should be read in conjunction with the Trust's consolidated financial statements and related notes, included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission (the "SEC").

Use of estimates

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

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. In the condensed consolidated statements of operations, food service revenue had previously been presented separately from student housing leasing revenue. The reclassification of food service revenue to student housing leasing revenue was not material to our condensed consolidated financial statements and had no impact on our previously reported net income, changes in equity, financial position or net cash flows from operations.

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 March 31, 2010, the Trust had $21,997 of cash on deposit that was uninsured by the FDIC or in excess of the FDIC limits.

Restricted cash

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

Distributions

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

Student housing properties

Land, land improvements, buildings and improvements, and furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 30 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures, and equipment are depreciated over 3 to 7 years. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful life.

Acquired student housing communities' results of operations are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. On January 1, 2009, the Trust adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB"), which prospectively changed the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The guidance also enhanced the disclosures to enable the evaluation of the nature and financial effects of the business combination and requires that pre-acquisition costs be expensed as incurred. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a community, were accounted for as part of the purchase price prior to the adoption of the guidance issued by the FASB.

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

When a student 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 student housing community has met the held for sale criteria. Operations of student housing communities that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented.

Repairs, maintenance and major improvements

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

Investment in unconsolidated entities

The Operating Partnership accounts for its investments in unconsolidated joint ventures, limited liability companies and limited partnerships using the equity method whereby the cost of an investment is adjusted for the Trust's share of earnings of the respective investment reduced by distributions received. The earnings and distributions of the unconsolidated joint ventures, limited liability companies and limited partnerships are allocated based on each owner's respective ownership interests. These investments are classified as other assets in the accompanying condensed consolidated balance sheets.

Deferred financing costs

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

Common stock issuances and offering costs

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

On July 28, 2009, the Trust completed a follow-on common stock offering, selling 28,175,000 shares of the Trust’s common stock, including 3,675,000 shares issued as a result of the exercise of the underwriters’ overallotment option in full at closing, at a price of $4.35 per share to the public. The offering generated gross proceeds of $122,561. The net proceeds to the Trust, after the underwriting discount and other expenses of the offering were approximately $116,133.

Debt premiums/discounts

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

Income taxes

The Trust qualifies as a REIT under the Code. The Trust is generally not subject to federal, state and local income taxes to the extent that it distributes at least 90% of its taxable income for each tax year to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Trust fails to qualify as a REIT in any taxable year, the Trust will be subject to federal, state and local income taxes (including any applicable alternative minimum tax) on its taxable income and property and to federal income and excise taxes on its undistributed income.

The Trust has elected to treat its management company, AOES, as a taxable REIT subsidiary ("TRS"). The TRS is subject to federal, state and local income taxes. AOES manages the Trust's non-REIT activities which include management services and development services, which are provided through AODC. 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 March 31, 2010 and 2009. As of March 31, 2010, the Trust did not expect to record any unrecognized tax benefits. The Trust, and its subsidiaries, file federal and state income tax returns. As of March 31, 2010, open tax years generally include tax years for 2006, 2007 and 2008. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. At March 31, 2010 and 2009, the Trust had no interest or penalties recorded related to unrecognized tax benefits.

Noncontrolling interests

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

In connection with the adoption, the Trust also considered the guidance issued by the FASB regarding the classification and measurement of redeemable securities. The Operating Partnership Units and the University Towers Operating Partnership Units are redeemable at the option of the holder and essentially have the same characteristics as common stock as they participate in net income and distributions. Accordingly, the Trust determined that the Operating Partnership Units and the University Towers Operating Partnership Units met the requirements to be classified outside of permanent equity and are therefore classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets. The value of redeemable noncontrolling interests is reported at the greater of fair value or historical cost at the end of each reporting period.

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

Earnings per share

Basic earnings per share is calculated by dividing net earnings available to shares of common stock by weighted average shares of common stock outstanding. Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. Beginning January 1, 2009, the Trust adopted 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 to be included in the computation of earnings per share under the two-class method. This resulted in shares of unvested restricted stock being included in the computation of basic earnings per share for all periods presented. The adoption did not have a material impact on the condensed consolidated financial statements.

The following reconciles the basic and diluted weighted average shares as of March 31, 2010 and 2009:

	2010	2009
Basic weighted average shares of common stock outstanding	56,759,922	28,516,522
Operating Partnership Units	903,738	913,738
University Towers Operating Partnership Units	207,257	207,257
Diluted weighted average shares of common stock outstanding	57,870,917	29,637,517

Goodwill and other intangible assets

Goodwill is tested annually for impairment as of December 31, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The carrying value of goodwill was $3,070 at March 31, 2010 and December 31, 2009, of which $2,149 was recorded on the management services segment and $921 was recorded on the development consulting services segment. Goodwill is not subject to amortization. Other intangible assets generally include in-place leases and management contracts acquired in connection with acquisitions and are amortized over the estimated life of the lease/contract term. There were no other intangible assets at March 31, 2010 and $3 at December 31, 2009.

Comprehensive Income

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

Revenue recognition

The Trust recognizes revenue related to leasing activities at the student housing communities owned by the Trust, management fees related to managing third-party student housing communities, development consulting fees related to the general oversight of third-party student housing development and operating expense reimbursements for payroll and related expenses incurred for third-party student housing communities managed by the Trust.

Student housing leasing revenue — Student housing leasing revenue is comprised of all activities related to leasing and operating the student housing communities and includes revenues from leasing apartments by the bed, food services, parking lot rentals and providing certain ancillary services. This revenue is reflected in student housing leasing revenue in the accompanying condensed consolidated statements of operations. Students are required to execute lease contracts with payment schedules that vary from annual to monthly payments. Generally, the Trust requires each executed leasing contract to be accompanied by a signed parental guarantee. Receivables are recorded when billed. Revenues and related lease incentives and nonrefundable application and service fees are recognized on a straight-line basis over the term of the contracts. The Trust has no contingent rental contracts, except as noted below, related to other leasing revenue. At certain student housing facilities, the Trust offers parking lot rentals to the tenants. The related revenues are recognized on a straight-line basis over the term of the related agreement.

Third-party development services revenue — The Trust provides development consulting services in an agency capacity with third parties whereby the fee is determined based upon the total construction costs. Total fees vary from 3-5% of the total estimated costs, and the Trust typically receives a portion of the fees up front. These fees, including the up-front fee, are recognized using the percentage of completion method in proportion to the contract costs incurred by the owner over the course of construction of the respective projects. Occasionally, the development consulting contracts include a provision whereby the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. For the three months ended March 31, 2010 and 2009, there was no revenue recognized related to cost savings agreements on development projects.

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

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

Costs related to third party development consulting services

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

Recent accounting pronouncements

In May 2009, the FASB issued new authoritative guidance on subsequent events. The new guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and is applied prospectively. The Trust adopted this authoritative guidance during the three months ended September 30, 2009. In February 2010, the FASB amended the authoritative guidance on subsequent events to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The new guidance is effective upon issuance and had no impact on the Trust's consolidated financial statements.

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

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

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

3. Investments in unconsolidated entities

As of March 31, 2010, the Trust had investments, directly or indirectly, in the following active unconsolidated joint ventures, limited liability companies and limited partnerships that are accounted for under the equity method:

- University Village-Greensboro LLC, a Delaware limited liability company, 25% owned by the Operating Partnership
- WEDR Riverside Investors V, LLC, a Delaware limited liability company, 10% owned by the Operating Partnership
- APF EDR, LP, a Delaware limited partnership, 10% owned by the Operating Partnership
- APF EDR Food Services, LP, a Delaware limited partnership, 10% owned by the Operating Partnership
- WEDR Stinson Investors V, LLC, a Delaware limited liability company, 10% owned by the Operating Partnership

The following is a summary of financial information for the Trust's unconsolidated joint ventures, limited liability companies and limited partnerships for the three months ended March 31, 2010 and 2009:

	2010	2009
Results of Operations:		
Revenues	$ 4,192	$ 4,593
Net income	409	601
Equity in earnings of unconsolidated entities	$ 79	$ 100

These entities primarily own collegiate student housing communities which are managed by the Trust. As of March 31, 2010 and December 31, 2009, the Trust's investment in unconsolidated entities totaled $1,433 and $1,450, respectively.

4. Debt

Revolving credit facility

On November 20, 2009, the Operating Partnership entered into a Second Amended and Restated Credit Agreement (the "Second Amended Revolver"). The Second Amended Revolver amended and restated the existing secured revolving credit facility dated March 30, 2006 (the "Amended Revolver"). The Amended Revolver had a maximum availability of $100,000 and was scheduled to mature on March 30, 2010. The Second Amended Revolver has a maximum availability of $95,000 and within the first two years of the agreement may be expanded to a total of $150,000 upon satisfaction of certain conditions.

Availability under the Second Amended Revolver is limited to a “borrowing base availability” equal to the lesser of (i) 60% of the property asset value (as defined in the agreement) of the properties securing the Second Amended Revolver and (ii) the loan amount which would produce a debt service coverage ratio of no less than 1.40. As of March 31, 2010, our borrowing base was $43,048, we had no amounts outstanding under the Second Amended Revolver and we had a letter of credit outstanding of $1,500 (see Note 6); thus, our remaining borrowing base availability was $41,548.

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

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

The Trust is prohibited from making distributions unless either of the following conditions is met: (a) after giving effect to the distribution, the total leverage ratio is less than or equal to 65% prior to November 20, 2012, and less than or equal to 60% thereafter; or (b) the distribution, when considered along with all other distributions for the last 3 quarters, does not exceed 90% of funds from operations for the applicable period.

During the year ended December 31, 2009, the Trust used $30,600 of the proceeds received in connection with the follow-on common stock offering that was conducted in July 2009 (see Note 2) to repay the outstanding balance of the Amended Revolver.

Mortgage and construction debt

At March 31, 2010, the Trust had outstanding mortgage and construction indebtedness of $404,602 (excluding unamortized debt premium of $698). $28,908 relates to construction debt that is disclosed below and $132,509 pertains to outstanding mortgage debt that is secured by the underlying student housing properties or leaseholds bearing interest at fixed rates ranging from 4.92% to 6.97%. The remaining $243,185 of the outstanding mortgage indebtedness relates to the Fannie Mae master secured credit facility that the Trust entered into on December 31, 2008 and expanded on December 2, 2009 (the "Master Secured Credit Facility"). $49,133 of the outstanding amount under the Master Secured Credit Facility bears interest at variable rates based on the 30-day LIBOR plus an applicable margin (3.61%). The remaining outstanding balance of $194,052 bears interest at a weighted average fixed rate of 5.88%.

In order to hedge the interest rate risk associated with the variable rate loans under the Master Secured Credit Facility, the Operating Partnership purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for $120. The notional amount of the cap is $49,874, the cap will terminate on December 31, 2013 and the cap rate is 7.0% per annum. The Operating Partnership has chosen not to designate the cap as a hedge and will recognize all gains or losses associated with this derivative instrument in earnings. At March 31, 2010 and December 31, 2009, the cap had a value of $98 and $286, respectively, and is classified in other assets in the accompanying condensed consolidated balance sheets.

At March 31, 2010, we had borrowed $10,759 and $9,323 on construction loans with availability of $11,000 and $12,285, respectively, related to the development of a wholly owned student apartment community near Southern Illinois University (Carbondale) (see Note 7). The loans bear interest equal to LIBOR plus 110 and 200 basis point margins, respectively, and are interest only through June 14, 2010. Commencing on June 14, 2010, and annually thereafter, a debt service coverage ratio calculated on a rolling 12 months basis, of not less than 1.25 to 1, must be maintained in order to extend the loans until June 28, 2012, with principal and interest being repaid on a monthly basis.

At March 31, 2010, the Trust had $8,826 outstanding on a $14,300 construction loan related to the development of a wholly-owned student apartment community at Syracuse University (see Note 7). The loan bears interest equal to LIBOR plus a 110 basis point margin and is interest only through September 29, 2011. Commencing with the quarter ended June 30, 2011, and annually thereafter, a debt service coverage ratio calculated on a rolling 12 month basis, of not less than 1.25 to 1, must be maintained in order to extend the loan until September 29, 2013, with principal and interest being repaid on a monthly basis.

The scheduled maturities of outstanding mortgage and construction indebtedness at March 31, 2010 are as follows:

Fiscal Year Ending	
2010 (9 months ending December 31, 2010)	$ 22,991
2011	12,952
2012	68,617
2013	33,028
2014	100,115
Thereafter	166,899
Total	404,602
Unamortized debt premium/discounts	698
Outstanding at March 31, 2010, net of unamortized premiums/discounts	$ 405,300

At March 31, 2010, the outstanding mortgage and construction debt had a weighted average interest rate of 5.33% and carried a weighted average term to maturity of 4.83 years.

5. Segments

The Trust defines business segments by their distinct customer base and service provided. The Trust has identified three reportable segments: student housing leasing, development-consulting services and management services. Management evaluates each segment's performance based on pretax income and on net operating income, which is defined as income before depreciation, amortization, impairment losses, interest expense (income), gains (losses) on extinguishment of debt, equity in earnings of unconsolidated entities, and noncontrolling interests. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany fees are reflected at the contractually stipulated amounts. Discontinued operations are not included in segment reporting as management addresses these items on a corporate level. The following table represents segment information for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010					Three Months Ended March 31, 2009				
	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total
Segment revenues:										
Student housing leasing revenue	$ 29,651	$ —	$ —	$ —	$ 29,651	$ 29,313	$ —	$ —	$ —	$ 29,313
Third-party development consulting services	—	693	—	—	693	—	1,457	—	—	1,457
Third-party management services	—	—	866	—	866	—	—	909	—	909
Intersegment revenues	—	—	1,131	(1,131)	—	—	474	1,125	(1,599)	—
Operating expense reimbursements	—	—	—	1,908	1,908	—	—	—	2,190	2,190

Total segment revenues	29,651	693	1,997	777	33,118	29,313	1,931	2,034	591	33,869
Segment operating expenses:										
Student housing leasing operations	13,438	—	—	—	13,438	13,170	—	—	—	13,170
General and administrative	—	778	2,106	—	2,884	—	732	1,968	(37)	2,663
Intersegment expenses	1,131	—	—	(1,131)	—	1,125	—	—	(1,125)	—
Reimbursable operating expenses	—	—	—	1,908	1,908	—	—	—	2,190	2,190
Total segment operating expenses	14,569	778	2,106	777	18,230	14,295	732	1,968	1,028	18,023
Net operating income (loss)	15,082	(85)	(109)	—	14,888	15,018	1,199	66	(437)	15,846
Nonoperating expenses(1)	12,992	(23)	—	—	12,969	13,429	(11)	—	—	13,418

	Three Months Ended March 31, 2010					Three Months Ended March 31, 2009				
	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total
Income (loss) before equity in earnings of unconsolidated entities, income taxes, redeemable noncontrolling interests and discontinued operations	2,090	(62)	(109)	—	1,919	1,589	1,210	66	(437)	2,428
Equity in earnings of unconsolidated entities	79	—	—	—	79	100	—	—	—	100
Income (loss) before income taxes, redeemable noncontrolling interests and discontinued operations(2)	$ 2,169	$ (62)	$ (109)	$ —	$ 1,998	$ 1,689	$ 1,210	$ 66	$ (437)	$ 2,528
Total segment assets, as of March 31, 2010 and December 31, 2009 (3)	$ 763,254	$ 3,914	$ 4,139	$ —	$ 771,307	$ 766,655	$ 3,742	$ 5,535	$ —	$ 775,932

(1) Nonoperating expenses include interest expense, interest income, gains (losses) on the extinguishment of debt, amortization of deferred financing costs, depreciation, amortization of intangibles and impairment losses on assets. Certain expenses which are classified as operating expenses in accordance with GAAP, are classified as nonoperating expenses for presentation purposes above based on how management evaluates segment operating performance.

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

	2010	2009
Income before income taxes, redeemable noncontrolling interests and discontinued operations for reportable segments	$ 1,998	$ 2,528
Other unallocated corporate expenses	(1,691)	(1,681)
Income before income taxes, redeemable noncontrolling interests and discontinued operations	$ 307	$ 847

(3) The decrease in segment assets related to management services is primarily due to a decrease in operating cash related to the timing of insurance payments offset by the increase in prepaid insurance.

6. Commitments and contingencies

In connection with the acquisition of certain of the Trust’s properties, the previous owner disclosed to the Trust in 2004 that, in June 2001, the United States Department of Justice (“DOJ”) had notified the previous owner of an on-going investigation regarding possible violations of the Americans with Disabilities Act of 1990 (“ADA”) and the Fair Housing Amendments Act of 1988 (“FHAA”). The previous owner disclosed to us in 2004 that DOJ had reviewed the property plans for certain of its properties, that DOJ had not issued a report regarding its review, that in October 2002, DOJ had indicated to the previous owner that the investigation was being delayed for an undetermined period of time, and that DOJ had not contacted the previous owner between 2002 and August 2004. In February 2010, DOJ served a subpoena on the Trust seeking access to one of the purchased properties in connection with a complaint filed by DOJ in March 2009 against the previous owner. The investigation has not been resolved and, at this point, no conclusion can be reached regarding what will be required to conclude it or whether it will result in a dispute or legal proceedings between the Trust and DOJ or the previous owner. Noncompliance with the ADA and the FHAA could result in the imposition of injunctive relief, fines, awards of damages to private litigants or additional capital expenditures to remedy such noncompliance. The Trust is unable to predict the outcome of the DOJ’s investigation.

The Operating Partnership entered into a letter of credit agreement in conjunction with the closing of the acquisition of a student housing community at the University of Florida. The letter of credit remains outstanding in the amount of $1,500 at March 31, 2010 and is secured by the Second Amended Revolver.

On May 10, 2006, the Operating Partnership guaranteed $23,200 of construction debt held by University Village-Greensboro LLC ("LLC") in order to receive a 25% ownership stake in the venture with College Park Apartments. The debt matures on May 10, 2011. Construction was completed, and the student housing community was occupied in August 2007. The Operating Partnership has determined that it will not guarantee the debt after the construction loan is refinanced. The debt has an outstanding balance of $22,721 at March 31, 2010. In October of 2007, the Operating Partnership entered into a note receivable with the LLC in the amount of $845. The note was interest only through December 31, 2007 and accrued interest at 10% per annum. On January 1, 2008, the entire principal balance was converted to a term loan maturing on January 1, 2028 with principal and interest of 10% per annum being repaid on a monthly basis. On the maturity date, all unpaid principal and interest are due in full. On October 30, 2008, the LLC borrowed an additional $1,200, which was also guaranteed by the Operating Partnership that was repaid on November 10, 2009. The Operating Partnership loaned the LLC an additional $1,200 in order to repay this loan by increasing the note receivable due to the Operating Partnership to $2,021 and amending the maturity date to December 31, 2019. As of March 31, 2010 and December 31, 2009, the note has an outstanding balance of $1,991 and $2,021, respectively, and is subordinated to the construction debt held by the LLC discussed above. The balance is reflected in other assets in the accompanying condensed consolidated balance sheets.

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

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

Under the terms of the 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.

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

After being awarded a development consulting contract, the Trust will enter into predevelopment consulting contracts with educational institutions to develop student 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. At March 31, 2010 and December 31, 2009, the Trust had reimbursable predevelopment costs of $2,185 and $1,563, respectively, which are reflected in other assets in the accompanying condensed consolidated balance sheets.

7. Acquisition and development of real estate investments

On June 28, 2007, the Trust acquired land in Carbondale, Illinois for $1,099 in order to develop a wholly owned student apartment community near Southern Illinois University. After the acquisition, the Trust incurred an additional $20,580 and $11,797 in costs to develop the first and second phases of the development which opened in August of 2008 and 2009, respectively.

During 2008, the Trust also began development of a wholly-owned student apartment community located on the campus of Syracuse University. The Trust incurred $25,792 in costs to develop the community which opened in August of 2009. In addition, the Trust owns and manages the community under a long-term ground lease from Syracuse University.

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

8. Disposition of real estate investments and discontinued operations

On April 7, 2009, the Trust sold the College Station student housing community for a purchase price of $2,550. The Trust received proceeds of $250 and a note receivable of $2,300. The note was interest only and accrued interest at a rate of 3% per annum through August 31, 2009 and matures on December 31, 2010 (the option to extend from December 31, 2009 to December 31, 2010 was exercised in September 2009). Beginning on September 1, 2009, the note accrues interest at a rate of 6% per annum and is payable in monthly installments through maturity. All unpaid principal and interest is due at maturity. However, if no default exists at the maturity date, the note may be extended to June 30, 2011. The note would remain interest only at a rate of 6% per annum payable in monthly installments through December 31, 2010; thereafter, payments of principal and interest (at a rate of 6% per annum) would be made on a monthly basis. Any unpaid principal and interest would be due in full on June 30, 2011. The resulting net gain on disposition of approximately $374 has been deferred against the note receivable.

The results of operations of College Station are reflected as discontinued operations in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2009. The following table summarizes income/(loss) from discontinued operations, net of redeemable noncontrolling interests and noncontrolling interests, for the three months ended March 31, 2009:

	Three months Ended March 31, 2009	
Student housing leasing revenue	$	121
Student housing leasing operating expenses		112
Depreciation and amortization		25
Loss from discontinued operations attributable to Education Realty Trust, Inc.	$	(16)

9. Incentive plan

The Trust adopted the Education Realty Trust, Inc. 2004 Incentive Plan (the "Plan") effective January 31, 2005. The Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-based incentive awards and PIUs to employees, directors and other key persons providing services to the Trust. As of March 31, 2010, the Trust had 767,500 of its common stock reserved for issuance pursuant to the Plan, subject to adjustments for changes in the Trust's capital structure, including share splits, dividends and recapitalizations. The number of shares reserved under the Plan is also subject to an annual adjustment, beginning on January 1, 2006, so that the total number of shares reserved under the Plan is equal to 4% of the aggregate number of shares outstanding on the last day of the preceding fiscal year; provided that such annual increase generally may not exceed 80,000 shares.

On March 11, 2010, the Trust adopted the 2010 Long-Term Incentive Plan (the "LTIP"). The purposes of the LTIP are to attract, retain and motivate the executive officers and certain key employees of the Trust and to promote the long-term growth and profitability of the Trust. Awards under the LTIP will be made pursuant to the Plan described above and will consist of a mixture of time vested restricted stock and performance vested restricted stock units.

A restricted stock award is an award of the Trust's common stock that is subject to restrictions on transferability and other restrictions as the Trust's compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as our compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted shares will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. Restricted stock is generally taxed at the time of vesting. At March 31, 2010 and December 31, 2009, unearned compensation totaled $1,802 and $40, respectively, and will be recorded as expense over the applicable vesting period. The value is determined based on the market value of the Trust's common stock on the grant date. During each of the three months ended March 31, 2010 and 2009, compensation expense of $109 and $151, respectively, was recognized in the accompanying condensed consolidated statements of operations, related to the vesting of restricted stock.

On January 11, 2010, the Trust issued 50,000 shares of restricted common stock to an executive as an inducement to enter into an employment agreement with the Trust. The restricted stock will lapse ratably over five years as long as the executive remains employed with the Trust. The award was granted outside of the Plan described above pursuant to Section 303A.08 of the New York Stock Exchange Listed Company Manual.

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

Total non-cash compensation cost recognized in general and administrative expense in the accompanying condensed consolidated statements of operations for the three months ended March 31, 2010 and 2009, was $182 and $192, respectively. Additionally during each of the three months ended March 31, 2010 and 2009, the Trust issued 4,000 shares of common stock to an executive officer pursuant to the Plan.

A summary of the stock-based incentive plan activity as of and for the three months ended March 31, 2010 is as follows:

	PIUs	Stock Awards (1)	Total
Outstanding at December 31, 2009	275,000	216,000	491,000
Granted	—	54,000	54,000
Forfeited	(62,500)	—	(62,500)
Outstanding at March 31, 2010	212,500	270,000	482,500
Vested at March 31, 2010	212,500	222,500	435,000

(1) Includes restricted stock awards.

10. Subsequent events

Our board of directors declared a distribution of $0.05 per share of common stock for the quarter ended on March 31, 2010. The distribution is payable on May 17, 2010 to stockholders of record at the close of business on April 30, 2010.

On April 13, 2010, the Trust issued 136,000 shares of restricted stock and 204,000 restricted stock units to executives and key employees pursuant to the LTIP discussed in Note 9.

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

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q (“Report”) and the audited consolidated financial statements and notes thereto and MD&A contained in our annual report on Form 10-K for the year ended December 31, 2009. 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, 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 expressio 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 the “Item 1A. — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2009 and “Part II, Item IA.-Risk Factors” below. 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 i consolidated subsidiaries, except where it is made clear that the term means only Education Realty Trust, Inc.

Overview

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

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

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

Our Business Segments

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

Student Housing Leasing

Student housing leasing revenue represented approximately 91.7% of our revenue, excluding operating expense reimbursements, for the three months ended March 31, 2010.

Unlike multi-family housing where apartments are leased by the unit, student-housing communities are typically leased by the bed on an individual lease liability basis. Individual lease liability limits each resident's liability to his or her own rent without liability for a roommate's rent. The number of lease contracts that we administer is therefore equivalent to the number of beds occupied instead of the number of apartment units occupied. A parent or guardian is required to execute each lease as a guarantor unless the resident provides adequate proof of income and/or pays a deposit, which is usually equal to two months rent.

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

The majority of our leases commence mid-August and terminate the last day of July. These dates generally coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each community in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2009 and 2008, approximately 70.0% and 69.3%, respectively, of our leased beds were to students who were first-time residents at our communities. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in November and ends in August of each year. Our communities' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

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

Management Services

For the three months ended March 31, 2010, revenue from our management services segment represented approximately 6.2% of our revenue, excluding operating expense reimbursements. We provide management services for collegiate student housing communities owned by educational institutions, charitable foundations, the Trust and others. Our management services typically cover all aspects of community operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. We provide these services pursuant to multi-year management agreements under which management fees are typically 3-5% of leasing revenue. These agreements usually have an initial term of two to five years with renewal options of like terms. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our management services business.

Development Consulting Services

For the three months ended March 31, 2010, revenue from our development consulting services represented approximately 2.1% of our revenue, excluding operating expense reimbursements. We provide development consulting services primarily to colleges and universities seeking to modernize their on-campus student housing communities but also to the Trust and other third-party investors. Our development consulting services typically include the following:

- market analysis and evaluation of student 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 the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete.

In 2007, we began developing projects for our ownership and plan to increase self-development activity going forward. We opened the first of these self-developed projects in 2008 in Carbondale, Illinois (Reserve at Saluki Point). In August of 2009, we opened a second phase at Carbondale and also completed the development of a wholly-owned self-developed community in Syracuse, New York.

Trends and Outlook

Rents and Occupancy

We manage our communities to maximize revenues, which are primarily driven by two components: rental rates and occupancy rates. We customarily adjust rental rates in order to maximize revenues, which in some cases results in a lower occupancy rate, but in most cases results in stable or increasing 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 student housing being provided by colleges and universities and off-campus student housing being provided by developers. This additional student housing both on and off campus can create competitive pressure on rental rates and occupancy.

For the three months ended March 31, 2010, same-community revenue per available bed decreased to $384 and same-community physical occupancy increased to 90.4% compared to revenue per available bed of $392 and physical occupancy of 89.3% for the three months ended March 31, 2009. The results represent averages for the Trust’s portfolio which are not necessarily indicative of every community in the portfolio. As would be expected, individual communities can and do perform both above and below these averages, and, at times, an individual community may experience a decline in total revenue due to local university and economic conditions. Our management focus is to assess these situations and address them as quickly as possible in an effort to minimize the Trust’s exposure and reverse any negative trend.

The average physical and economic occupancies on a legacy-community basis (which are the same-communities, excluding the Place-communities) for the first quarter of 2010 were 92.5% and 91.9%, respectively, compared to 92.3% and 92.7% for the same quarter in 2009. The Place-communities had average physical and economic occupancies of 84.1% and 80.1%, respectively, for the first quarter of 2010 compared to 79.7% and 76.7% in the first quarter of 2009. The occupancies achieved for the 2009-2010 lease term were at rental rates approximately 1.9% below the prior lease term due to more rental discounting and a higher level of concessions than in the past.

Leasing for the 2010-2011 lease term on a same-community basis reflects approximately 52.2% of beds already leased compared to 51.0% at this time last year. The legacy-communities and the Place-communities have approximately 52.3% and 49.6% of the beds leased compared to 54.6% and 43.7%, respectively, at this time last year.

General and Administrative Costs

For the three months ended March 31, 2010, general and administrative expenses increased to $4,300 or 7.7% from the first quarter of 2009. This increase is primarily attributable to $293 of nonrecurring severance costs recorded in the first quarter.

Development Consulting Services

Third-party development consulting services revenue experienced considerable growth from 2007 to 2009. However, third-party development revenue declined 52.4% to $0.7 million in the first quarter of 2010 as credit market conditions in 2009 delayed the financing and commencement of construction on previously awarded projects. Our development team is seeing an increase in interest from colleges and universities that are considering new housing and continues to receive requests for proposals on new development projects. This is evidenced by a third-party development award in March 2010 for a 634 bed on-campus community at Mansfield University of Pennsylvania that increased our third-party development fee backlog to $9,402 at March 31, 2010. However, due to the delays experienced though March 31, 2010 and until the credit markets return to more historical norms, we expect a lower level of third-party development revenue throughout 2010.

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

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions in certain circumstances that affect amounts reported in our financial statements and related notes. In preparing these financial statements, management has utilized all available information, including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The ultimate outcome anticipated by management in formulating its estimates may not be realized. Application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those companies.

Student Housing Leasing Revenue Recognition

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

Students are required to execute lease contracts with payment schedules that vary from per semester to monthly. Generally, a parental guarantee must accompany each executed contract. Receivables are recorded when due, while leasing revenue and related lease incentives/concessions and nonrefundable application and service fees are recognized on a straight-line basis over the term of the contracts. Balances are considered past due when payment is not received on the contractual due date. Allowances for doubtful accounts are established by management when it is determined that collection is doubtful.

Revenue and Cost Recognition of Development Consulting Services

Costs associated with the pursuit of third-party development consulting contracts are expensed as incurred until such time as we have been notified of a contract award or reimbursement has been otherwise guaranteed by the customer. At such time, the reimbursable portion of such costs is recorded as a receivable. Development consulting revenues are recognized using the percentage of completion method as determined by construction costs incurred relative to the total estimated construction costs. Occasionally, our development consulting contracts include a provision whereby we can participate in project savings resulting from our successful cost management efforts. We recognize these revenues once all contractual terms have been satisfied and we have no future performance requirements. This typically occurs after construction is complete. Costs associated with development consulting services are expensed as incurred. We generally receive a significant percentage of our fees for development consulting services upon closing of the project financing, a portion of the fee over the construction period and the balance upon substantial completion of construction. Because revenue from these services is recognized for financial reporting purposes utilizing the percentage of completion method, differences occur between amounts received and revenues recognized. Differences also occur between amounts recognized for tax purposes and those recognized for financial reporting purposes. Because REITs are required to distribute 90% of their taxable income, our distribution requirement with respect to our income from third-party services may exceed that reflected as net income for financial reporting purposes from such activities.

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

Student Housing Property Acquisitions and Dispositions

Land, land improvements, buildings and improvements and furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 30 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures, and equipment are depreciated over 3 to 7 years. Depreciation is computed using the straight-line method for financial reporting purposes.

Acquired student housing communities' results of operations are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. On January 1, 2009, the Trust adopted the authoritative guidance issued by the FASB, which prospectively changed the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interests in the acquiree and the goodwill acquired. The guidance also enhanced the disclosures to enable the evaluation of the nature and financial effects of the business combination and requires that pre-acquisition costs be expensed as incurred. Pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a community, were accounted for as part of the purchase price prior to the adoption of the guidance issued by the FASB.

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

Repairs and Maintenance

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

Long Lived Assets — Impairment

Management is required to assess whether there are any indicators that our real estate assets may be impaired. A community's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the community, based on its intended use, is less than the carrying value of the community. These estimates of cash flows are based on factors such as future intended use of the asset, expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the community over the fair value of the community, thereby reducing our net income.

Use of Estimates

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

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

Recently Adopted Accounting Pronouncements

On January 1, 2009, the Trust adopted the authoritative guidance issued by the FASB on business combinations. The guidance establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The guidance also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination and requires that pre-acquisition costs be expensed as incurred. The adoption did not have a material impact on the consolidated financial statements.

On January 1, 2009, the Trust adopted the authoritative guidance issued by the FASB that changes the accounting and reporting for noncontrolling interests. The guidance establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The guidance also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. As a result of the adoption, the Trust has reported nonredeemable noncontrolling interests as a component of equity in the consolidated balance sheets and the net income or loss attributable to noncontrolling interests has been separately identified in the consolidated statements of operations. The prior periods presented have also been reclassified to conform to the current classification.

In May 2009, the FASB issued new authoritative guidance on subsequent events. The new guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and is applied prospectively. The Trust adopted this authoritative guidance during the three months ended September 30, 2009. In February 2010, the FASB amended the authoritative guidance on subsequent events to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The new guidance is effective upon issuance and had no impact on the Trust's consolidated financial statements.

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

In June 2009, the FASB issued authoritative guidance to improve financial reporting by enterprises involved with variable interest entities. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2009, with early adoption prohibited. The adoption did not have a material impact on the consolidated financial statements.

In January 2010, the FASB updated the authoritative guidance for accounting and reporting for decreases in ownership of a subsidiary. The updated guidance clarifies the scope of the guidance related to a decrease in ownership provisions and expands the disclosures related to the deconsolidation of a subsidiary or group of assets. The updated guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. The adoption did not have a material impact on the consolidated financial statements.

Results of Operations for the Three Months Ended March 31, 2010 and 2009

The following table presents the results of operations for Education Realty Trust, Inc. for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010					Three Months Ended March 31, 2009				
	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total
Segment revenues:										
Student housing leasing revenue	$ 29,651	$ —	$ —	$ —	$ 29,651	$ 29,313	$ —	$ —	$ —	$ 29,313
Third-party development consulting services	—	693	—	—	693	—	1,457	—	—	1,457
Third-party management	—	—	866	—	866	—	—	909	—	909

services										
Intersegment revenues	—	—	1,131	(1,131)	—	—	474	1,125	(1,599)	—
Operating expense reimbursements	—	—	—	1,908	1,908	—	—	—	2,190	2,190
Total segment revenues	29,651	693	1,997	777	33,118	29,313	1,931	2,034	591	33,869
Segment operating expenses:										

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	Three Months Ended March 31, 2010					Three Months Ended March 31, 2009				
	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total	Student Housing Leasing	Development Consulting Services	Management Services	Eliminations	Total
Student housing leasing operations	13,438	—	—	—	13,438	13,170	—	—	—	13,170
General and administrative	—	778	2,106	—	2,884	—	732	1,968	(37)	2,663
Intersegment expenses	1,131	—	—	(1,131)	—	1,125	—	—	(1,125)	—
Reimbursable operating expenses	—	—	—	1,908	1,908	—	—	—	2,190	2,190
Total segment operating expenses	14,569	778	2,106	777	18,230	14,295	732	1,968	1,028	18,023
Net operating income (loss)	15,082	(85)	(109)	—	14,888	15,018	1,199	66	(437)	15,846
Nonoperating expenses(1)	12,992	(23)	—	—	12,969	13,429	(11)	—	—	13,418
Income before equity in earnings of unconsolidated entities, income taxes, redeemable noncontrolling interests and discontinued operations	2,090	(62)	(109)	—	1,919	1,589	1,210	66	(437)	2,428
Equity in earnings of unconsolidated entities	79	—	—	—	79	100	—	—	—	100
Income before income taxes, redeemable noncontrolling interests and discontinued operations(2)	$ 2,169	$ (62)	$ (109)	$ —	$ 1,998	$ 1,689	$ 1,210	$ 66	$ (437)	$ 2,528

(1) Nonoperating expenses include interest expense, interest income, gains (losses) on the extinguishment of debt, amortization of deferred financing costs, depreciation, amortization of intangibles and impairment losses on assets. Certain expenses which are classified as operating expenses in accordance with GAAP, are classified as nonoperating expenses for presentation purposes above based on how management evaluates segment operating performance.

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

	2010	2009
Income before income taxes, redeemable noncontrolling interests and discontinued operations for reportable segments	$ 1,998	$ 2,528
Other unallocated corporate expenses	(1,691)	(1,681)
Income before income taxes, redeemable noncontrolling interests and discontinued operations	$ 307	$ 847

Student housing leasing

Student housing operating statistics for wholly-owned communities and same-communities for the three months ended March 31, 2010 and 2009 were as follows: