

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

Education Realty Trust, Inc.
Form 10-Q
July 31, 2017

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 June 30, 2017

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.

Education Realty Operating Partnership, LP

(Exact Name of Registrant as Specified in Its Charter)

Maryland 20-1352180

Delaware 20-1352332

(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification No.)

999 South Shady Grove Road, Suite 600 38120

Memphis, Tennessee

(Address of Principal Executive Offices) (Zip Code)

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

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Education Realty Trust, Inc. Yes x No o

Education Realty Operating Partnership, LP Yes x No o

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

Education Realty Trust, Inc. Yes x No o

Education Realty Operating Partnership, LP Yes x 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):

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

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

If emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Education Realty Trust, Inc. Yes No

Education Realty Operating Partnership, LP Yes No

As of July 28, 2017, Education Realty Trust, Inc. had 73,196,482 shares of common stock outstanding.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2017 of Education Realty Trust, Inc. and Education Realty Operating Partnership, LP. Unless stated otherwise or the context otherwise requires, references to “EdR” mean only Education Realty Trust, Inc. a Maryland corporation, and references to “EROP” mean only Education Realty Operating Partnership, LP, a Delaware limited partnership. References to the "Trust," "we," "us," or "our" mean collectively EdR, EROP and those entities/subsidiaries owned or controlled by EdR and/or EROP. References to the "Operating Partnership" mean collectively EROP and those entities/subsidiaries owned or controlled by EROP. The following chart illustrates our corporate structure:

The general partner of EROP is Education Realty OP GP, Inc. (the “OP GP”), an entity that is wholly-owned by EdR. As of June 30, 2017, OP GP held an ownership interest in EROP of less than 1%. The limited partners of EROP are Education Realty OP Limited Partner Trust, a wholly-owned subsidiary of EdR, and other limited partners consisting of current and former members of management. The OP GP, as the sole general partner of EROP, has the responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of EROP, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Management operates EdR and the Operating Partnership as one business. The management of EdR consists of the same members as the management of the Operating Partnership.

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

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

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

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

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

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

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Education Realty Trust, Inc.
Education Realty Operating Partnership, LP
Form 10-Q
For the Quarter Ended June 30, 2017
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PART I - Financial Information

Item 1. Financial Statements.

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	June 30, 2017	December 31, 2016
Assets:		
Collegiate housing properties, net	\$2,179,060	\$2,108,706
Assets under development	517,011	289,942
Cash and cash equivalents	33,496	34,475
Restricted cash	8,073	7,838
Other assets	65,303	65,224
Total assets	\$2,802,943	\$2,506,185
Liabilities:		
Mortgage and construction loans, net of unamortized deferred financing costs	\$29,751	\$62,520
Unsecured revolving credit facility	345,000	20,000
Unsecured term loan, net of unamortized deferred financing costs	186,385	186,738
Unsecured senior notes, net of unamortized deferred financing costs	248,069	247,938
Accounts payable and accrued expenses	162,819	127,872
Deferred revenue	12,560	20,727
Total liabilities	984,584	665,795
Commitments and contingencies (see Note 7)	—	—
Redeemable noncontrolling interests	51,184	38,949
Equity:		
Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 73,194,924 and 73,075,455 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	732	731
Preferred shares, \$0.01 par value per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	1,767,951	1,802,852
Retained earnings	—	—
Accumulated other comprehensive loss	(2,851) (3,564
Total Education Realty Trust, Inc. stockholders' equity	1,765,832	1,800,019
Noncontrolling interests	1,343	1,422
Total equity	1,767,175	1,801,441
Total liabilities and equity	\$2,802,943	\$2,506,185

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Collegiate housing leasing revenue	\$70,071	\$61,690	\$150,856	\$131,873
Third-party development consulting services	1,156	467	2,971	950
Third-party management services	831	697	1,776	1,591
Operating expense reimbursements	1,984	2,286	4,237	4,105
Total revenues	74,042	65,140	159,840	138,519
Operating expenses:				
Collegiate housing leasing operations	30,338	26,166	59,215	51,055
Development and management services	2,775	2,728	5,676	5,249
General and administrative	3,338	3,079	6,765	6,188
Depreciation and amortization	24,520	19,099	50,359	36,615
Ground lease expense	2,462	2,296	6,022	5,605
Other operating expense	—	—	500	—
Reimbursable operating expenses	1,984	2,286	4,237	4,105
Total operating expenses	65,417	55,654	132,774	108,817
Operating income	8,625	9,486	27,066	29,702
Nonoperating expenses (income) :				
Interest expense, net of capitalized interest	3,062	3,635	6,090	8,298
Amortization of deferred financing costs	358	457	779	937
Interest income	(17) (200) (49) (274
Loss on extinguishment of debt	—	216	22	10,136
Total nonoperating expenses	3,403	4,108	6,842	19,097
Income before equity in earnings (losses) of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	5,222	5,378	20,224	10,605
Equity in earnings (losses) of unconsolidated entities	129	107	384	(137
Income before income taxes and gain on sale of collegiate housing properties	5,351	5,485	20,608	10,468
Income tax expense (benefit)	353	89	(532) 140
Income before gain on sale of collegiate housing properties	4,998	5,396	21,140	10,328
Gain on sale of collegiate housing properties	691	12,083	691	23,956
Net income	5,689	17,479	21,831	34,284
Less: Net loss attributable to the noncontrolling interests	(371) (176) (386) (40
Net income attributable to Education Realty Trust, Inc.	\$6,060	\$17,655	\$22,217	\$34,324

See accompanying notes to the condensed consolidated financial statements.

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Comprehensive income:				
Net income	\$5,689	\$17,479	\$21,831	\$34,284
Other comprehensive loss:				
(Loss) gain on cash flow hedging derivatives	(365)	(1,042)	713	(4,488)
Comprehensive income	5,324	16,437	22,544	29,796
Less: Comprehensive loss attributable to the noncontrolling interests	(371)	(176)	(386)	(40)
Comprehensive income attributable to Education Realty Trust, Inc.	\$5,695	\$16,613	\$22,930	\$29,836
Earnings per share information:				
Net income attributable to Education Realty Trust, Inc. common stockholders per share – basic	\$0.07	\$0.26	\$0.29	\$0.53
Net income attributable to Education Realty Trust, Inc. common stockholders per share – diluted	\$0.07	\$0.26	\$0.28	\$0.52
Distributions per share of common stock	\$0.38	\$0.37	\$0.76	\$0.74
Weighted average common shares outstanding:				
Weighted average common shares outstanding – basic	73,623	68,025	73,566	65,352
Weighted average common shares outstanding – diluted	73,841	68,293	73,795	65,629

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except shares)

(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount					
Balance, December 31, 2015	56,879,003	\$ 569	\$ 1,263,603	\$ (21,998)	\$ (5,475)	\$ 8,171	\$ 1,244,870
Proceeds from issuance of common stock, net of offering costs	14,866,378	149	567,322	—	—	—	567,471
Amortization of restricted stock and long-term incentive plan awards	3,956	—	1,431	—	—	—	1,431
Common stock issued to officers and directors	10,800	—	450	—	—	—	450
Cash dividends	—	—	(35,538)	(12,326)	—	(125)	(47,989)
Contributions from noncontrolling interests	—	—	—	—	—	10,073	10,073
Purchase of noncontrolling interests	—	—	(4,253)	—	—	(4,211)	(8,464)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(2,001)	—	—	—	(2,001)
Comprehensive income (loss)	—	—	—	34,324	(4,488)	(146)	29,690
Balance, June 30, 2016	71,760,137	\$ 718	\$ 1,791,014	\$ —	\$ (9,963)	\$ 13,762	\$ 1,795,531
Balance, December 31, 2016	73,075,455	\$ 731	\$ 1,802,852	\$ —	\$ (3,564)	\$ 1,422	\$ 1,801,441
Proceeds from issuance of common stock, net of offering costs	110,092	1	403	—	—	—	404
Amortization of long-term incentive plan awards	6	—	1,538	—	—	—	1,538
Surrender of shares to cover taxes on vesting of restricted shares	(3,283)	—	(2,564)	—	—	—	(2,564)
Common stock issued to officers and directors	12,654	—	480	—	—	—	480
Cash dividends	—	—	(33,555)	(22,217)	—	—	(55,772)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	4	—	—	—	4
Accretion of redeemable noncontrolling interests	—	—	(1,207)	—	—	—	(1,207)
Comprehensive income (loss)	—	—	—	22,217	713	(79)	22,851

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Balance, June 30, 2017	73,194,924	\$ 732	\$1,767,951	\$—	\$ (2,851) \$ 1,343	\$1,767,175
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See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands)

(Unaudited)

	Six months ended June 30,	
	2017	2016
Operating activities:		
Net income	\$21,831	\$34,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,359	36,615
Deferred tax expense	1,078	—
Excess tax benefit related to the vesting of restricted stock	(1,610)	—
Loss on disposal of assets	—	20
Gain on sale of collegiate housing properties	(691)	(23,956)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	2,349	2,373
Loss on extinguishment of debt	22	10,136
Amortization of deferred financing costs	779	937
Amortization of unamortized debt premiums	—	(49)
Distributions of earnings from unconsolidated entities	287	178
Noncash compensation expense related to stock-based incentive awards	1,893	2,021
Equity in (earnings) losses of unconsolidated entities	(384)	137
Change in operating assets and liabilities	(6,695)	(2,553)
Net cash provided by operating activities (net of acquisitions)	69,218	60,143
Investing activities:		
Property acquisitions	(127,647)	(210,649)
Purchase of corporate assets	(1,028)	(585)
Restricted cash	(235)	1,110
Investment in collegiate housing properties	(7,549)	(13,782)
Proceeds from sale of collegiate housing properties	17,738	94,951
Collections on notes receivable	—	1,667
Earnest money deposits	(750)	(530)
Investment in assets under development	(194,491)	(133,286)
Distributions from unconsolidated entities	128	266
Net cash used in investing activities	(313,834)	(260,838)

See accompanying notes to the condensed consolidated financial statements.

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	Six months ended June 30,	
	2017	2016
Financing activities:		
Payment of mortgage and construction loans	(32,950)	(134,231)
Borrowings under construction loans	146	28,083
Debt issuance costs	(493)	(92)
Debt extinguishment costs	—	(10,290)
Borrowings on line of credit	328,000	—
Repayments of line of credit	(3,000)	—
Proceeds from issuance of common stock	—	567,257
Payment of offering costs	(335)	(574)
Purchase and return of equity to noncontrolling interests	—	(11,374)
Contributions from noncontrolling interests	11,054	7,112
Dividends and distributions paid to common and restricted stockholders	(55,772)	(47,864)
Dividends and distributions paid to noncontrolling interests	(450)	(357)
Repurchases of common stock for payments of restricted stock tax withholding	(2,563)	(315)
Net cash provided by financing activities	243,637	397,355
Net (decrease) increase in cash and cash equivalents	(979)	196,660
Cash and cash equivalents, beginning of period	34,475	33,742
Cash and cash equivalents, end of period	\$33,496	\$230,402
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$5,815	\$8,891
Income taxes paid	\$195	\$142
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder to shares of common stock	\$1,138	\$938
Capital expenditures in accounts payable and accrued expenses related to developments	\$69,390	\$36,544

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except unit data)

(Unaudited)

	June 30, 2017	December 31, 2016
Assets:		
Collegiate housing properties, net	\$2,179,060	\$2,108,706
Assets under development	517,011	289,942
Cash and cash equivalents	33,496	34,475
Restricted cash	8,073	7,838
Other assets	65,303	65,224
Total assets	\$2,802,943	\$2,506,185
Liabilities:		
Mortgage and construction loans, net of unamortized deferred financing costs	\$29,751	\$62,520
Unsecured revolving credit facility	345,000	20,000
Unsecured term loans, net of unamortized deferred financing costs	186,385	186,738
Unsecured senior notes, net of unamortized deferred financing costs	248,069	247,938
Accounts payable and accrued expenses	162,819	127,872
Deferred revenue	12,560	20,727
Total liabilities	984,584	665,795
Commitments and contingencies (see Note 7)	—	—
Redeemable limited partner units	6,007	6,789
Redeemable noncontrolling interests	45,177	32,160
Partners' capital:		
General partner - 6,920 units outstanding as of June 30, 2017 and December 31, 2016	176	178
Limited partners - 73,188,004 and 73,068,535 units issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	1,768,507	1,803,405
Accumulated other comprehensive loss	(2,851)	(3,564)
Total partners' capital	1,765,832	1,800,019
Noncontrolling interests	1,343	1,422
Total capital	1,767,175	1,801,441
Total liabilities and partners' capital	\$2,802,943	\$2,506,185

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except per unit data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Collegiate housing leasing revenue	\$70,071	\$61,690	\$150,856	\$131,873
Third-party development consulting services	1,156	467	2,971	950
Third-party management services	831	697	1,776	1,591
Operating expense reimbursements	1,984	2,286	4,237	4,105
Total revenues	74,042	65,140	159,840	138,519
Operating expenses:				
Collegiate housing leasing operations	30,338	26,166	59,215	51,055
Development and management services	2,775	2,728	5,676	5,249
General and administrative	3,338	3,079	6,765	6,188
Depreciation and amortization	24,520	19,099	50,359	36,615
Ground lease expense	2,462	2,296	6,022	5,605
Other operating expense	—	—	500	—
Reimbursable operating expenses	1,984	2,286	4,237	4,105
Total operating expenses	65,417	55,654	132,774	108,817
Operating income	8,625	9,486	27,066	29,702
Nonoperating (income) expenses:				
Interest expense, net of capitalized interest	3,062	3,635	6,090	8,298
Amortization of deferred financing costs	358	457	779	937
Interest income	(17)	(200)	(49)	(274)
Loss on extinguishment of debt	—	216	22	10,136
Total nonoperating expenses	3,403	4,108	6,842	19,097
Income before equity in earnings (losses) of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	5,222	5,378	20,224	10,605
Equity in earnings (losses) of unconsolidated entities	129	107	384	(137)
Income before income taxes and gain on sale of collegiate housing properties	5,351	5,485	20,608	10,468
Income tax expense (benefit)	353	89	(532)	140
Income before gain on sale of collegiate housing properties	4,998	5,396	21,140	10,328
Gain on sale of collegiate housing properties	691	12,083	691	23,956
Net income	5,689	17,479	21,831	34,284
Less: Net loss attributable to the noncontrolling interests	(381)	(229)	(431)	(151)
Net income attributable to Education Realty Operating Partnership L.P.	\$6,070	\$17,708	\$22,262	\$34,435

See accompanying notes to the condensed consolidated financial statements.

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Comprehensive income (loss):				
Net income	\$5,689	\$17,479	\$21,831	\$34,284
Other comprehensive income:				
(Loss) gain on cash flow hedging derivatives	(365)	(1,042)	713	(4,488)
Comprehensive income	5,324	16,437	22,544	29,796
Less: Comprehensive loss attributable to the noncontrolling interests	(381)	(229)	(431)	(151)
Comprehensive income attributable to unitholders	\$5,705	\$16,666	\$22,975	\$29,947
Earnings per unit information:				
Net income attributable to unitholders – basic	\$0.07	\$0.26	\$0.29	\$0.53
Net income attributable to unitholders - diluted	\$0.07	\$0.26	\$0.29	\$0.52
Distributions per unit	\$0.38	\$0.37	\$0.76	\$0.74
Weighted average units outstanding:				
Weighted average units outstanding – basic	73,755	68,224	73,709	65,560
Weighted average units outstanding – diluted	73,841	68,293	73,795	65,629

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except units)

(Unaudited)

	General Partner		Limited Partners		Accumulated	Noncontrolling Interests	Total
	Units	Amount	Units	Amount	Other Comprehensive Loss		
Balance, December 31, 2015	6,920	\$ 184	56,872,083	\$ 1,241,990	\$ (5,475)	\$ 8,171	\$ 1,244,870
Vesting of restricted stock and restricted stock units	—	—	10,800	450	—	—	450
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	14,866,378	567,471	—	—	567,471
Amortization of restricted stock and long-term incentive plan awards	—	—	3,956	1,431	—	—	1,431
Distributions	—	(3)	—	(47,861)	—	(125)	(47,989)
Contributions from noncontrolling interests	—	—	—	—	—	10,073	10,073
Purchase of noncontrolling interests	—	—	—	(4,253)	—	(4,211)	(8,464)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	(2,001)	—	—	(2,001)
Comprehensive income (loss)	—	2	—	34,322	(4,488)	(146)	29,690
Balance, June 30, 2016	6,920	\$ 183	71,753,217	\$ 1,791,549	\$ (9,963)	\$ 13,762	\$ 1,795,531
Balance, December 31, 2016	6,920	\$ 178	73,068,535	\$ 1,803,405	\$ (3,564)	\$ 1,422	\$ 1,801,441
Vesting of restricted stock and restricted stock units	—	—	12,654	480	—	—	480
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	110,092	404	—	—	404
Amortization of long-term incentive plan awards	—	—	6	1,538	—	—	1,538
Surrender of shares to cover taxes on vesting of restricted shares	—	—	(3,283)	(2,564)	—	—	(2,564)
Distributions	—	(3)	—	(55,769)	—	—	(55,772)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	4	—	—	4
Accretion of redeemable noncontrolling interests	—	—	—	(1,207)	—	—	(1,207)
Comprehensive income (loss)	—	1	—	22,216	713	(79)	22,851
Balance, June 30, 2017	6,920	\$ 176	73,188,004	\$ 1,768,507	\$ (2,851)	\$ 1,343	\$ 1,767,175

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands)

(Unaudited)

	Six months ended June 30,	
	2017	2016
Operating activities:		
Net income	\$21,831	\$34,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,359	36,615
Deferred tax expense	1,078	—
Excess tax benefit related to the vesting of restricted stock	(1,610)	—
Loss on disposal of assets	—	20
Gain on sale of collegiate housing properties	(691)	(23,956)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	2,349	2,373
Loss on extinguishment of debt	22	10,136
Amortization of deferred financing costs	779	937
Amortization of unamortized debt premiums	—	(49)
Distributions of earnings from unconsolidated entities	287	178
Noncash compensation expense related to stock-based incentive awards	1,893	2,021
Equity in (earnings) losses of unconsolidated entities	(384)	137
Change in operating assets and liabilities	(6,695)	(2,553)
Net cash provided by operating activities (net of acquisitions)	69,218	60,143
Investing activities:		
Property acquisitions	(127,647)	(210,649)
Purchase of corporate assets	(1,028)	(585)
Restricted cash	(235)	1,110
Investment in collegiate housing properties	(7,549)	(13,782)
Proceeds from sale of collegiate housing properties	17,738	94,951
Collections on notes receivable	—	1,667
Earnest money deposits	(750)	(530)
Investment in assets under development	(194,491)	(133,286)
Distributions from unconsolidated entities	128	266
Net cash used in investing activities	(313,834)	(260,838)
Financing activities:		
Payment of mortgage and construction loans	(32,950)	(134,231)
Borrowings under construction loans	146	28,083
Debt issuance costs	(493)	(92)
Debt extinguishment costs	—	(10,290)
Borrowings on line of credit	328,000	—
Repayments of line of credit	(3,000)	—
Proceeds from issuance of common units in exchange for contributions	—	567,257
Payment of offering costs	(335)	(574)
Purchase and return of equity to noncontrolling interests	—	(11,374)

See accompanying notes to the condensed consolidated financial statements.

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	Six months ended June 30,	
	2017	2016
Contributions from noncontrolling interests	11,054	7,112
Distributions paid on unvested restricted stock and long-term incentive plan awards	(279)	(176)
Distributions paid to unitholders	(55,493)	(47,688)
Distributions paid to noncontrolling interests	(450)	(357)
Repurchases of units for payments of restricted stock tax withholding	(2,563)	(315)
Net cash provided by financing activities	243,637	397,355
Net (decrease) increase in cash and cash equivalents	(979)	196,660
Cash and cash equivalents, beginning of period	34,475	33,742
Cash and cash equivalents, end of period	\$33,496	\$230,402
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$5,815	\$8,891
Income taxes paid	\$195	\$142
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder to shares of common stock	\$1,138	\$938
Capital expenditures in accounts payable and accrued expenses related to developments	\$69,390	\$36,544

See accompanying notes to the condensed consolidated financial statements.

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

1. Organization and description of business

Education Realty Trust, Inc. ("EdR" and collectively with its consolidated subsidiaries, the "Trust") was organized in the state of Maryland on July 12, 2004 and commenced operations effective with the initial public offering that was completed on January 31, 2005. Through the Trust's controlling interest in both the sole general partner and the majority owning limited partner of Education Realty Operating Partnership L.P. ("EROP" and collectively with its consolidated subsidiaries, the "Operating Partnership"), the Trust is one of the largest developers, owners and managers of collegiate housing communities in the United States in terms of beds owned and under management. The Trust is a self-administered and self-managed REIT that is publicly traded on the New York Stock Exchange under the ticker symbol "EDR". Under the Articles of Incorporation, as amended, restated and supplemented, the Trust is authorized to issue up to 200 million shares of common stock and 50 million shares of preferred stock, each having a par value of \$0.01 per share.

The sole general partner of EROP is Education Realty OP GP, Inc. ("OP GP"), an entity that is wholly-owned by EdR. As of June 30, 2017, OP GP held an ownership interest in EROP of less than 1%. The limited partners of EROP are Education Realty OP Limited Partner Trust, a wholly-owned subsidiary of EdR, and other limited partners consisting of current and former members of management. OP GP, as the sole general partner of EROP, has the responsibility and discretion in the management and control of EROP, and the limited partners of EROP, in such capacity, have no authority to transact business for, or participate in the management activities of EROP. Management operates the Trust and the Operating Partnership as one business. The management of the Trust consists of the same members as the management of the Operating Partnership. EdR consolidates the Operating Partnership for financial reporting purposes, and EdR does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Trust and the Operating Partnership are the same on their respective financial statements. Unless otherwise indicated, the accompanying Notes to the Condensed Consolidated Financial Statements apply to both the Trust and the Operating Partnership.

The Trust also provides real estate facility management, development and other advisory services through its taxable REIT subsidiaries ("TRS"), EDR Management Inc. (the "Management Company"), a Delaware corporation that performs collegiate housing management activities. EDR Development LLC (the "Development Company"), a Delaware limited liability company and wholly-owned subsidiary of the Management Company, which provides development consulting services for third-party collegiate housing communities, is a disregarded entity for federal income tax purposes and all assets owned and income earned by our Development Company are deemed to be owned and earned by our Management Company.

2. Summary of significant accounting policies

Basis of presentation

The accompanying condensed consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States ("GAAP"). The accompanying condensed consolidated financial statements of the Trust represent the assets and liabilities and operating results of the Trust and its majority owned subsidiaries.

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

Principles of consolidation

The Trust evaluates its interest in partnerships, joint ventures and other similar entities under the variable interest entity (“VIE”) guidance. Under the VIE model, the Trust consolidates an entity when it has control to direct the activities of the VIE and where it is determined to be the primary beneficiary. If it is determined that the legal entity qualifies for a VIE scope exception or the legal entity is not subject to the VIE model, the voting interest model is applied. Under the voting interest model, the Trust consolidates an entity when it controls the entity through the ownership of a majority voting interest.

All of the Trust's property ownership, development and related business operations are conducted through the Operating Partnership. See the assets and liabilities of the Operating Partnership in the accompanying condensed consolidated financial statements.

Interim financial information

The accompanying unaudited interim condensed consolidated 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, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 28, 2017.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Collegiate housing properties

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

The Trust capitalizes interest based on the weighted average interest cost of the total debt and internal development costs while developments are ongoing as assets under development. When the property opens, these costs, along with other direct costs of the development, are transferred into the applicable asset category and depreciation commences.

Acquired collegiate housing communities' results of operations are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles, such as amounts related to in-place leases. Acquisition costs are expensed as incurred for acquisitions completed prior to the adoption of Accounting Standards Update ("ASU") 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01") and are included in general and administrative expenses in the accompanying condensed consolidated statements of income and comprehensive income. The Trust adopted ASU 2017-01 prospectively on January 1, 2017. Acquisition costs have been capitalized for subsequent acquisitions that are not deemed to be business combinations.

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management uses an estimate of future undiscounted cash flows of the related asset based on its intended use to determine whether the carrying value is recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value. Management estimates fair value using discounted cash flow models, market appraisals if available and other market participant data. During the six months ended June 30, 2017 and 2016, there were no impairment losses recognized.

When a collegiate housing community has met the criteria to be classified as held for sale, the fair value less cost to sell such asset is estimated. If the fair value less cost to sell the asset is less than the carrying amount of the asset, an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a collegiate housing community has met the held for sale criteria. Dispositions that represent a strategic shift in the business will qualify for treatment as discontinued operations. The property disposition during the six months ended June 30, 2017 did not qualify for treatment as discontinued operations and, as a result, the operations of the property are included in continuing operations in the accompanying condensed consolidated statements of income and comprehensive income.

During August 2016, the Trust committed and finalized plans to demolish and redevelop Players Club, an off-campus community that serves Florida State University. Depreciation estimates were revised to reflect the shortened remaining useful life. The Trust recorded \$1.1 million and \$2.9 million of accelerated depreciation during the three and six months ended June 30, 2017, respectively, related to the change in estimate. The impact on net income attributable to EdR common stockholders per share - basic and diluted for the three and six months ended June 30, 2017 was \$0.02 and \$0.04, respectively. The depreciable assets were fully depreciated and subsequently written off when demolition began in the second quarter of 2017.

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

The Trust follows the guidance issued by the Financial Accounting Standards Board ("FASB") regarding the classification and measurement of redeemable securities. The Trust classifies redeemable noncontrolling interests, which include redeemable interests in consolidated joint ventures with puts exercisable by the joint venture partners and units of limited partnership interest in University Towers Operating Partnership, LP and in the Operating Partnership in the mezzanine section of the accompanying condensed consolidated balance sheets.

The Trust accounts for certain noncontrolling interests with embedded put and call features with fixed exercise prices and exercise dates as a financing arrangement, and these amounts are recorded as accrued liabilities in the accompanying condensed consolidated balance sheets. The liability is initially measured at present value of the fixed price settlement amount. Subsequently, the liability is accreted to the fixed price over the term of the contract, with the resulting expense recognized as interest expense.

The Trust also has certain noncontrolling interests with put options at substantially fixed prices. These noncontrolling interests are accounted for as noncontrolling interests redeemable at other than fair value. The Trust accounts for the change in redemption value through the use of an accretion model from the date of inception to the expected redemption date. Changes in redemption value are recorded in equity, either through retained earnings or additional paid-in capital (absent any retained earnings). The impact of the changes in redemption value (accretion) is included in earnings per share using the two-class method.

In the accompanying condensed consolidated balance sheets of the Operating Partnership, the redeemable units of limited partnership in the Operating Partnership are classified as redeemable limited partners, and the redeemable interests in consolidated joint ventures with puts exercisable by the joint venture partners and units of limited partnership interest in University Towers Operating Partnership, LP are classified as redeemable noncontrolling interests. The redeemable noncontrolling interests / redeemable limited partner units are adjusted to the greater of carrying value or fair market value based on the price per share of EdR's common stock or redemption value at the end of each respective reporting period.

Common stock issuances and offering costs

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

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

Income taxes

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

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

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The Trust had no unrecognized tax benefits as of June 30, 2017 and December 31, 2016. The Trust and its subsidiaries file federal and state income tax returns. As of June 30, 2017, open tax years generally included tax years for 2013, 2014, 2015 and 2016. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. For the three and six months ended June 30, 2017 and 2016, the Trust had no interest or penalties recorded related to unrecognized tax benefits.

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 carrying value of the assets might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The accumulated impairment loss recorded is \$0.4 million. No additional impairment has been recorded through June 30, 2017. The carrying value of goodwill was \$3.1 million as of June 30, 2017 and December 31, 2016, of which \$2.1 million was recorded on the management services reportable segment and \$0.9 million was recorded on the development consulting services reportable segment. Goodwill is not subject to amortization.

Other intangible assets generally include in-place leases acquired in connection with acquisitions of collegiate housing properties. As of June 30, 2017 and December 31, 2016, gross in-place leases totaled \$12.2 million and \$7.4 million, respectively, and are being amortized over the life of the remaining lease term, which is generally less than one year. Amortization expense totaled \$3.0 million and \$0.8 million for the three months ended June 30, 2017 and 2016, respectively. Amortization expense totaled \$6.4 million and \$0.9 million for the six months ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and December 31, 2016, accumulated amortization totaled \$10.0 million and \$3.6 million, respectively. The carrying value of other intangible assets was \$2.2 million and \$3.8 million as of June 30, 2017 and December 31, 2016, respectively.

Investment in unconsolidated entities

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

Earnings per share

Earnings per Share - The Trust

Basic earnings per share is calculated by dividing net income available to common stockholders after accretion of redeemable noncontrolling interests by weighted average shares of common stock outstanding, including outstanding units in the Operating Partnership designated as LTIP Units ("LTIP Units"). Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities and the shares issuable upon settlement of the Forward Agreements using the treasury stock method. The Trust follows the authoritative guidance regarding the determination of whether certain instruments are participating securities. All unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are included in the computation of earnings per share under the two-class method. This results in shares of unvested restricted stock and LTIP Units being included in the computation of basic earnings per share for all periods presented. When noncontrolling interests are redeemable at other than fair value, increases or decreases in the carrying amount of the redeemable noncontrolling interests are reflected in earnings per share using the two-class method.

Earnings per OP Unit - EROP

Basic earnings per unit is calculated by dividing net income available to unitholders after accretion of redeemable noncontrolling interests by the weighted average number of OP Units and LTIP Units outstanding. Diluted earnings per unit is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities and the shares issuable upon settlement of the Forward Agreements using the treasury stock method. EROP follows the authoritative guidance regarding the determination of whether certain instruments are participating securities.

Recent accounting pronouncements

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. Therefore, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows, and transfers between cash and cash equivalents and restricted cash are no longer presented within the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Trust anticipates retrospectively adopting this guidance on January 1, 2018. The Trust's initial analysis indicates the adoption of this ASU will result in the change in restricted cash to no longer be presented in the statement of cash flows as an investing cash flow.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues and intends to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows and will be applied retrospectively. This guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The Trust adopted ASU 2016-15 effective January 1, 2017. As a result of this adoption, there was no impact to the condensed consolidated statements of cash flows for either period presented.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years, on a modified prospective basis. The Trust's primary revenue is collegiate housing rental income; as such, the Trust is a lessor on a significant number of leases. The Trust is continuing to evaluate the potential impact of the ASU and believes it will continue to account for its leases in substantially the same manner due to the short-term nature (less than 12 months) of the leases. The most significant change for the Trust relates to ground lease agreements, which could result in recording the right-of-use asset and related liability on the balance sheet. The Trust plans to adopt ASU 2016-02 effective January 1, 2019 and is continuing to evaluate and quantify the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), as amended by ASU 2015-04 to defer the effective date. The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including the guidance on real estate derecognition for most transactions. ASU 2014-09 provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years and permits the use of either the retrospective or cumulative effect transition method. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. Since the issuance of ASU 2014-09, the FASB has issued ASU 2016-08 that is intended to improve the understandability of the implementation guidance regarding principal versus agent considerations and has issued ASU 2016-10 to clarify the identification of performance obligations and the implementation guidance related to licensing. The effective dates of these amendments are the same as ASU 2014-09. The Trust does not expect the adoption of this standard to have a material impact on its consolidated financial statements, as a substantial portion of its revenue consists of rental income from leasing arrangements, which is specifically excluded from this ASU. The Trust's initial analysis of its non-lease related revenue contracts, which comprise less than 15% of consolidated revenues, indicates the adoption of this ASU will not have a material effect on the consolidated financial statements; however, the Trust is still in the process of

evaluating this ASU.

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3. Acquisition and development of real estate investments

Acquisition of collegiate housing properties

2017 Acquisitions

During the six months ended June 30, 2017, the Trust completed the following two collegiate housing property acquisitions, which were determined to be asset acquisitions under ASU 2017-01:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
Retreat at Corvallis	Oregon State University, Oregon	January 2017	1,016	330	\$ 99,450
319 Bragg	Auburn University, Alabama	February 2017	305	86	\$ 28,500

Below is the allocation of the purchase price as of the date of the acquisition (in thousands):

	Retreat at Corvallis	319 Bragg	Total
Collegiate housing property	\$95,785	\$27,475	\$123,260
In-place leases	3,780	1,055	4,835
Other assets	617	2	619
Current liabilities	(936)	(131)	(1,067)
Total net assets acquired	\$99,246	\$28,401	\$127,647

The \$0.3 million difference between the aggregate contracted price of \$128.0 million and the net assets set forth in the table above represents working capital and other liabilities that were not part of the contractual purchase price, but were acquired.

2016 Acquisitions

During the year ended December 31, 2016, the Trust completed the following five collegiate housing property acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
Lokal	Colorado State University, Colorado	March 2016	194	79	\$ 24,600
The Hub at Madison	University of Wisconsin, Wisconsin	May 2016	1,038	341	\$ 188,500
Pura Vida Place	Colorado State University, Colorado	August 2016	100	52	\$ 12,000
Carriage House	Colorado State University, Colorado	August 2016	94	54	\$ 12,000
Urbane	University of Arizona, Arizona	September 2016	311	104	\$ 50,000

These acquisitions were accounted for as business combinations as they occurred prior to the adoption of ASU 2017-01.

Below is the allocation of the purchase price to the fair values of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	Lokal	The Hub at Madison	Pura Vida Place	Carriage House	Urbane	Total
Collegiate housing property	23,653	189,832	11,498	11,528	47,999	\$284,510
In-place leases	849	3,588	502	472	1,984	7,395
Other assets	3	87	5	4	18	117
Current liabilities	(148)	(7,442)	(144)	(67)	(584)	(8,385)
Total net assets acquired	\$24,357	\$186,065	\$11,861	\$11,937	\$49,417	\$283,637

The \$3.5 million difference between the contracted price of \$287.1 million and the net assets set forth in the table above includes contingent consideration related to the acquisition of The Hub at Madison, which was initially estimated at \$5.3 million and represents additional purchase price related to future operating performance of the applicable property and future tax assessments. Of this amount, \$3.1 million was paid out during 2016. As of June 30, 2017 and December 31, 2016, \$2.3 million was estimated and recorded as a contingent consideration liability, based upon probability of achieving certain operating performance metrics. The estimated range of possible outcomes is between \$0.0 million and \$4.5 million. The remaining difference between the contracted price and the net assets set forth above represents working capital and other liabilities that were not part of the contractual purchase price, but were acquired.

In connection with the acquisition of Urbane, the Trust formed a limited liability company to acquire an interest in the legal entity owning the collegiate housing property. In addition to the \$10.0 million capital contribution, the Trust advanced \$23.6 million to the seller. Under the terms of the agreement, the Trust has a call exercisable on September 8, 2017 to acquire the remaining ownership interest from the seller and the seller similarly has a put to sell their interests to the Trust. The exercise price is substantially fixed and the exercise dates are within one month of each other. The Trust evaluated the LLC as a VIE and determined it was the primary beneficiary because it directs the activities that most significantly impact the economic performance of the entity. Therefore, the Trust has consolidated the VIE since the date of acquisition. The put and call arrangement was evaluated, and it was determined the noncontrolling interests represent a liability because of the substantially fixed exercise prices and stated exercise dates; therefore, the economic substance is a financing arrangement. The Trust has recorded the liability at the present value of the fixed price settlement amount (\$14.9 million reflected in accounts payable and accrued expenses) and will accrete the liability to the fixed price over the contractual term. The amount recorded at June 30, 2017 and December 31, 2016 approximates the redemption or settlement amount due to the short term of the contractual period. No earnings have been attributed to noncontrolling interests in the accompanying condensed consolidated statements of net income and comprehensive income.

The Trust is also obligated to pay the seller contingent consideration of up to \$1.5 million if certain performance conditions are met for the 2017/2018 lease year. Conversely, if the operating performance of the property does not achieve certain performance metrics, the seller is required to reimburse the Trust for up to \$1.5 million of the purchase price. Based on the assessment of the probability of achieving the performance metrics as of the acquisition date, no contingent consideration was initially recorded at the acquisition date. As of June 30, 2017 and December 31, 2016, \$1.5 million and \$1.0 million, respectively, were estimated and recorded as a contingent consideration liability, based upon probability of achieving certain operating performance metrics.

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The unaudited pro forma information for the 2016 acquisitions presented below for the six months ended June 30, 2016 and 2015 assumes an acquisition date of January 1, 2015 and is not necessarily indicative of results that would have occurred or which may occur (in thousands, except per share and per unit amounts):

	Six months ended June 30,	
	2016 ⁽¹⁾	2015 ₍₁₎₍₂₎
Total revenue attributable to the Trust and EROP	\$140,476	\$121,961
Net income attributable to the Trust	\$32,634	\$9,992
Net income per share attributable to common shareholders - basic and diluted	\$0.50	\$0.21
Net income attributable to EROP	\$32,740	\$10,041
Net income per unit attributable to unitholders - basic and diluted	\$0.50	\$0.21

⁽¹⁾ As Urbane first opened for the 2016/2017 lease year (August 2016), supplemental pro forma revenue and net income information is not included for the six months ended June 30, 2016 and 2015.

⁽²⁾ As the Lokal, the Hub at Madison and Carriage House first opened for the 2015/2016 lease year (August 2015), supplemental pro forma revenue and net income information is not included for the six months ended June 30, 2015.

For the six months ended June 30, 2016, actual revenue and net loss from the 2016 property acquisitions included in the accompanying condensed consolidated statements of income and comprehensive income since the respective dates of acquisition is \$1.6 million and \$0.8 million, respectively.

Development of collegiate housing properties

During 2016, the Trust completed the development of the following communities, all of which opened for the 2016/2017 lease year. The costs incurred to date for the Trust's owned communities represent the balance capitalized in collegiate housing properties, net as of December 31, 2016 (dollars in thousands):

Name	Primary University Served	Bed Count	Costs Incurred as of December 31, 2016	Internal Development Costs Capitalized		Internal Development Costs Capitalized	
				Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2016
Holmes Hall and Boyd Hall	University of Kentucky	1,141	\$85,691	\$162	\$1,421	\$79	\$788
Retreat at Blacksburg - Phase I & II	Virginia Tech	829	64,549	74	554	42	346
Retreat at Oxford - Phase II	University of Mississippi	350	26,745	40	448	19	253
Total		2,320	\$176,985	\$276	\$2,423	\$140	\$1,387

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The following represents a summary of active developments as of June 30, 2017, including internal development costs and interest

costs capitalized (dollars in thousands):

Name	Costs Incurred as of June 30, 2017	Internal Development Costs Capitalized		Interest Costs Capitalized		Internal Development Costs Capitalized		Interest Costs Capitalized	
		Six months ended June 30, 2017	2016	2017	2016	Three months ended June 30, 2017	2016	2017	2016
University Flats	\$73,536	\$133	\$103	\$1,266	\$331	\$75	\$52	\$628	\$214
Lewis Hall	29,856	129	104	401	28	71	33	227	26
Boise State University	37,493	133	128	483	34	77	35	266	25
SkyVue	83,124	79	125	1,324	377	40	40	669	245
The Local: Downtown	28,694	74	111	359	149	43	37	198	65
Avid Square	37,869	85	54	434	64	48	45	229	64
The Woods	37,436	162	25	367	1	84	25	221	1
Maplewood	8,980	163	10	80	1	39	10	48	1
University of Pittsburgh	36,262	55	—	377	—	29	—	199	—
Players Club Redevelopment	3,285	67	32	24	3	54	12	13	3
Hale Mahana	34,676	77	—	466	—	38	—	204	—
Hub at Minneapolis	27,003	43	—	104	—	25	—	83	—
Union at Tempe	51,465	103	—	583	—	44	—	323	—
Union on Lincoln Way	14,985	58	—	68	—	20	—	59	—
Union on Plum	8,382	67	—	43	—	45	—	22	—
Undeveloped land	3,965	—	—	—	—	—	—	—	—
Total active projects under development	\$517,011	\$1,428	\$692	\$6,379	\$988	\$732	\$289	\$3,389	\$644

As of June 30, 2017, the Trust is contractually obligated to fund remaining amounts under guaranteed maximum price contracts with the general contractor of approximately \$450.6 million to complete these developments.

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

4. Disposition of real estate investments

During the three months ended June 30, 2017, the Trust sold The Reserve on Stinson collegiate housing community located in Norman, Oklahoma for a gross sales price of approximately \$18.2 million. The Trust received net proceeds of approximately \$17.7 million after deducting closing costs and recognized a \$0.7 million gain on this disposition.

During the six months ended June 30, 2016, the Trust sold the communities set forth in the table below for approximately \$96.6 million. The Trust received combined net proceeds of approximately \$95.0 million after deducting closing costs and recognized a \$24.0 million gain on these dispositions.

The net income attributable to these properties is included in continuing operations in the accompanying condensed consolidated statements of income and comprehensive income through the date of disposition.

Name	Primary University Served	Disposition Date	# of Beds
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				# of Units	Gross Sales Price
605 West	Duke University	March 2016	384	340	\$ 54,550
The Reserve at Athens	University of Georgia	June 2016	612	200	25,000
The Commons at Tallahassee	Florida State University	June 2016	732	252	17,000

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5. Investments in unconsolidated entities

As of June 30, 2017 and December 31, 2016, the Trust had investments in the following unconsolidated joint ventures (see Note 2), all of which are accounted for under the equity method:

- a 50% interest in 1313 5th Street MN Holdings, LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as The Marshall at the University of Minnesota;
- a 50% interest in West Clayton Athens GA Owner, LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as Georgia Heights at the University of Georgia;
- a 25% interest in University Village-Greensboro LLC, a Delaware limited liability company, which owns the collegiate housing property referred to as University Village - Greensboro; and
- a 14% interest in Elauwit Networks, a South Carolina limited liability company.

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

The following is a summary of the results of operations related to the unconsolidated joint ventures for the six months ended June 30, 2017 and 2016 (unaudited, in thousands):

Results of Operations of Unconsolidated Entities:	2017	2016
For the six months ended June 30,		
Revenues	\$12,130	\$17,023
Net income ⁽¹⁾	\$837	\$151
Equity in earnings (losses) of unconsolidated entities	\$384	\$(137)

⁽¹⁾ Net income for the periods presented above equals income from continuing operations.

As of June 30, 2017 and December 31, 2016, the Trust had \$26.9 million and \$27.0 million, respectively, of investments in unconsolidated entities classified in other assets in the accompanying condensed consolidated balance sheets. As of June 30, 2017 and December 31, 2016, liabilities are recorded totaling \$2.0 million and \$1.9 million, respectively, related to investments in unconsolidated entities where distributions exceeded contributions and equity in earnings and the Trust has historically provided financial support; therefore, these investments are classified in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets (see Note 2).

6. Debt

Revolving credit facility

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

EdR serves as the guarantor for any funds borrowed by the Operating Partnership under the Fifth Amended Revolver. The interest rate per annum applicable to the Fifth Amended Revolver is, at the Operating Partnership's option, equal to a base rate or the London InterBank Offered Rate ("LIBOR") plus an applicable margin based upon our leverage. As of June 30, 2017, the interest rate applicable to the Fifth Amended Revolver was 2.48%. If amounts are drawn, due to the fact that the Fifth Amended Revolver bears interest at variable rates, cost approximates the fair value. In addition, the Operating Partnership also incurs an unused fee equal to either 0.15% or 0.25% of the unused balance, based on outstanding commitments. As of June 30, 2017, the outstanding balance under the Fifth Amended Revolver was \$345.0 million; thus, the Trust's remaining availability was \$155.0 million at June 30, 2017.

The Fifth Amended Revolver contains customary affirmative and negative covenants and contains financial covenants that, among other things, require the maintenance of certain minimum ratios of EBITDA (earnings before payment or charges of interest, taxes, depreciation, amortization or extraordinary items) as compared to interest expense and total fixed charges. The financial covenants also include consolidated net worth and leverage ratio tests, and distributions are prohibited in excess of 95% of funds from operations ("FFO") except to comply with the legal requirements to maintain REIT status. As of June 30, 2017, the Operating Partnership was in compliance with all covenants under the Fifth Amended Revolver.

Unsecured term loan facility

On January 18, 2017, the Operating Partnership and certain subsidiaries entered into the Second Amended and Restated Credit Agreement. Under the Second Amended and Restated Credit Agreement, the unsecured term loans have an aggregate principal amount of \$187.5 million, consisting of a \$122.5 million Tranche A term loan (the "Tranche A Term Loan") and a \$65.0 million Tranche B term loan (the "Tranche B Term Loan" and, together with the Tranche A Term Loan, the "Term Loans"). The Tranche A Term Loan matures on January 13, 2021 and the Tranche B Term Loan matures on January 18, 2022. The Second Amended and Restated Credit Agreement contains an accordion feature pursuant to which the Borrowers may request that the total aggregate amount of the Term Loans be increased to \$250.0 million, which may be allocated to Tranche A or Tranche B, subject to certain conditions, including obtaining commitments from any one or more lenders to provide such additional commitments.

The interest rate per annum on the Tranche A Term Loan is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin ranging from 120 to 190 basis points. The interest rate per annum on the Tranche B Term Loan is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin ranging from 120 to 190 basis points. The applicable margin for the Term Loans is based on leverage. At June 30, 2017 and December 31, 2016, the aggregate outstanding balance under the Term Loans was \$186.4 million and \$186.7 million, respectively, which is presented net of unamortized deferred financing costs of \$1.1 million and \$0.8 million, respectively, in the accompanying condensed consolidated balance sheets.

The Second Amended and Restated Credit Agreement contains customary affirmative and restrictive covenants substantially similar to those contained in the Fifth Amended Revolver. EdR serves as the guarantor for any funds borrowed under the First Amended and Restated Credit Agreement. As of June 30, 2017, the Operating Partnership was in compliance with all covenants of the Second Amended and Restated Credit Agreement.

In connection with entering into the First Amended and Restated Credit Agreement on November 19, 2014, which was superseded by the Second Amended and Restated Credit Agreement, the Operating Partnership entered into multiple interest rate swaps with notional amounts totaling \$187.5 million to hedge the interest payments on the LIBOR-based Term Loans (see Note 11) through the Term Loans' initial maturity date.

The Operating Partnership also entered into forward starting interest rate swaps (see Note 11) concurrently with executing the Second Amended and Restated Credit Agreement, which extended the term of the Tranche B Term Loan by three years to January 18, 2022.

As of June 30, 2017, the effective interest rate on the Tranche A Term Loan was 3.50% (weighted average swap rate of 2.30% plus the current margin of 1.20%) and the effective interest rate on the Tranche B Term Loan was 2.86% (weighted average swap rate of 1.66% plus the current margin of 1.20%).

Unsecured senior notes

On November 24, 2014, the Operating Partnership completed the public offering of \$250.0 million aggregate principal amount of unsecured senior notes (the "Unsecured Senior Notes") under an existing shelf registration statement. The 10-year Unsecured Senior Notes were issued at 99.991% of par value with a coupon of 4.6% per annum and are fully and unconditionally guaranteed by EdR. Interest on the Unsecured Senior Notes is payable semi-annually on June 1 and December 1 of each year. The Unsecured Senior Notes will mature on December 1, 2024. At June 30, 2017 and December 31, 2016, the outstanding balance under the Unsecured Senior Notes was \$248.1 million and \$247.9 million, respectively, which is presented net of unamortized deferred financing costs of \$1.9 million and \$2.1 million, respectively, in the accompanying condensed consolidated balance sheets. The terms of Unsecured Senior Notes contain certain covenants that restrict the ability of EdR and the Operating Partnership to incur additional secured and

unsecured indebtedness. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of June 30, 2017, the Operating Partnership was in compliance with all covenants.

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Mortgage and construction debt

As of June 30, 2017 and December 31, 2016, mortgage and construction notes payable consist of the following, which were secured by the underlying collegiate housing properties (dollars in thousands):

Property	Outstanding Balance at		Interest Rate at	Interest Rate Type	Maturity Date
	June 30, 2017	December 31, 2016	June 30, 2017		
University Towers Mortgage Debt	—	32,950	n/a		
	—	32,950	n/a		
The Oaks on the Square - Phase IV Construction Loans	29,772	29,626	2.80 %	Variable	10/20/2017
	29,772	29,626	2.80 %		
Total mortgage and construction debt / weighted average rate	29,772	62,576	2.80 %		
Unamortized deferred financing costs	(21)	(56)			
Total net of unamortized deferred financing costs	29,751	62,520			
Less current portion, net of unamortized deferred financing costs	(29)	(62,520)			
Total mortgage and construction debt, net of current portion	\$ —	\$ —			

Mortgage debt and construction loans

During the six months ended June 30, 2017, the Operating Partnership repaid in full the variable-rate mortgage debt secured by the University Towers collegiate housing property, which had an unpaid principal balance of \$33.0 million. The interest rate was 2.9% per annum and the mortgaged debt was scheduled to mature on July 1, 2017.

The construction loan secured by the Oaks of the Square - Phase IV contains customary financial covenants, such as minimum debt service ratios. As of June 30, 2017, the Operating Partnership was in compliance with all covenants.

The following table reconciles the carrying amount of mortgage and construction notes payable, net of unamortized deferred financing costs, for the six months ended June 30, 2017 and the year ended December 31, 2016 (in thousands):

	June 30, 2017	December 31, 2016
Balance, beginning of period	\$62,520	\$204,511
Additions to principal	146	40,974
Repayments of principal	(32,950)	(183,862)
Amortization of debt premium	—	(49)
Write-off of debt premium related to debt pay off	—	(523)
(Increase) decrease in deferred financing costs, net	35	1,469
Balance, end of period	\$29,751	\$62,520

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The scheduled maturities of outstanding indebtedness as of June 30, 2017 are as follows (in thousands):

Year	
2017 (six months ending December 31, 2017)	\$29,772
2018	345,000
2019	—
2020	—
2021	122,500
2022	65,000
Thereafter	250,000
Total	812,272
Unamortized deferred financing costs	(3,067)
Outstanding as of June 30, 2017, net of unamortized deferred financing costs	\$809,205

7. Commitments and contingencies

For its third-party development projects, the Trust commonly provides alternate housing and project cost guarantees, subject to certain conditions. Alternate housing guarantees generally require the university to provide on-campus housing or the Trust to provide substitute living quarters and transportation for students to and from the university if the project is not complete by an agreed-upon date. Under project cost guarantees, the Trust is responsible for the construction costs of a project in excess of an approved budget. The budget consists primarily of costs included in the general contractors' guaranteed maximum price contract ("GMP"). In most cases, the GMP obligates the general contractor, subject to force majeure and approved change orders, to provide completion date guarantees and to cover cost overruns and liquidated damages. In addition, the GMP is typically secured with payment and performance bonds.

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

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

	June 30, 2017				December 31, 2016				
	Joint Venture		Operating		Joint Venture		Operating		
	Balance	Interest	Balance	Interest	Balance	Interest	Balance	Interest	
	Ownership	Loan	Partial	Loan	Partial	Loan	Partial	Loan	Partial
	Percent	Balance	Repayment	Balance	Repayment	Balance	Repayment	Balance	Repayment
			Guarantee		Guarantee		Guarantee		Guarantee
University Village - Greensboro	25 %	\$22,741	n/a	\$5,685	n/a	\$22,934	n/a	\$5,734	n/a
The Marshall	50 %	55,397	8,767	27,699	4,384	55,838	8,767	27,919	4,384

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Georgia Heights	50	%	34,868	7,230	17,434	3,615	34,914	7,230	17,457	3,615
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During October 2014, the Operating Partnership and LeylandAlliance LLC entered into a \$38.0 million construction loan for the fourth phase of the The Oaks on the Square project. The Operating Partnership and LeylandAlliance LLC jointly committed to provide a guarantee of repayment for the construction loan. As of June 30, 2017, \$37.2 million had been drawn on the construction loan, of which \$7.4 million was attributable to LeylandAlliance LLC, and has not been included in our condensed consolidated financial statements.

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

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

8. Noncontrolling interests

Operating Partnership

Joint Ventures: As of June 30, 2017, EROP had entered into nine joint venture agreements to develop, own and manage certain collegiate housing communities. All of these joint ventures are VIEs that meet the criteria for consolidation (see Note 2).

EROP's joint venture partners' investments in all but one of the communities under development meet the requirements to be classified outside of permanent equity, and are therefore classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets and net income (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of income and comprehensive income due to the partners' ability to put their ownership interests to EROP for cash based on fair value or at substantially fixed exercise prices as stipulated in the operating agreements. These contributions occurred during 2016 and 2017, and the developments are still under construction.

In connection with the acquisitions of The Hub at Madison and Urbane (see Note 3), the Trust, through joint ventures, acquired a controlling interest in the legal entities owning the collegiate housing properties. At June 30, 2017, the partners' interests in The Hub at Madison joint venture and Urbane joint venture were 1.6% and 3.0%, respectively. The partners' ownership interests in both joint ventures were accounted for as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets due to the partners' ability to put their respective ownership interests to the Operating Partnership for cash based on fair value. The share in net income (loss) attributable to noncontrolling interests is recorded in the accompanying condensed consolidated statements of income and comprehensive income. At June 30, 2017 and December 31, 2016, the Urbane joint venture partner also has an additional interest in the legal entity; however, it was determined the noncontrolling interest represented a financing arrangement that has been recorded as an accrued liability.

The value of the joint venture partners' investments in the development projects and acquired properties redeemable at fair value are reported at the greater of fair value or historical cost at the end of each reporting period. At June 30, 2017 and December 31, 2016, the joint venture partners' investment in development projects was recorded at historical cost, as the carrying value approximates fair value. At June 30, 2017 and December 31, 2016, the joint venture partners' interest in the acquired properties was recorded at fair value.

The joint venture partners' investments in development projects redeemable at substantially fixed prices are considered redeemable at other than fair value. The change in redemption value during the six months ended June 30, 2017 is reflected in additional paid-in capital and is also included in calculating earnings per share using the two-class method.

EROP also owns a 72.7% interest in University Towers Operating Partnership, LP. This entity is considered a VIE that meets the criteria for consolidation (see Note 2). The units of the limited partnership interest of University Towers Operating Partnership, LP ("University Towers Operating Partnership Units") are also classified as noncontrolling

interests. The University Towers Operating Partnership Units are redeemable at the option of the holder, and they participate in net income and distributions. Accordingly, EROP has determined that the University Towers Operating Partnership Units meet the requirements to be classified outside of permanent equity, and are therefore also classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets. Income related to such units is recorded as net income (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of income and comprehensive income. As of June 30, 2017 and December 31, 2016, there were 69,086 University Towers Operating Partnership Units outstanding. The value of redeemable University Towers Operating Partnership Units is reported at the greater of fair value or historical cost at the end of each reporting period. As of June 30, 2017 and December 31, 2016, EROP reported the redeemable noncontrolling interests at fair value, which was greater than historical cost.

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The following table sets forth activity with the redeemable noncontrolling interests for the six months ended June 30, 2017 and 2016 (in thousands):

	Six months ended June 30,	
	2017	2016
Beginning balance	\$32,160	\$5,248
Net loss	(352)	(5)
Contributions from redeemable noncontrolling interests	12,404	—
Adjustments to report redeemable noncontrolling interests at fair value	80	518
Purchase and return of equity to noncontrolling partner's interest	—	(2,910)
Distributions	(322)	(74)
Accretion of redeemable noncontrolling interests	1,207	—
Ending balance	\$45,177	\$2,777

Redeemable Limited Partner Units: The OP Units that may be tendered for redemption by the holders thereof for cash, or at EdR's option, for shares of EdR common stock are classified as redeemable limited partner units in the mezzanine section of the accompanying condensed consolidated balance sheets of the Operating Partnership. The OP Units are reported at the greater of fair value or historical cost at the end of each reporting period. As of June 30, 2017 and December 31, 2016, EROP reported the redeemable limited partner units at fair value (considered Level 1 as determined based on the market price of EdR's common stock), which was greater than historical cost.

During the six months ended June 30, 2017 and 2016, 27,500 and 25,000 OP Units were redeemed for 27,500 and 25,000 shares of EdR's common stock, respectively. As of June 30, 2017 and December 31, 2016, there were 153,651 and 159,698 OP Units outstanding, respectively, other than OP Units held by EdR.

Below is a table summarizing the activity of redeemable limited partner units for the six months ended June 30, 2017 and 2016 (in thousands):

	Six months ended June 30,	
	2017	2016
Beginning balance	\$6,789	\$8,312
Net income	45	111
Distributions	(127)	(161)
Reclassification of vested LTIP Units to redeemable limited partner units	522	244
Redemption of redeemable partner units in exchange for common stock or redemption for cash	(1,138)	(938)
Adjustments to report redeemable limited partner units at fair value	(84)	1,483
Ending balance	\$6,007	\$9,051

The Trust

The Trust accounts for the joint ventures discussed above as VIEs and consolidates such entities in the same manner as EROP. The noncontrolling interests of the Trust include third-party equity interests in one joint venture development which is presented as a component of equity in the Trust's accompanying condensed consolidated balance sheets.

The Trust's redeemable noncontrolling interests include: (1) the redeemable limited partners presented in the accompanying condensed consolidated balance sheets of EROP; (2) the University Towers Operating Partnership Units; (3) our partners' investments in certain joint venture developments; and (4) our partners' investments in certain acquired communities, which are presented as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets of EROP.

9. Equity

Stockholders' Equity - The Trust

During October 2014, the Trust entered into agreements to establish an at-the-market equity offering program (the "2014 ATM Program") pursuant to which the Trust was authorized to sell a maximum of \$150.0 million in shares of EdR common stock. The Trust sold approximately 2.3 million shares under these distribution agreements during the six months ended June 30, 2016 and received net proceeds of approximately \$93.5 million after deducting sales agents' fees and other expenses payable by the Trust.

On January 15, 2016, the Trust completed a follow-on equity offering of approximately 6.3 million shares of EdR common stock. The Trust received approximately \$215.1 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses payable by the Trust. Of the total net proceeds, approximately \$108.5 million was used to pay off \$98.2 million of fixed rate mortgage debt bearing an average effective interest rate of 5.4% and \$10.3 million of prepayment penalties associated with the early extinguishment of debt.

On March 24, 2016, EdR issued approximately 0.5 million shares of its common stock for a total of approximately \$20.0 million pursuant to the direct stock purchase component of the Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

On August 1, 2016 and February 28, 2017, the Trust entered into equity distribution agreements to establish new ATM Programs under which the Trust is authorized to sell a maximum of \$300.0 million and \$500.0 million, respectively, in shares of EdR common stock. We refer to the ATM Program implemented in February 28, 2017 as the "2017 ATM Program." Under these equity distribution agreements, EdR may make sales of common stock through at-the-market transactions or pursuant to forward sales agreements (the "Forward Agreements") with certain counterparties. In connection with any Forward Agreement, the relevant forward purchaser will borrow from third parties and, through the relevant sales agent, sell a number of shares of EdR common stock underlying the particular Forward Agreement. The Trust does not initially receive any proceeds from any sale of borrowed shares. At June 30, 2017, a summary of the outstanding Forward Agreements is set forth in the table below (shares in thousands):

Date of Forward Agreement	Shares Sold	Volume	Weighted	Initial	Final Settlement Date ⁽²⁾
		Average	Average	Forward	
		Sale Price	Price ⁽¹⁾	Price ⁽¹⁾	
		Per Share			
August 2, 2016	273	\$ 47.93	\$ 47.33		December 29, 2017
August 8, 2016	550	46.86	46.28		December 29, 2017
August 15, 2016	185	46.55	45.97		December 29, 2017
August 22, 2016	213	45.59	45.02		December 29, 2017
August 29, 2016	3,323	43.36	42.82		December 29, 2017
October 3, 2016	2,408	41.00	40.51		December 29, 2017
February 28, 2017	361	41.55	41.14		December 31, 2018
	7,313	\$ 43.07	\$ 42.64		

⁽¹⁾ The initial forward price under each Forward Agreement is equal to 99.00% of the volume weighted average price at which the shares of EdR common stock are sold by the applicable forward seller as adjusted to reflect changes in the federal funds rate and to account for dividends paid to holders of EdR common stock. The initial forward prices presented in this table are for illustrative purposes only as the actual amount of proceeds per share to be received by the Trust upon settlement will be determined on the applicable settlement date based on adjustments made to the initial forward price to reflect the then-current federal funds rate and the amount of dividends paid to holders of EdR common stock over the term of the Forward Agreement.

⁽²⁾ Represents the final date on which shares sold under each Forward Agreement may be settled.

As of June 30, 2017, the Trust had approximately \$485.0 million available for issuance under its 2017 ATM Program.

The Trust generally has the ability to determine the dates and method of settlement, subject to certain conditions and the right of the counterparty to accelerate settlement under certain circumstances. The Trust currently expects to fully physically settle each Forward Agreement by issuing shares of EdR common stock on one or more dates specified by the Trust prior to the maturity date of the applicable Forward Agreement, in which case the Trust expects to receive aggregate net cash proceeds at settlement equal to the number of shares of common stock underlying the applicable Forward Agreement multiplied by the relevant forward sale price. However, subject to certain exceptions, the Trust may also elect, in its discretion, to cash settle or

net share settle a particular Forward Agreement, in which case the Trust may not receive any proceeds (in the case of cash settlement) or will not receive any proceeds (in the case of net share settlement), and the Trust may owe cash (in the case of cash settlement) or shares of EdR common stock (in the case of net share settlement) to the relevant counterparty.

The Trust accounts for shares of EdR common stock reserved for issuance upon settlement of each Forward Agreement as equity. Before the issuance of shares of EdR common stock, if any, upon physical or net share settlement of the Forward Agreements, the Trust expects that the shares issuable upon settlement of the Forward Agreements will be reflected in its diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of EdR common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of common stock that would be issued upon full physical settlement of the Forward Agreements over the number of shares of common stock that could be purchased by the Company in the open market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). If and when the Trust physically or net share settles any Forward Agreement, the delivery of shares of EdR's common stock would result in an increase in the number of shares outstanding and dilution to basic earnings per share.

Partners' Capital - Operating Partnership

In connection with the equity offering and ATM Programs discussed above, the Operating Partnership issues OP Units to EdR equivalent to the number of shares of common stock issued by EdR.

10. Incentive plans

On May 10, 2017, EdR's stockholders approved the Education Realty Trust, Inc. 2017 Omnibus Equity Incentive Plan (the "2017 Plan"). The purpose of the 2017 Plan is to promote the interests of the Trust and its stockholders by attracting, motivating and retaining talented executive officers, employees and directors of the Trust and linking their compensation to the long-term interests of the Trust and its stockholders. The 2017 Plan replaced the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the "2011 Plan") in its entirety and authorized the grant of the 346,111 shares that remained available for grant under the 2011 Plan, as well as 1,000,000 additional shares. As of June 30, 2017, the Trust had 1,346,111 shares of its common stock reserved for issuance pursuant to the 2017 Plan. Automatic increases in the number of shares available for issuance are not provided. The 2017 Plan provides for the grant of stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, other stock-based incentive awards to employees, directors and other key persons providing services to the Trust. The 2017 Plan limits the number of shares and LTIP units subject to awards granted during any calendar year to any non-employee director, together with cash fees paid during the calendar year, to a maximum of \$500,000 in total value.

A restricted stock award is an award of EdR's common stock that is subject to restrictions on transferability and other restrictions as EdR's compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as the compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted stock will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. Unearned compensation related to restricted stock is recorded as expense over the applicable vesting period. The value is determined based on the market value of EdR's common stock on the grant date. During the three and six months ended June 30, 2016, compensation expense of \$0.1 million was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of restricted stock. As the applicable service period of all restricted stock ended on December 31, 2016, there was no compensation expense recorded during the three and six months ended June 30, 2017 related to restricted stock.

An RSU award is an award that will vest based upon the Trust's achievement of total stockholder returns at specified levels as compared to the average total stockholder returns of a peer group of companies and/or the National Association of Real Estate Investment Trusts Equity Index over three years (the "Performance Period"). At the end of the applicable Performance Period, EdR's compensation committee will determine the level and the extent to which the performance goal was achieved. RSUs that satisfy the performance goal will be converted into fully-vested shares of EdR's common stock and the Trust will receive a tax deduction for the compensation expense at the time of vesting. Prior to vesting, the participants are not eligible to vote or receive dividends or distributions on the RSUs. Unearned compensation related to RSU awards is recorded as expense over the applicable vesting period. During the three and six months ended June 30, 2016, compensation expense of \$0.1 million and \$0.3 million, respectively, was recognized in the accompanying condensed consolidated statements of income and comprehensive income, related to the vesting of RSUs. As the applicable service period of all RSUs ended on December 31,

2016, there was no compensation expense recorded during the three and six months ended June 30, 2017 related to RSUs. On January 1, 2017, 79,699 fully-vested shares of EdR's common stock were issued upon vesting of RSUs granted in 2014.

The Trust's 2016 Long-Term Incentive Plan ("2016 LTIP"), adopted in 2016, and 2017 Long-Term Incentive Plan ("2017 LTIP"), adopted in 2017, provide that 25% of a participant's award consists of a time-vested grant of LTIP Units in the Operating Partnership subject to the rights, preferences and other privileges as designated in the partnership agreement of the Operating Partnership (the "Partnership Agreement"). Similar to the treatment of restricted stock, the time-vested 2016 and 2017 LTIP Units vest over a three-year period and are valued for award purposes at a value equal to the price of EdR's common stock on the grant date. The time-vested 2016 and 2017 LTIP Units are entitled to voting and distribution rights from the effective date of the grant in accordance with the Partnership Agreement, but are non-transferable and non-convertible until fully vested.

The remaining 75% of a participant's award consists of a grant of performance-based 2016 and 2017 LTIP Units. The vesting of performance-based 2016 and 2017 LTIP Units is dependent upon the Trust's achievement of six performance criteria approved by EdR's compensation committee, over a three-year period, with a minimum, threshold and maximum performance standard for each performance criterion. Three of the performance criteria are based on market conditions and three have performance vesting conditions under ASC 718, "Compensation - Stock Compensation". The fair value of the awards subject to market conditions was determined using a Monte Carlo simulation technique by an independent third party consultant. The fair value of the awards subject to performance conditions was calculated based on the closing market value of EdR's common stock on the grant date. The probability of achieving the performance conditions is assessed quarterly. The performance-based 2016 and 2017 LTIP Units are entitled to voting and distribution rights from the effective date of the grant in accordance with the Partnership Agreement, but are nontransferable and non-convertible until fully vested. After the determination of the achievement of the performance criteria, any performance-based 2016 and 2017 LTIP Units that were awarded but did not become vested LTIP Units will be canceled. Once fully vested, the 2016 and 2017 LTIP Units may be converted to OP Units in the Operating Partnership and thereafter, at the election of the unitholder, may be tendered for redemption for cash or for shares of EdR's common stock on a one-for-one basis at EdR's election in accordance with the terms of the Partnership Agreement.

Compensation expense recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income related to the LTIP Units was \$1.6 million and \$1.3 million for the six months ended June 30, 2017 and 2016, respectively. Compensation expense recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income related to the LTIP Units was \$0.8 million and \$0.9 million for the three months ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and December 31, 2016, unearned compensation related to LTIP Units totaled \$5.9 million and \$4.2 million, respectively, and will be recorded as expense over the applicable vesting period.

Total stock-based compensation expense recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income for the six months ended June 30, 2017 and 2016 was \$1.6 million and \$1.7 million, respectively. Total stock-based compensation expense recognized in general and administrative expense in the accompanying condensed consolidated statements of income and comprehensive income for the three months ended June 30, 2017 and 2016 was \$0.8 million and \$1.1 million, respectively.

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A summary of the stock-based incentive plan activity as of and for the six months ended June 30, 2017 and 2016 is as follows:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value Per Restricted Stock Award	RSU Awards	Weighted-Average Grant Date Fair Value Per RSU	LTIP Units	Weighted-Average Grant Date Fair Value Per LTIP Unit
Outstanding as of December 31, 2015	25,569 (1)	\$ 28.32	146,911	\$ 20.58	155,774	\$ 18.83
Granted	—	—	—	—	131,745	26.20
Vested	(10,199)	31.92	(10,776)	22.95	(7,067)	18.83
Surrendered	(7,508)	31.92	(43,596)	22.95	—	—
Outstanding as of June 30, 2016	7,862 (1)	\$ 26.46	92,539	\$ 19.20	280,452	\$ 22.29
Outstanding as of December 31, 2016	7,799 (1)	\$ 26.46	91,756	\$ 19.20	280,452	\$ 22.29
Granted	—	—	—	—	146,728	25.85
Vested	(4,516)	26.46	(53,131)	19.20	(14,385)	36.30
Surrendered	(3,283)	26.46	(38,625)	19.20	—	—
Outstanding as of June 30, 2017	—	\$ —	—	\$ —	412,795	\$ 22.80

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

11. Derivatives and hedging activities

Cash Flow Hedges of Interest Rate Risk

The objectives in using interest rate derivatives are to add stability to interest expense and to manage the exposure to interest rate movements. To accomplish this objective, interest rate swaps are used as part of the interest rate risk management strategy. During the six months ended June 30, 2017 and 2016, such derivatives were used to hedge the variable cash flows associated with variable-rate debt. As of June 30, 2017, six interest rate swaps were outstanding with a combined notional amount of \$187.5 million that were designated as cash flow hedges of interest rate risk. Also as of June 30, 2017, the Trust had three forward-starting interest rate swap agreements with an aggregate notional amount of \$65.0 million. The Trust entered into these forward-starting interest rate swaps in order to lock in fixed interest rates on the extended term of the Tranche B Term Loan concurrently with executing the Second Amended and Restated Credit Agreement (see Note 6). Accordingly, the forward-starting interest rate swaps were designated as cash flow hedges of interest rate risk. The counter-parties to such swaps are major financial institutions.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives, which is immaterial for all periods presented, is recognized directly in earnings. During the next twelve months, an additional \$1.3 million is estimated to be reclassified to earnings as an increase to interest expense.

As of June 30, 2017 and December 31, 2016, the fair value of the derivatives is as follows (in thousands):

Derivatives designated as hedging instruments	Liability Derivatives Balance Sheet Location	June 30, December	
		2017 Fair Value	31, 2016 Fair Value
Interest rate contracts	Accounts payable and accrued expenses	\$ 2,851	\$ 3,564

Total derivatives designated as hedging instruments

\$ 2,851 \$ 3,564

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The following table discloses the effect of the derivative instruments on the condensed consolidated statements of income and comprehensive income for the six months ended June 30, 2017 and 2016 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
2017 Interest rate contracts	\$ (229)	Interest expense	\$ (1,114)
2017 Forward-starting interest rate contracts	\$ (172)	Interest expense	\$ —
2016 Interest rate contracts	\$ (6,044)	Interest expense	\$ (1,556)

The following table discloses the effect of the derivative instruments on the condensed consolidated statements of income and comprehensive income for the three months ended June 30, 2017 and 2016 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
2017 Interest rate contracts	\$ (533)	Interest expense	\$ (505)
2017 Forward-starting interest rate contracts	\$ (337)	Interest expense	\$ —
2016 Interest rate contracts	\$ (1,815)	Interest expense	\$ (773)

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

Credit-risk-related Contingent Features

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

As of June 30, 2017 and December 31, 2016, the fair value of derivatives related to these agreements, which includes accrued interest, but excludes any adjustment for nonperformance risk, was a liability of \$3.0 million and \$3.8 million, respectively. As of June 30, 2017, the Operating Partnership has not posted any collateral related to these agreements. If the Operating Partnership had breached any of these provisions at June 30, 2017, it could have been

required to settle its obligations under the agreements at their termination value of \$3.0 million.

12. Earnings per share/unit

Earnings per Share - The Trust

The following is a summary of the components used in calculating earnings per share for the three and six months ended June 30, 2017 and 2016 (dollars and shares/units in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Numerator – basic and diluted earnings per share:				
Net income attributable to common shareholders	\$6,060	\$17,655	\$22,217	\$34,324
Accretion of redeemable noncontrolling interests	(724)	—	(1,207)	—
Net income attributable to common shareholders after accretion of redeemable noncontrolling interests	\$5,336	\$17,655	\$21,010	\$34,324

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	Three months ended June 30, 2017		Six months ended June 30, 2016	
Denominator:				
Basic weighted average shares of common stock outstanding	73,623	68,025	73,566	65,352
OP Units ⁽¹⁾	132	199	143	208
University Towers Operating Partnership Units	69	69	69	69
Shares issuable upon settlement of the Forward Agreements	17	—	17	—
Diluted weighted average shares of common stock outstanding	73,841	68,293	73,795	65,629

Earnings per share – basic:				
Net income attributable to common shareholders	\$0.07	\$0.26	\$0.29	\$0.53

Earnings per share – diluted:				
Net income attributable to common shareholders	\$0.07	\$0.26	\$0.28	\$0.52

Distributions declared per common share	\$0.38	\$0.37	\$0.76	\$0.74
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⁽¹⁾ Includes the impact of weighted average number of OP Units outstanding during the period.

Earnings per Unit - EROP

The following is a summary of the components used in calculating earnings per unit for the three and six months ended June 30, 2017 and 2016 (dollars and shares/units in thousands, except per unit data):

	Three months ended June 30, 2017		Six months ended June 30, 2016	
Numerator – basic and diluted earnings per unit:				
Net income attributable to unitholders	\$6,070	\$17,708	\$22,262	\$34,435
Accretion of redeemable noncontrolling interests	(724)	—	(1,207)	—
Net income attributable to common unitholders after accretion of redeemable noncontrolling interests	5,346	17,708	\$21,055	\$34,435
Denominator:				
Weighted average units outstanding	73,189	67,737	73,173	65,085
Redeemable Operating Partnership units ⁽¹⁾	132	199	143	208
LTIP units	434	288	393	267
Weighted average units outstanding – basic	73,755	68,224	73,709	65,560
Redeemable University Towers Operating Partnership Units	69	69	69	69
Units issuable upon settlement of the Forward Agreements	17	—	17	—
Weighted average units outstanding – diluted	73,841	68,293	73,795	65,629
Earnings per unit – basic:				
Net income attributable to unitholders	\$0.07	\$0.26	\$0.29	\$0.53
Earnings per unit – diluted:				
Net income attributable to unitholders	\$0.07	\$0.26	\$0.29	\$0.52
Distributions declared per unit	\$0.38	\$0.37	\$0.76	\$0.74

⁽¹⁾ Includes the impact of weighted average number of OP Units outstanding during the period.

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13. Fair Value of Financial Instruments

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined in ASC 820, Fair Value Measurements and Disclosures ("ASC 820") as follows:

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

Non-financial assets measured at fair value on a nonrecurring basis consist of real estate assets and investments in partially owned entities that have been written-down to estimated fair value when it has been determined that asset values are not recoverable. Fair value is estimated relating to impairment assessments based upon an income capitalization approach (which considers prevailing market capitalization rates and operations of the community) or the negotiated sales price, if applicable. Based upon the inputs used to value properties under the income capitalization approach, valuations under this method are classified within Level 3 of the fair value hierarchy. For the communities for which the estimated fair value was based on negotiated sales prices, the valuation is classified within Level 2 of the fair value hierarchy.

One non-financial asset was impaired during the year ended December 31, 2016 and was recorded on the accompanying condensed consolidated balance sheet as of December 31, 2016. The asset was subsequently sold during the three months ended June 30, 2017.

As discussed in Note 11, interest rate swaps are used to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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

Although the Trust has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Trust has determined that the significance of the impact of the credit valuation adjustments made to its derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all derivatives held as of June 30, 2017 and December 31, 2016 were classified as Level 2 of the fair value hierarchy.

The Trust determined that the contingent consideration recognized in connection with the acquisition of the Hub at Madison (see Note 3) is a recurring fair value adjustment. The initial determination of fair value was based on a Monte Carlo simulation analysis of the potential payout. As the performance period extends over two years, it is expected that the fair value will be adjusted at each reporting date. The estimated range of final payout is currently estimated to be \$0.0 million to \$4.5 million. The Trust did not record an adjustment during the six months ended June 30, 2017. The Trust has determined that the inputs used to value the contingent consideration fall within Level 3 of the fair value hierarchy, as such represent unobservable inputs.

In connection with the acquisition of Urbane (see Note 3), the Trust is obligated to pay the seller contingent consideration of up to \$1.5 million if certain performance conditions are met for the 2017/2018 lease year. Conversely, if the operating performance of the property does not achieve certain performance metrics, the seller is required to reimburse the Trust for up to \$1.5 million of the purchase price. Subsequent to the initial valuation and based on the current assessment of the probability of achieving the performance metrics as of June 30, 2017, a \$0.5 million adjustment was recorded during the six months ended June 30, 2017

and is reflected in other expenses in the accompanying condensed consolidated statements of income and comprehensive income. The Trust determined that this measurement is a recurring fair value adjustment and will adjust the amount to fair value at each reporting date. The Trust has determined that the inputs used to value the contingent consideration fall within Level 3 of the fair value hierarchy, as such represent unobservable inputs.

Redeemable noncontrolling interests in the Trust (OP Units and University Towers Operating Partnership Units) have a redemption feature and are marked to their redemption value. The redemption value is based on the fair value of EdR's common stock on the redemption date, adjusted for certain items. As the valuation is based on adjusted quoted prices in active markets for identical assets or liabilities at the measurement date, these instruments are classified in Level 2 of the fair value hierarchy.

The table below presents the assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall and summarizes the carrying amounts and fair values of these financial instruments as of June 30, 2017 and December 31, 2016 (in thousands):

	Carrying value	Estimated Fair Value	
		Level 1 2	Level 3
June 30, 2017:			
Derivative financial instruments (liability position)	\$ 2,851	\$—	\$—
Deferred compensation plan assets	737	737	—
Contingent consideration	3,750	—	3,750
Redeemable noncontrolling interests measured at fair value:			
OP Units, LTIP Units and University Towers Operating Units	8,472	—	8,472
Joint venture partners' interests in development joint ventures and acquisitions	42,712	—	36,839
December 31, 2016:			
Derivative financial instruments (liability position)	\$ 3,564	\$—	\$—
Deferred compensation plan assets	503	503	—
Contingent consideration liability	3,250	—	3,250
Redeemable noncontrolling interests measured at fair value:			
OP Units, LTIP Units and University Towers Operating Units	9,361	—	9,361
Joint venture partners' interest in development joint ventures and acquisitions	29,588	—	29,588

The table below shows the reconciliation of Level 3 liabilities measured at fair value on a recurring basis (in thousands):

Fair value, December 31, 2016	\$3,250
Purchases, issuances and settlements, net	—
Adjustment of fair value during period	500
Transfers into Level 3	—
Fair value, June 30, 2017	\$3,750

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

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The table below summarizes the gross carrying amounts and fair values of these financial instruments as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017			
	Carrying value	Estimated Fair value		
		Level 1	Level 2	Level 3
Notes receivable	\$500	\$456	\$	—
Senior unsecured notes	250,000	258,325		—
Unsecured revolving credit facility	345,000	345,000		—
Unsecured term loan facility	187,500	187,500		—
Variable rate construction loan	29,772	29,772		—
	December 31, 2016			
	Carrying value	Estimated Fair value		
		Level 1	Level 2	Level 3
	Notes receivable	\$500	\$450	\$
Senior unsecured notes	250,000	246,305		—
Unsecured revolving credit facility	20,000	20,000		—
Unsecured term loan facility	187,500	187,500		—
Variable rate mortgage and construction loans	62,576	62,576		—

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

14. Segments

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

The following table represents the Trust's segment information for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three months ended		Six months ended June	
	June 30, 2017	2016	30, 2017	2016
Collegiate Housing Leasing:				
Collegiate housing leasing revenue	\$70,071	\$61,690	\$150,856	\$131,873
Collegiate housing leasing operations	30,338	26,166	59,215	51,055
Net operating income	\$39,733	\$35,524	\$91,641	\$80,818
Total segment assets at end of period ⁽¹⁾	\$2,733,287	\$2,191,350	\$2,733,287	\$2,191,350
Development Consulting Services:				
Third-party development consulting services	\$1,156	\$467	\$2,971	\$950

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General and administrative ⁽³⁾	510	656	1,021	1,285	
Net operating income (loss)	\$646	\$(189) \$1,950	\$(335)
Total segment assets at end of period ⁽²⁾	\$1,950	\$6,292	\$1,950	\$6,292	

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Management Services:				
Third-party management services	\$831	\$697	\$1,776	\$1,591
General and administrative ⁽³⁾	509	567	1,044	1,140
Net operating income	\$322	\$130	\$732	\$451
Total segment assets at end of period ⁽²⁾	\$10,875	\$10,520	\$10,875	\$10,520
Reconciliations:				
Segment revenue	\$72,058	\$62,854	\$155,603	\$134,414
Operating expense reimbursements	1,984	2,286	4,237	4,105
Total segment revenues	\$74,042	\$65,140	\$159,840	\$138,519
Segment operating expenses	\$31,357	\$27,389	\$61,280	\$53,480
Reimbursable operating expenses	1,984	2,286	4,237	4,105
Total segment operating expenses	\$33,341	\$29,675	\$65,517	\$57,585
Segment net operating income	\$40,701	\$35,465	\$94,323	\$80,934
Other unallocated general and administrative expenses ⁽⁴⁾	(5,094)	(4,584)	(10,376)	(9,012)
Depreciation and amortization	(24,520)	(19,099)	(50,359)	(36,615)
Ground lease	(2,462)	(2,296)	(6,022)	(5,605)
Nonoperating expenses	(3,403)	(4,108)	(6,842)	(19,097)
Other operating expense	—	—	(500)	—
Equity in earnings (losses) of unconsolidated entities	129	107	384	(137)
Income before income taxes and gain on sale of collegiate housing properties	\$5,351	\$5,485	\$20,608	\$10,468

⁽¹⁾ The increase in segment assets related to the collegiate housing segment during the six months ended June 30, 2017 as compared to the same period in 2016 is primarily related to the completed development of four collegiate housing communities, six property acquisitions and the continued development of fifteen assets under development for ownership by the Trust offset by the sale of four collegiate housing communities.

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

⁽³⁾ General and administrative expenses for the development consulting services and management services segments represent those expenses that are directly attributable to these segments and also include an allocation of corporate general and administrative expenses based on the extent of effort or resources expended.

⁽⁴⁾ Other unallocated general and administrative expenses includes costs directly attributable to our owned developments and corporate general and administrative expenses that are not allocated to any of the segments.

15. Subsequent events

On July 13, 2017, the Board declared a distribution of \$0.39 per share of common stock and OP Unit for the quarter ended June 30, 2017. The distributions will be paid on August 15, 2017 to stockholders and unitholders of record at the close of business on July 31, 2017.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q ("Report") and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2016. Certain statements contained in this Report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to plans for future acquisitions or dispositions, our business and investment strategy, market trends and projected capital expenditures. When used in this Report, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "would," "could," "should," and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Report. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see "Forward-Looking Statements" and "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, as well as risks, uncertainties and other factors discussed in this Report and other documents filed by us with the Securities Exchange Commission ("SEC"). Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

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

Overview

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

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

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

Our Business Segments

We define business segments by their distinct customer base and the service provided. Management has identified three reportable segments: collegiate housing leasing, development consulting services and management services. We evaluate each segment's performance based on net operating income, which is defined as income before depreciation, amortization, ground leases, impairment losses, interest expense (income), gains (losses) on extinguishment of debt, equity in earnings of unconsolidated entities and noncontrolling interests. The accounting policies of the reportable segments are described in more detail in the summary of significant accounting policies in the notes to the accompanying condensed consolidated financial statements and in our Annual Report on Form 10-K for the year ended December 31, 2016.

Collegiate housing leasing

Collegiate housing leasing revenue represented 97.0% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting, for the six months ended June 30, 2017.

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

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

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

The majority of our leases commence in mid-August of each year and terminate the last day of July of each year. These dates generally coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each community in its entirety each year, resulting in significant turnover in our resident population from year to year. In the 2016/2017 leasing cycle and the 2015/2016 cycle, approximately 77.9% and 74.3%, respectively, of our beds were leased to students who were first-time residents at our communities. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in October and ends in August of each year. Our communities' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

Prior to the commencement of each new lease period, primarily during the first two weeks of August, but also during September at some communities, we prepare the units for new incoming residents. Other than revenue generated by in-place leases for renewing residents, we do not generally recognize lease revenue during this period referred to as "Turn," as we have no leases in place. In addition, we incur significant expenses during Turn to make our units ready for occupancy. These expenses are recognized when incurred. This Turn period results in seasonality in our operating results during the third quarter of each year. In addition, several of our properties (University Towers, The Berk, University Village on Colvin and all of the University of Kentucky properties) operate under an eight or nine month lease. During certain periods in the summer months, no rent revenue is recognized, resulting in seasonality in our operating results during that time.

Development consulting services

For the six months ended June 30, 2017, revenue from our development consulting services represented 1.9% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting. We provide development consulting services primarily to colleges and universities seeking to modernize their on-campus collegiate housing communities, to other third-party investors and to our collegiate housing leasing segment in order to develop communities for our ownership. Our development consulting services typically include the following:

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

Fees for these services are typically 3 – 5% of the total cost of a project and are payable over the life of the construction period, which in most cases is one to two years in length. Occasionally, the development consulting contracts include a provision whereby we can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. As part of the development agreements, there are certain costs we pay on behalf of universities or third-party investors. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the universities or third-party investors. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our development consulting services business.

Management services

For the six months ended June 30, 2017, revenue from our management services segment represented 1.1% of our total revenues, excluding operating expense reimbursements and other adjustments/eliminations included in our segment reporting. We provide management services for collegiate housing communities owned by educational institutions, charitable foundations, ourselves and others. Our management services typically cover all aspects of community operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. We provide these services pursuant to multi-year management agreements under which management fees are typically 3 – 5% of leasing revenue. These agreements usually have an initial term of two to five years with renewal options of like terms. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our management services business.

Trends and Outlook

Rents and occupancy

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

After three consecutive years of declining new supply, we currently anticipate the volume of new supply in our markets to be greater in 2017 than it was in 2016. However, the rate of new supply is projected to exceed enrollment growth by only 70 basis points. This difference is consistent with what we experienced over the last four years, during which we averaged 3.8% annual increases in same-community revenue. We believe these results are reflective of both the quality of our portfolio, which includes communities that are generally newer and better-located than other collegiate housing communities in our markets, as well as the modernization that continues to occur in the industry. We do not believe that the growth characteristics of our well-located portfolio, which has produced a compounded annual revenue growth of 3.6% over the last six years, has changed significantly.

We define our same-community portfolio as properties that were owned and operating for the full years ended December 31, 2017 and 2016 and are not conducting substantial development or redevelopment activities and were not sold during the respective periods. We sold one property during the six months ended June 30, 2017 and three properties during the year ended December 31, 2016. These four properties are excluded from same-community results for the six months ended June 30, 2017 and 2016.

Our community occupancy rates are typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year. Management reviews both occupancy and rate per occupied bed to assess markets and, combined, overall revenue growth. For the six months ended June 30, 2017, same-community revenue per occupied bed increased to \$853 and same-community physical occupancy decreased to 88.8%, compared to same-community revenue per occupied bed of \$829 and same-community physical occupancy of 89.9% for the six months ended June 30, 2016. The results represent averages across the same-community portfolio, which are not necessarily indicative of every community in the portfolio. Individual communities can and do perform

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

The same-community leasing portfolio opened the 2016/2017 lease term with a 2.3% increase in rental revenue. Opening occupancy was down 111 basis points to 96.7% and net rental rates opened the term 3.4% above the prior year. New-communities opened the 2016-2017 lease term with an average occupancy of 88.8%.

North Carolina State University announced a requirement that all freshmen live on campus beginning in September 2017. Due to a shortage of on campus housing, we currently anticipate that the property will be fully occupied for the 2017/2018 lease year. However, this change in policy is likely to negatively impact the leasing of our University Towers collegiate housing property in future lease years as the community has historically been primarily leased to freshmen. We will continue to monitor the impact of this change, as it could negatively impact the property's results of operations and the future valuation of the property.

Development consulting services

Third-party development consulting services

For the six months ended June 30, 2017 and 2016, third-party development revenue was \$3.0 million and \$1.0 million, respectively. In recent years, we have had approximately two to three third-party development consulting projects per year. As more universities are turning toward private industry to fund and own new collegiate housing projects, we expect to see an increase in equity deals and future third-party fee volume to remain around these historical levels. During the year ended December 31, 2016, we delivered third-party development projects at Clarion University of Pennsylvania and University of California, Berkeley. We are currently providing third-party development services with projects under construction at East Stroudsburg University - Pennsylvania Phase II, Texas A&M - Commerce and Shepherd University with delivery targeted for the third quarter of 2017.

ONE PlanSM developments

We develop collegiate housing communities on- and off-campus for our ownership, and we expect this to be a significant part of our external growth going forward. The ONE PlanSM is our private equity program which allows universities to use our equity and financial stability to develop and revitalize campus housing while preserving their credit capacity for other campus projects. This program is designed to provide our equity to solve a university's housing needs through a ground lease structure where we typically own the land improvements and operate the community. Others in the industry have similar programs and to date we have 16 ONE PlanSM projects representing 21 communities completed or underway. In December 2011, we were selected by the University of Kentucky ("UK") to negotiate the potential revitalization of UK's entire campus housing portfolio and expansion of UK's campus housing portfolio to more than 9,000 beds within five to seven years. We refer to this project as the UK Campus Housing Revitalization Plan. To date, we have delivered 5,733 beds for \$348.3 million of development costs in the first four phases at UK. Construction on the 2017 deliveries is on-track to deliver 1,117 beds for a total cost of \$101.0 million. We view our entry into the partnership with UK as a defining moment, not only for EdR, but also for our industry. Most state universities face many of the same challenges as UK, including reduced support from constrained state budgets, aged on-campus housing and demands on institutional funds for academic and support services. We believe declining state support for higher education will continue to be the norm rather than the exception. These external factors provide a great opportunity for the Trust. As universities see the progress of the UK Campus Revitalization Plan, the volume of discussions we are having with other universities continues to increase as they investigate this type of structure to replace their aging on-campus housing stock.

While considering the possible shift in the types of projects universities pursue, the amount and timing of future revenue from development consulting services will be contingent upon our ability to successfully compete in public colleges and universities' competitive procurement processes, our ability to successfully structure financing of these projects and our ability to ensure completion of construction within committed timelines and budgets. To date, we have completed construction on all of our ONE Plan developments in time for their targeted occupancy dates.

Collegiate housing operating costs

In 2015 and 2014, same-community operating expenses increased 5.0% and 2.6%, respectively. In 2016, same-community operating expenses increased approximately 2.6%. This increase was mainly driven by higher real estate taxes. We expect full year same-community operating expenses to increase between 3.0-4.0% in 2017 and going forward, which we believe is a reasonable level of growth for the foreseeable future.

General and administrative costs

General and administrative expenses include costs such as payroll, home office rent, training, professional and legal fees and other public company costs. Costs directly associated with the management of our owned portfolio along with allocated corporate general and administrative expenses based on the extent of effort or resources expended are presented in collegiate housing leasing operations in the accompanying condensed consolidated statements of income and comprehensive income.

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Costs directly associated with our management and development services along with allocated corporate general and administrative expenses based the extent of effort or resources expended are presented in development and management services in the accompanying condensed consolidated statements of income and comprehensive income.

Unallocated general and administrative costs for the six months ended June 30, 2017 and 2016 were \$6.1 million (excluding development pursuit costs and acquisition costs of \$0.6 million) and \$5.5 million (excluding development pursuit costs and acquisition costs of \$0.7 million), respectively, an increase of \$0.6 million, or 11.6%. This increase over the prior year is consistent with our growth in assets and revenue and allows us to appropriately prepare for future growth, such as the announced development pipeline and pending acquisitions.

Asset repositioning and capital recycling

Since 2010, we have made a concerted effort to reposition and improve our owned portfolio. Since January 2010, we have acquired \$1.3 billion of collegiate housing communities, completed \$832.7 million of developments and disposed of \$505.1 million of collegiate housing communities. These transactions have improved our median distance to campus to 0.1 miles and increased our average rental rate to \$805. Currently, 83% of our beds and 89% of our community net operating income ("NOI") are located on or pedestrian to campus.

During the six months ended June 30, 2017, we acquired the following collegiate housing properties:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
Retreat at Corvallis	Oregon State University	January 2017	1,016	330	\$ 99,450
319 Bragg	Auburn University	February 2017	305	86	\$ 28,500
Total			1,321	416	\$ 127,950

In May 2017, we sold The Reserve on Stinson, a 612-bed community serving the University of Oklahoma, for approximately \$18.2 million. We received net proceeds of approximately \$17.7 million after deducting closing costs and recognized a \$0.7 million gain on the disposition as reflected in the accompanying condensed consolidated statements of income and comprehensive income for the six months ended June 30, 2017.

We continue to add to the size and quality of our portfolio with new developments. Other than our development at Oklahoma State, which was moved from an anticipated 2017 delivery to anticipated delivery in 2018, construction is proceeding as expected on the following 2017, 2018 and 2019 deliveries (dollars in thousands):

Active Projects	Project Type	EdR's Ownership Percentage	Bed Count	Total Estimated Project Development Cost ⁽¹⁾	EdR's Economic Ownership Cost ⁽¹⁾	Development Cost Funded by EdR's Sheet (Excludes Partner Contribution)	EdR's Remaining Cost to be Funded ⁽¹⁾
2017 Deliveries							
University of Kentucky - University Flats	ONE Plan	100%	771	\$ 74,000	\$ 74,000	\$ 74,000	\$ 3,800
Boise State University	ONE Plan	100%	656	39,800	39,800	39,800	6,900
University of Kentucky - Lewis Hall	ONE Plan	100%	346	26,900	26,900	26,900	—
		90%	824	89,900	80,900	87,700	10,900

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Michigan State University - SkyVue	Joint Venture							
Texas State University - The Local: Downtown	Joint Venture	80%	304	29,600	23,700	28,100	5,500	
Northern Michigan University - The Woods	ONE Plan	100%	800	50,300	50,300	50,300	19,700	
Total - 2017 Deliveries			3,701	\$ 310,500	\$ 295,600	\$ 306,800	\$ 46,800	
2018 Deliveries								
Oklahoma State University - Avid Square	Joint Venture	70%	475	\$ 47,200	\$ 33,000	\$ 43,700	\$ 16,200	
University of Pittsburgh	Joint Venture	80%	723	106,100	84,900	100,300	74,200	

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Active Projects	Project Type	EdR's Ownership Percentage	Bed Count	Total Estimated Project Development Cost ⁽¹⁾	EdR's Economic Ownership Cost ⁽¹⁾	Development Cost Funded by EdR's Sheet (Excludes Partner Contribution)	EdR's Remaining Cost to be Funded ⁽¹⁾
Florida State University - Players Club redevelopment	Wholly Owned	100%	592	38,000	38,000	38,000	36,500
Northern Michigan University - The Woods	ONE Plan	100%	400	29,000	29,000	29,000	29,000
University of Minnesota - Hub at Minneapolis	Joint Venture	51%	707	97,900	49,900	83,500	71,000
Arizona State University - Union at Tempe	Joint Venture	90%	857	164,900	148,400	159,100	117,600
Cornell University - Maplewood	ONE Plan	100%	872	86,000	86,000	86,000	79,300
Colorado State - Union on Plum	Joint Venture	70%	229	28,200	19,700	25,700	21,100
Iowa State University - Union on Lincoln Way	Joint Venture	70%	537	51,900	36,300	47,300	39,100
Total - 2018 Deliveries			5,392	\$ 649,200	\$ 525,200	\$ 612,600	\$ 484,000
2019 Deliveries							
University of Hawai'i - Hale Mahana	Joint Venture	90%	599	\$ 109,600	\$ 98,600	\$ 106,300	\$ 78,000
Total - 2019 Deliveries			599	\$ 109,600	\$ 98,600	\$ 106,300	\$ 78,000
Total Active Projects			9,692	\$ 1,069,300	\$ 919,400	\$ 1,025,700	\$ 608,800

⁽¹⁾ Represent estimates that are subject to change as the development process proceeds.

Critical Accounting Policies

There have been no significant changes to our critical accounting policies as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017.

Recent Accounting Pronouncements

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

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Results of Operations for the Six Months Ended June 30, 2017 and 2016

The following table presents our results of operations for the six months ended June 30, 2017 and 2016 (dollars in thousands):

	Six months ended June 30,		Change (\$)	Change (%)	
	2017	2016			
Collegiate Housing Leasing:					
Collegiate housing leasing revenue	\$ 150,856	\$ 131,873	\$ 18,983	14.4	%
Collegiate housing leasing operating expenses	59,215	51,055	8,160	16.0	%
Net operating income	\$91,641	\$80,818	\$10,823	13.4	%
Development Consulting Services:					
Third-party development consulting services	\$2,971	\$950	\$2,021	212.7	%
General and administrative ⁽¹⁾	1,021	1,285	(264)	(20.5)	%
Net operating income (loss)	\$1,950	\$(335)	\$2,285	(682.1)	%
Management Services:					
Third-party management services	\$1,776	\$1,591	\$185	11.6	%
General and administrative ⁽¹⁾	1,044	1,140	(96)	(8.4)	%
Net operating income	\$732	\$451	\$281	62.3	%
Reconciliations:					
Segment revenue	\$ 155,603	\$ 134,414	\$ 21,189	15.8	%
Operating expense reimbursements	4,237	4,105	132	3.2	%
Total segment revenues	\$ 159,840	\$ 138,519	\$ 21,321	15.4	%
Segment operating expenses	\$61,280	\$53,480	\$7,800	14.6	%
Reimbursable operating expenses	4,237	4,105	132	3.2	%
Total segment operating expenses	\$65,517	\$57,585	\$7,932	13.8	%
Segment net operating income	\$94,323	\$80,934	\$13,389	16.5	%
Other unallocated general and administrative expenses ⁽²⁾	(10,376)	(9,012)	(1,364)	15.1	%
Depreciation and amortization	(50,359)	(36,615)	(13,744)	37.5	%
Ground lease	(6,022)	(5,605)	(417)	7.4	%
Nonoperating expenses	(6,842)	(19,097)	12,255	(64.2)	%
Other operating expenses ⁽³⁾	(500)	—	(500)	—	%
Equity in losses of unconsolidated entities	384	(137)	521	(380.3)	%
Income before income taxes and gain on sale of collegiate housing properties	\$20,608	\$10,468	\$10,140	96.9	%

⁽¹⁾ General and administrative expenses for the development consulting services and management services segments represent

those expenses that are directly attributable to these segments and also include an allocation of corporate general and administrative expenses based on the extent of effort or resources expended.

⁽²⁾ Other unallocated general and administrative expenses includes costs directly attributable to our owned developments and

corporate general and administrative expenses that are not allocated to any of the segments.

⁽³⁾ Represents the change in fair value of contingent consideration liabilities associated with the 2016 acquisitions.

Collegiate housing leasing

Collegiate housing operating statistics for total communities and same-communities for the six months ended June 30, 2017 and 2016 were as follows:

	Six months ended June 30,		Favorable (Unfavorable)
	2017	2016	
Total communities:			
Occupancy			
Physical ⁽¹⁾	86.7 %	88.7 %	(200) bps
Economic ⁽²⁾	88.0 %	89.9 %	(190) bps
NarPOB ⁽³⁾	\$800	\$753	\$ 47
Other income per occupied bed ⁽⁴⁾	\$57	\$54	\$ 3
RevPOB ⁽⁵⁾	\$857	\$807	\$ 50
Operating expense per bed ⁽⁶⁾	\$292	\$277	\$ (15)
Operating margin ⁽⁷⁾	60.7 %	61.3 %	(60) bps
Design Beds ⁽⁸⁾	203,047	184,096	18,951

Same-communities⁽⁹⁾:

Occupancy			
Physical ⁽¹⁾	88.8 %	89.9 %	(110) bps
Economic ⁽²⁾	90.7 %	91.8 %	(110) bps
NarPOB ⁽³⁾	\$799	\$775	\$ 24
Other income per occupied bed ⁽⁴⁾	\$54	\$54	\$ —
RevPOB ⁽⁵⁾	\$853	\$829	\$ 24
Operating expense per bed ⁽⁶⁾	\$285	\$272	\$ (13)
Operating margin ⁽⁷⁾	62.4 %	63.5 %	(110) bps
Design Beds ⁽⁸⁾	157,002	157,002	—

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

(2) Represents the effective occupancy calculated by taking net apartment rent accounted for on a GAAP basis for the respective period divided by market rent for the respective period.

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

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

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

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

(7) Represents operating income divided by revenue.

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

(9) Represents operating statistics for communities that were owned by us and were operating for the full year ended December 31, 2016. The same-community portfolio excludes properties that are sold or have met the requirements for held for sale accounting treatment.

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The following table shows the impact of the same-communities, acquisitions and developments and communities sold during the period on collegiate housing leasing revenue and operating expenses for the six months ended June 30, 2017 (in thousands):

	Collegiate Housing Leasing Revenue	Collegiate Housing Leasing Operating Expenses
Six months ended June 30, 2016	\$ 131,873	\$ 51,055
Increase in same-community	1,984	2,045
Increase from 2016 development deliveries	8,668	1,800
Increase from 2016 acquisitions	8,145	3,264
Increase from 2017 acquisitions	5,296	1,744
Pre-opening expense on future developments	—	1,681
Decrease in other-communities	(468)	(99)
Decrease from sold communities	(4,642)	(2,275)
Six months ended June 30, 2017	\$ 150,856	\$ 59,215

The increase in same-community revenue of \$2.0 million, or 1.7%, was attributable to a 2.9% increase in rental rates, which was offset by a decline of 1.1% in occupancy and a decrease of 0.1% in other income. Same-community operating expenses increased 2.0 million, or 4.8%, over the prior year due to an increase in real estate taxes.

The increase from the 2016 and 2017 acquisitions and the 2016 development deliveries relates to a full six months of operating results in the current period compared to the prior year. Sold-communities reflects the impact to operating results of the communities sold in 2017 and 2016.

Development consulting services

The following table represents the development consulting revenue recognized by project for the six months ended June 30, 2017 and 2016 (dollars in thousands):

Project	Beds	Fee Type	Segment Revenues		
			2017	2016	Difference
Clarion University of Pennsylvania	728	Development fee	\$—	\$30	\$ (30)
Shepherd University	298	Development fee	582	36	546
Bowles Hall	186	Development fee	626	764	(138)
Texas A&M - Commerce	490	Development fee	872	—	872
East Stroudsburg University - Pennsylvania Ph II	488	Development fee	891	—	891
Purchasing fees	—	Purchasing fee	—	120	(120)
Third-party development consulting services total			\$2,971	\$950	\$ 2,021

Third-party development consulting services revenue increased \$2.0 million to \$3.0 million for the six months ended June 30, 2017 as compared to the same period in 2016. Third-party development consulting revenue fluctuates based on the number and timing of development jobs. In addition, we recognized \$0.6 million of cost savings on the Bowles Hall project during the six months ended June 30, 2017.

General and administrative expenses for the segment decreased \$0.3 million, or 20.5%, for the six months ended June 30, 2017 compared to the same period in the prior year. General and administrative expenses generally fluctuate based on the number and timing of development jobs, both owned and third-party. This decrease in general and administrative expenses allocated to third-party development consulting services is correlated to the increase in the volume of owned developments, and thus a lower allocation of costs to third-party development consulting services.

Management services

Total management services revenue increased \$0.2 million, or 11.6%, as compared to the same period in the prior year. General and administrative expenses for our management services segment decreased \$0.1 million, or 8.4%, for the six months ended June 30, 2017 compared to the same period in the prior year. This decrease in general and administrative expenses allocated to third-party management services is correlated to the increase in the number of owned communities, and thus a lower allocation of costs to third-party management services.

Other unallocated general and administrative expenses

Other unallocated general and administrative expenses increased \$1.4 million, or 15.1%, during the six months ended June 30, 2017 over the same period in the prior year. The increase includes approximately \$0.1 million in development pursuit costs, with the remainder related primarily to payroll costs as a result of growth in our portfolio, and increased on- and off- campus development pursuit activity.

Depreciation and amortization

Depreciation and amortization increased \$13.7 million, or 37.5%, during the six months ended June 30, 2017 as compared to the same period in the prior year. Of the total increase in depreciation and amortization, \$2.9 million is due to accelerated depreciation recorded during the six months ended June 30, 2017 related to the change in estimated useful life due to the redevelopment of Players Club (see Note 2 to the accompanying condensed consolidated financial statements) and \$10.1 million is depreciation and amortization of in-place leases on the 2016 and 2017 acquisitions.

Ground lease expense

For the six months ended June 30, 2017, the cost of ground leases increased \$0.4 million, or 7.4%, compared to the same period in the prior year. This increase relates primarily to the opening of two new communities in 2016 on the campus of the University of Kentucky. We recognize ground lease expense on a straight-line basis over the life of the related ground lease.

Nonoperating expenses

Nonoperating expenses consist of the following for the six months ended June 30, 2017 and 2016 (dollars in thousands):

	Six months ended June 30,		Change (\$)	Change (%)
	2017	2016		
Interest expense, net of capitalized interest	\$(6,090)	\$(8,298)	\$2,208	(26.6)%
Amortization of deferred financing costs	(779)	(937)	158	(16.9)%
Interest income	49	274	(225)	(82.1)%
Loss on extinguishment of debt	(22)	(10,136)	10,114	NM
Total nonoperating expenses	\$(6,842)	\$(19,097)	\$12,255	(64.2)%

Total nonoperating expenses decreased \$12.3 million for the six months ended June 30, 2017 compared to the same period in 2016. This decrease is due to a \$10.1 million decrease in loss on extinguishment of debt and a \$2.2 million reduction in interest expense over prior year resulting from the payoff of \$183.9 million of mortgage and construction debt in 2016 and related prepayment penalties.

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Results of Operations for the Three Months Ended June 30, 2017 and 2016

The following table presents our results of operations for the three months ended June 30, 2017 and 2016 (dollars in thousands):

	Three months ended June 30,		Change	Change	
	2017	2016	(\$)	(%)	
Collegiate Housing Leasing:					
Collegiate housing leasing revenue	\$70,071	\$61,690	\$8,381	13.6	%
Collegiate housing leasing operating expenses	30,338	26,166	4,172	15.9	%
Net operating income	\$39,733	\$35,524	\$4,209	11.8	%
Development Consulting Services:					
Third-party development consulting services	\$1,156	\$467	\$689	147.5	%
General and administrative ⁽¹⁾	510	656	(146)	(22.3)	%
Net operating income (loss)	\$646	\$(189)	\$835	(441.8)	%
Management Services:					
Third-party management services	\$831	\$697	\$134	19.2	%
General and administrative ⁽¹⁾	509	567	(58)	(10.2)	%
Net operating income	\$322	\$130	\$192	147.7	%
Reconciliations:					
Segment revenue	\$72,058	\$62,854	\$9,204	14.6	%
Operating expense reimbursements	1,984	2,286	(302)	(13.2)	%
Total segment revenues	\$74,042	\$65,140	\$8,902	13.7	%
Segment operating expenses	\$31,357	\$27,389	\$3,968	14.5	%
Reimbursable operating expenses	1,984	2,286	(302)	(13.2)	%
Total segment operating expenses	\$33,341	\$29,675	\$3,666	12.4	%
Segment net operating income	\$40,701	\$35,465	\$5,236	14.8	%
Other unallocated general and administrative expenses ⁽²⁾	(5,094)	(4,584)	(510)	11.1	%
Depreciation and amortization	(24,520)	(19,099)	(5,421)	28.4	%
Ground lease	(2,462)	(2,296)	(166)	7.2	%
Nonoperating expenses	(3,403)	(4,108)	705	(17.2)	%
Equity in earnings of unconsolidated entities	129	107	22	20.6	%
Income before income taxes and gain on sale of collegiate housing properties	\$5,351	\$5,485	\$(134)	(2.4)	%

⁽¹⁾ General and administrative expenses for the development consulting services and management services segments represent

those expenses that are directly attributable to these segments and also include an allocation of corporate general and administrative expenses based on the extent of effort or resources expended.

⁽²⁾ Other unallocated general and administrative expenses includes costs directly attributable to our owned developments and

corporate general and administrative expenses that are not allocated to any of the segments.

Collegiate housing leasing

Collegiate housing operating statistics for total communities and same-communities for the three months ended June 30, 2017 and 2016 were as follows:

	Three months ended June 30,		Favorable (Unfavorable)
	2017	2016	
Total communities:			
Occupancy			
Physical ⁽¹⁾	79.9 %	82.0 %	(210) bps
Economic ⁽²⁾	80.8 %	82.8 %	(200) bps
NarPOB ⁽³⁾	\$800	\$749	\$ 51
Other income per occupied bed ⁽⁴⁾	\$66	\$63	\$ 3
RevPOB ⁽⁵⁾	\$866	\$812	\$ 54
Operating expense per bed ⁽⁶⁾	\$300	\$282	\$ (18)
Operating margin ⁽⁷⁾	56.7 %	57.6 %	(90) bps
Design Beds ⁽⁸⁾	101,202	92,702	8,500

Same-communities⁽⁹⁾:

Occupancy			
Physical ⁽¹⁾	82.3 %	83.2 %	(90) bps
Economic ⁽²⁾	84.0 %	84.8 %	(80) bps
NarPOB ⁽³⁾	\$799	\$773	\$ 26
Other income per occupied bed ⁽⁴⁾	\$61	\$61	\$ —
RevPOB ⁽⁵⁾	\$860	\$834	\$ 26
Operating expense per bed ⁽⁶⁾	\$292	\$279	\$ (13)
Operating margin ⁽⁷⁾	58.8 %	59.8 %	(100) bps
Design Beds ⁽⁸⁾	78,501	78,501	—

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

(2) Represents the effective occupancy calculated by taking net apartment rent accounted for on a GAAP basis for the respective period divided by market rent for the respective period.

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

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

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

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

(7) Represents operating income divided by revenue.

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

(9) Represents operating statistics for communities that were owned by us and were operating for the full year ended December 31, 2016. The same-community portfolio excludes properties that are sold or have met the requirements for held for sale accounting treatment.

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The following table shows the impact of the same-communities, acquisitions and developments and communities sold during the period on collegiate housing leasing revenue and operating expenses for the three months ended June 30, 2017 (in thousands):

	Collegiate Housing Leasing Revenue	Collegiate Housing Leasing Operating Expenses
Three months ended June 30, 2016	\$ 61,690	\$ 26,166
Increase in same-community	1,121	988
Increase from 2016 development deliveries	3,428	870
Increase from 2016 acquisitions	3,289	1,320
Increase from 2017 acquisitions	2,953	976
Pre-opening expense on future developments	—	1,045
Decrease in other-communities	(289)	(46)
Decrease from sold communities	(2,121)	(981)
Three months ended June 30, 2017	\$ 70,071	\$ 30,338

The increase in same-community revenue of \$1.1 million, or 2.1%, is due to a 3.1% increase in rental rates, which was offset by a 0.9% decline in occupancy and a 0.1% decrease in other income. Same-community operating expenses increased \$1.0 million, or 4.5%, over the prior year due to an increase in real estate taxes and maintenance and repair expenses.

The increase from the 2016 acquisitions and development deliveries relates to a full quarter of operating results in the three months ended June 30, 2017 compared to a partial quarter of operating results during the same period in the prior year. Sold-communities reflects the impact to operating results of the communities sold in 2016 and 2017.

Development consulting services

The following table represents the development consulting revenue recognized by project for the three months ended June 30, 2017 and 2016 (dollars in thousands):

Project	Beds	Fee Type	Segment Revenues		
			2017	2016	Difference
Clarion University of Pennsylvania	728	Development fee	\$—	\$28	\$ (28)
East Stroudsburg University - Pennsylvania Ph II	488	Development fee	422	—	422
Bowles Hall	186	Development fee	—	313	(313)
Shepherd University	298	Development fee	306	36	270
Texas A&M - Commerce	490	Development fee	428	—	428
Purchasing fees	—	Purchasing fee	—	90	(90)
Third-party development consulting services total			\$1,156	\$467	\$ 689

Third-party development consulting services revenue increased \$0.7 million to \$1.2 million for the three months ended June 30, 2017 as compared to the same period in 2016. Third-party development consulting revenue fluctuates based on the number and timing of development jobs.

General and administrative expenses for the segment decreased \$0.1 million, or 22.3%, for the three months ended June 30, 2017 compared to the same period in the prior year. Gross general and administrative expenses generally fluctuate based on the number and timing of development jobs, both owned and third-party. This decrease in general and administrative expenses allocated to third-party development consulting services is correlated to the increase in the volume of owned developments, and thus a lower allocation of costs to third-party development consulting

services.

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Management services

Management services revenue increased \$0.1 million, or 19.2%, as compared to the same period in the prior year. General and administrative expenses for our management services segment decreased \$58.0 thousand, or 10.2%, during the three months ended June 30, 2017 when compared to the same period in 2016. This decrease in general and administrative expenses allocated to third-party management services is correlated to the increase in the volume of owned communities, and thus a lower allocation of costs to third-party management services.

Other unallocated general and administrative expenses

Other unallocated general and administrative expenses increased \$0.5 million, or 11.1%, during the three months ended June 30, 2017 over the same period in the prior year. The increase includes approximately \$0.4 million in development pursuit costs, with the remainder related primarily to payroll costs as a result of growth in our portfolio, and increased on- and off- campus development pursuit activity.

Depreciation and amortization

Depreciation and amortization increased \$5.4 million, or 28.4%, during the three months ended June 30, 2017 as compared to the same period in the prior year. Of the total increase in depreciation and amortization, \$1.1 million is due to accelerated depreciation recorded during the three months ended June 30, 2017 related to the change in estimated useful life due to the redevelopment of Players Club (see Note 2 to the accompanying condensed consolidated financial statements), \$3.9 million is depreciation and amortization of in-place leases on the 2016 and 2017 acquisitions, and \$1.4 million is depreciation on the 2016 developments.

Ground lease expense

For the three months ended June 30, 2017, the cost of ground leases increased \$0.2 million, or 7.2%, compared to the same period in the prior year. This increase relates primarily to the opening of two new communities in 2016 on the campus of the University of Kentucky. We recognize ground lease expense on a straight-line basis over the life of the related ground lease.

Nonoperating expenses

Nonoperating expenses consist of the following for the three months ended June 30, 2017 and 2016 (dollars in thousands):

	Three Months Ended June 30,		Change	
	2017	2016	(\$)	(%)
Interest expense, net of capitalized interest	\$ (3,062)	\$ (3,635)	\$ 573	(15.8)%
Amortization of deferred financing costs	(358)	(457)	99	(21.7)%
Interest income	17	200	(183)	(91.5)%
Loss on extinguishment of debt	—	(216)	216	(100.0)%
Total nonoperating expenses	\$ (3,403)	\$ (4,108)	\$ 705	(17.2)%

Total nonoperating expenses decreased \$0.7 million, or 17.2%, for the three months ended June 30, 2017 compared to the same period in 2016. This decrease is due to a \$0.6 million reduction in interest expense over the prior year due to the significant amount of mortgage and construction debt prepaid in 2016 and an increase in capitalized interest related to the increase in activity in our development pipeline.

Legal Proceedings

We are not currently a party to, nor are any of our communities the subject of, any material pending legal proceedings. 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.

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Non-GAAP Measures

Funds From Operations (FFO)

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

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

We also use core funds from operations ("Core FFO") as an operating performance measure. Core FFO available to stockholders and unitholders is defined as FFO adjusted to include the economic impact of revenue on participating projects for which recognition is deferred for GAAP purposes. The adjustment for this revenue is calculated on the same percentage of completion method used to recognize revenue on third-party development projects. Core FFO also includes adjustments to exclude the impact of straight-line adjustments for ground leases, gains/losses on extinguishment of debt, transaction costs and noncash fair value adjustments, and severance costs. We believe that these adjustments are appropriate in determining Core FFO as they are not indicative of the operating performance of our assets. In addition, management uses Core FFO in the assessment of our operating performance and comparison to its industry peers and believes that Core FFO is a useful supplemental measure for the investing community to use in comparing our results to other REITs as many REITs provide some form of adjusted or modified FFO.

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The following table presents a reconciliation of GAAP net income to FFO and Core FFO available to our stockholders and unitholders to net income for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income attributable to Education Realty Trust, Inc.	\$6,060	\$17,655	\$22,217	\$34,324
Gain on sale of collegiate housing properties	(691)	(12,083)	(691)	(23,956)
Real estate related depreciation and amortization	24,050	18,695	49,405	35,808
Equity portion of real estate depreciation and amortization on equity investees	671	657	1,347	1,323
Noncontrolling interests	(224)	(88)	(116)	117
FFO available to stockholders and unitholders	29,866	24,836	72,162	47,616
FFO adjustments:				
Loss on extinguishment of debt	—	216	22	10,136
Acquisition costs	2	178	27	238
Change in fair value of contingent consideration liability	—	—	500	—
Straight-line adjustment for ground leases	1,174	1,187	2,349	2,373
FFO adjustments	1,176	1,581	2,898	12,747
Core FFO available to stockholders and unitholders	\$31,042	\$26,417	\$75,060	\$60,363

Net Operating Income (NOI)

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

The following is a reconciliation of our GAAP operating income to NOI for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating income	\$8,625	\$9,486	\$27,066	\$29,702
Less: Third-party development services revenue	1,156	467	2,971	950
Less: Third-party management services revenue	831	697	1,776	1,591
Plus: Other operating expense	—	—	500	—
Plus: Development and management services expenses	2,775	2,728	5,676	5,249
Plus: General and administrative expenses	3,338	3,079	6,765	6,188
Plus: Ground leases	2,462	2,296	6,022	5,605
Plus: Depreciation and amortization	24,520	19,099	50,359	36,615
NOI	\$39,733	\$35,524	\$91,641	\$80,818

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

Adjusted EBITDA is defined as GAAP net income excluding: (1) straight line adjustment for ground leases; (2) acquisition costs; (3) depreciation and amortization; (4) loss on impairment of collegiate housing assets; (5) gain on sale of collegiate housing properties; (6) interest expense, net of capitalized interest, and interest income; (7) amortization of deferred financing

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costs; (8) income tax expense (benefit); (9) non-controlling interest; (10) other operating expense related to noncash adjustments; (11) loss on extinguishment of debt; and (11) other non-operating expense. We consider Adjusted EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. The following is a reconciliation of our GAAP net income to Adjusted EBITDA for the trailing twelve months ended June 30, 2017 (in thousands):

	Six Months Ended June 30, 2017	Plus: Year Ended December 31, 2016	Less: Six Months ended June 30, 2016	Trailing Twelve Months ended June 30, 2017
Net income attributable to Education Realty Trust, Inc. common stockholders	\$22,217	\$44,924	\$34,324	\$32,817
Straight line adjustment for ground leases	2,349	4,731	2,373	4,707
Acquisition costs	27	619	238	408
Depreciation and amortization	50,359	81,413	36,615	95,157
Loss on impairment of collegiate housing properties	—	2,500	—	2,500
Gain on sale of collegiate housing properties	(691)	(23,956)	(23,956)	(691)
Interest expense, net of capitalized interest	6,090	15,454	8,298	13,246
Amortization of deferred financing costs	779	1,731	937	1,573
Interest income	(49)	(490)	(274)	(265)
Loss on extinguishment of debt	22	10,611	10,136	497
Income tax expense (benefit)	(532)	684	140	12
Other operating expense - change in fair value of contingent consideration liability	500	1,046	—	1,546
Noncontrolling interests	(386)	(220)	(40)	(566)
Adjusted EBITDA	\$80,685	\$139,047	\$68,791	\$150,941

Debt to gross assets

Debt to gross assets is defined as total debt, excluding the unamortized debt premium and deferred financing costs, divided by gross assets, or total assets excluding accumulated depreciation on real estate assets. We consider debt to gross assets useful to an investor in evaluating our leverage and in assessing our capital structure, because it excludes noncash items such as accumulated depreciation and provides a more accurate depiction of our capital structure. Debt to gross assets should only be used as an alternative measure of the company's financial performance.

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The following presents our GAAP debt to total assets and debt to gross assets as of June 30, 2017 and December 31, 2016 (dollars in thousands):

	June 30, 2017	December 31, 2016		
Mortgage and construction loans, net of unamortized deferred financing costs	\$29,751	\$62,520		
Unsecured revolving credit facility	345,000	20,000		
Unsecured term loans, net of unamortized deferred financing costs	186,385	186,738		
Unsecured senior notes, net of unamortized deferred financing costs	248,069	247,938		
Total debt	\$809,205	\$517,196		
Total assets	\$2,802,943	\$2,506,185		
GAAP debt to total assets	28.9	% 20.6		%
Mortgage and construction loans, excluding unamortized deferred financing costs of \$21 and \$56 as of June 30, 2017 and December 31, 2016, respectively	\$29,772	\$62,576		
Unsecured revolving credit facility	345,000	20,000		
Unsecured term loan, excluding unamortized deferred financing costs of \$1,115 and \$762 as of June 30, 2017 and December 31, 2016, respectively	187,500	187,500		
Unsecured senior notes, excluding unamortized deferred financing costs of \$1,931 and \$2,062 as of June 30, 2017 and December 31, 2016, respectively	250,000	250,000		
Total debt, excluding unamortized deferred financing costs	\$812,272	\$520,076		
Total assets	\$2,802,943	\$2,506,185		
Accumulated depreciation ⁽¹⁾	343,132	315,634		
Gross assets	\$3,146,075	\$2,821,819		
Debt to gross assets	25.8	% 18.4		%

⁽¹⁾ Represents accumulated depreciation on real estate assets.

Liquidity and Capital Resources

Cash and cash flows

As of June 30, 2017, we had \$33.5 million cash on hand compared to \$34.5 million cash on hand as of December 31, 2016.

During the six months ended June 30, 2017, we generated \$69.2 million of cash from operations compared to \$60.1 million over the same period in 2016. This increase of \$9.1 million is attributable primarily to a \$10.8 million increase in community-level net operating income over the prior year.

During the six months ended June 30, 2017, we used \$313.8 million of cash in investing activities compared to \$260.8 million over the same period in 2016. This increase in cash used for investing activities of \$53.0 million is attributable primarily to the following:

- an increase in cash spent on development activities of \$61.2 million, and
- a decrease in cash generated from the disposition of collegiate housing properties of \$77.2 million (three dispositions in 2016 with one in 2017), partially offset by

▪ decrease in cash used to acquire collegiate housing properties of \$83.0 million.

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During the six months ended June 30, 2017, we generated \$243.6 million of cash from financing activities compared to \$397.4 million during the same period in 2016. This decrease of \$153.7 million is attributable primarily to:

- a decrease in repayments of mortgage and construction loans during the six months ended June 30, 2017 of \$101.3 million compared to the same period in 2016,
- a decrease in debt extinguishment costs of \$10.3 million, and
- a decrease in cash received from common stock offerings of \$567.3 million, partially offset by
- an increase in net borrowings on the line of credit of \$325.0 million.

Liquidity outlook and capital requirements

Our short-term liquidity needs include funds for distributions to our stockholders and unitholders, including those required to maintain our REIT status and satisfy our current annual distribution target of \$1.56 per share to our stockholders and per OP Unit to the Operating Partnership unitholders, funds for capital expenditures, funds for our active development projects, funds for debt repayment and, potentially, funds for new property acquisitions and development. We generally expect to meet our short-term liquidity requirements through existing cash provided by operations, draws on our revolving credit facility or other new debt, debt refinancing, recycling capital through potential asset sales and equity market activity, including sales of EdR common stock under our ATM Program or Forward Agreements. We believe that these sources of capital will be sufficient to provide for our short-term capital needs. We have managed our balance sheet so that all capital needs, including announced and committed development deals, are pre-funded by our balance sheet capacity. During November 2014, we obtained investment grade credit ratings and completed our inaugural public offering of Senior Unsecured Notes, as further discussed below. We will continue to monitor both the debt and equity markets and in the future anticipate accessing capital through our at-the-market equity offering program, additional follow on equity offerings or additional offerings of unsecured notes.

In January 2016, we completed a follow-on equity offering selling 6.3 million shares of our common stock for net proceeds of approximately \$215.1 million. This offering improved our leverage metrics and provided additional balance sheet capacity to fund our current development pipeline and future acquisitions and development opportunities.

ATM Program

On August 1, 2016 and February 28, 2017, the Trust entered into equity distribution agreements to establish new ATM Programs (the "2016 ATM Program" and "2017 ATM Program," respectively) whereby EdR is authorized to sell a maximum of \$300.0 million and \$500.0 million, respectively, in shares of its common stock (see Note 9 to the accompanying Condensed Consolidated Financial Statements). Under these agreements, EdR may make sales of common stock through at-the-market transactions or pursuant to forward sales agreements (the "Forward Agreements") with certain counterparties. As of June 30, 2017, the Trust sold 7.3 million shares for aggregated net proceeds of \$304.5 million under the 2016 and 2017 ATM Programs. These forward transactions can be settled, shares issued and proceeds received on various dates through December 2018. The Trust exhausted the 2016 ATM Program during the six months ended June 30, 2017. As of June 30, 2017, the Trust had approximately \$485.0 million available for issuance under its 2017 ATM Program.

Revolving credit facility

As described in Note 6 to the accompanying condensed consolidated financial statements, the Operating Partnership's Fifth Amended and Restated Credit Agreement (the "Fifth Amended Revolver") has a maximum availability of \$500.0 million and an accordion feature to \$1.0 billion. The Fifth Amended Revolver contains customary affirmative and negative covenants and financial covenants, including restrictions on distributions. As of June 30, 2017, we were in

compliance with all covenants of the Fifth Amended Revolver and had availability of \$155.0 million as \$345.0 million was outstanding. The effective interest rate applicable to the Fifth Amended Revolver was 2.48% at June 30, 2017.

Unsecured term loan facility

On January 18, 2017, the Operating Partnership and certain subsidiaries entered into the Second Amended and Restated Credit Agreement. Under the Second Amended and Restated Credit Agreement, the unsecured term loans have an aggregate principal amount of \$187.5 million, consisting of a \$122.5 million Tranche A term loan (the "Tranche A Term Loan") and a \$65.0 million Tranche B term loan (the "Tranche B Term Loan" and, together with the Tranche A Term Loan, the "Term Loans"). The Tranche A Term Loan matures on January 13, 2021 and the Tranche B Term Loan matures on January 18, 2022. The Second Amended and Restated Credit Agreement contains an accordion feature pursuant to which the borrowers may request that the total aggregate amount of the Term Loans be increased to \$250.0 million, which may be allocated to Tranche A or Tranche B, subject to certain conditions, including obtaining commitments from any one or more lenders to provide such additional commitments.

The Second Amended and Restated Credit Agreement contains customary affirmative and restrictive covenants substantially similar to those contained in the Fifth Amended Revolver. EdR serves as the guarantor for any funds borrowed under the Second Amended and Restated Credit Agreement. As of June 30, 2017, the Operating Partnership was in compliance with all covenants of the Credit Agreement.

In connection with entering into the First Amended and Restated Credit Agreement on November 19, 2014, which was superseded by the Second Amended and Restated Credit Agreement, the Operating Partnership entered into multiple interest rate swaps with notional amounts totaling \$187.5 million to hedge the interest payments on the LIBOR-based Term Loans through the Term Loans' initial maturity date (see Note 11 to the accompanying condensed consolidated financial statements). As of June 30, 2017, the effective interest rate on the Tranche A Term Loan was 3.50% (weighted average swap rate of 2.30% plus the current margin of 1.20%) and the effective interest rate on the Tranche B Term Loan was 2.86% (weighted average swap rate of 1.66% plus the current margin of 1.20%).

The Operating Partnership also entered into forward starting interest rate swaps concurrently with entry into the Second Amended and Restated Credit Agreement which extended the term of the Tranche B Term Loan (see Note 11 to the accompanying condensed consolidated financial statements). The forward starting interest rate swaps locks in LIBOR at 2.10% during the three year extension period.

At June 30, 2017 and December 31, 2016, the outstanding balance under the Term Loans was \$186.4 million and \$186.7 million, respectively, which is presented net of unamortized deferred financing costs of \$1.1 million and \$0.8 million, respectively, in the accompanying condensed consolidated balance sheets.

Unsecured senior notes

On November 24, 2014, the Operating Partnership completed the public offering of \$250.0 million unsecured senior notes (the "Unsecured Senior Notes") (see Note 6 to the accompanying condensed consolidated financial statements). The 10-year Unsecured Senior Notes were issued at 99.991% of par value with a coupon of 4.6% per annum and are fully and unconditionally guaranteed by EdR. Interest on the Unsecured Senior Notes is payable semi-annually on June 1 and December 1 of each year, with the first payment beginning on June 15, 2015. The Unsecured Senior Notes will mature on December 1, 2024. Net proceeds from the sale of the Unsecured Senior Notes were approximately \$247.0 million, after deducting the underwriting discount and offering expenses payable by the Operating Partnership. The terms of Unsecured Senior Notes contain certain covenants that restrict the ability of the Trust and the Operating Partnership to incur additional secured and unsecured indebtedness. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as minimum interest coverage level. As of June 30, 2017, we were in compliance with all covenants.

Mortgage and construction debt

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During the six months ended June 30, 2017, the Operating Partnership repaid in full certain variable rate mortgage debt secured by the University Towers collegiate housing community with an outstanding principal balance of \$33.0 million. The loan was scheduled to mature on July 1, 2017.

Private placement notes

In April 2017, we locked rates on a total of \$150 million in unsecured private placement notes. The notes are evenly split between a 12-year and a 15-year maturity and will bear an average fixed interest rate of 4.26%. We now anticipate closing the notes and receiving funding by the end of the third quarter of 2017, with the expectation that the proceeds will be used to pay

down the balance on the revolving credit facility and for general corporate purposes. The current commitments have customary contingencies and closing of the transaction is not guaranteed.

Distributions

Distributions for the six months ended June 30, 2017 totaled \$55.8 million, or \$0.76 per share to our stockholders and \$0.5 million, or \$0.76 per OP Unit, to the limited partners in the Operating Partnership compared to cash provided by operations of \$69.2 million, or \$0.95 per weighted average share/unit.

Based on our closing share price of \$38.75 on June 30, 2017, our total enterprise value was \$3.6 billion. With net debt (total debt less cash) of \$778.8 million as of June 30, 2017, our debt to enterprise value was 21.5% compared to 13.5% as of December 31, 2016. With gross assets of \$3.1 billion, which excludes accumulated depreciation of \$343.1 million, our debt to gross assets ratio was 25.8% as of June 30, 2017 as compared to 18.4% as of December 31, 2016.

Acquisition, disposition and development activity

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

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

During the six months ended June 30, 2017, we completed the following acquisitions:

Name	Primary University Served	Acquisition Date	# of Beds	# of Units	Contract Price (in thousands)
Retreat at Corvallis	Oregon State University, Oregon	January 2017	1,016	330	\$ 99,450
319 Bragg	Auburn University, Alabama	February 2017	305	86	\$ 28,500

These acquisitions were funded through borrowings under the Fifth Amended Revolver.

We currently have fifteen active development projects that we are developing for our ownership with our share of aggregate development costs of \$1.0 billion. As of June 30, 2017, \$310.6 million of the anticipated costs had been funded.

Predevelopment expenditures

Our third-party development consulting activities have historically required us to fund predevelopment expenditures such as architectural fees, permits and deposits. Because the closing of a development project's financing is often subject to third-party delay, we cannot always predict accurately the liquidity needs of these activities. We frequently

incur these predevelopment expenditures before a financing commitment has been obtained and, accordingly, bear the risk of the loss of these predevelopment expenditures if financing cannot ultimately be arranged on acceptable terms. However, we typically obtain a guarantee of repayment of these predevelopment expenditures from the project owner, but no assurance can be given that we would be successful in collecting the amount guaranteed in the event that project financing is not obtained. When we develop projects for ownership, as opposed to our third-party development services, the Trust bears all exposure to risks and capital requirements for these developments.

Long-term liquidity requirements

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

Commitments

For the six months ended June 30, 2017, our commitments, contingencies and contractual obligations were not materially different from the amounts reported for the year ended December 31, 2016, except for the net decrease in long-term debt (which excludes the Fifth Amended Revolver) of \$32.8 million (see Note 6 to the accompanying condensed consolidated financial statements). As a result of the decrease in long-term debt, our contractual interest obligations have declined \$5.3 million since December 31, 2016.

Long-term indebtedness

As of June 30, 2017, all but one of our communities were unencumbered by mortgage or construction debt. As of June 30, 2017, we had outstanding indebtedness of \$809.2 million (net of unamortized deferred financing costs of \$3.1 million). The scheduled future maturities of this indebtedness as of June 30, 2017 were as follows (in thousands):

Year	
Six months ending December 31, 2017	\$29,772
2018	345,000 ⁽¹⁾
2019	—
2020	—
2021	122,500
2022	65,000
Thereafter	250,000
Total	812,272
Unamortized deferred financing costs	(3,067)
Outstanding as of June 30, 2017, net of unamortized deferred financing costs	\$809,205

⁽¹⁾ The Fifth Amended Revolver matures on November 19, 2018, and provides that the Operating Partnership may extend the maturity date by one year subject to certain conditions.

As of June 30, 2017, the outstanding construction debt had an interest rate of 2.80% and matures on October 20, 2017.

Distributions

We are required to distribute 90% of our REIT taxable income (excluding the deduction for dividends paid and net capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to holders of our common stock and OP Units. All such distributions are authorized at the sole discretion of the Board. We may be required to use borrowings under our Fifth Amended Revolver, if necessary, to meet REIT distribution requirements, avoid the imposition of federal income and excise taxes and maintain our REIT status. Additionally, we may make certain distributions consisting of both cash and shares to meet REIT distribution requirements. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. Our current annual dividend target is \$1.56 per share to our stockholders and per OP Unit to the Operating Partnership.

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On July 13, 2017, the Board declared a second quarter distribution of \$0.39 per share of common stock and OP Unit for the quarter ended June 30, 2017. The distributions will be paid on August 15, 2017 to stockholders and unitholders of record at the close of business on July 31, 2017.

Off-Balance Sheet Arrangements

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

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

	June 30, 2017					December 31, 2016				
	Ownership Percent		Joint Venture Balance		Operating Partnership's Proportionate Interest		Joint Venture Balance		Operating Partnership's Proportionate Interest	
			Loan Balance	Partial Repayment Guarantee	Loan Balance	Partial Repayment Guarantee			Loan Balance	Partial Repayment Guarantee
University Village - Greensboro	25	%	\$22,741	n/a	\$5,685	n/a	\$22,934	n/a	\$5,734	n/a
The Marshall	50	%	55,397	8,767	27,699	4,384	55,838	8,767	27,919	4,384
Georgia Heights	50	%	34,868	7,230	17,434	3,615	34,914	7,230	17,457	3,615

During October 2014, the Operating Partnership and LeylandAlliance LLC entered into a \$38.0 million construction loan for the fourth phase of the The Oaks on the Square project (see Note 6 to the accompanying condensed consolidated financial statements). The Operating Partnership and LeylandAlliance LLC jointly committed to provide a guarantee of repayment for the construction loan. As of June 30, 2017, \$37.2 million had been drawn on the construction loan, of which \$7.4 million was attributable to LeylandAlliance LLC, and has not been included in our accompanying condensed consolidated financial statements.

Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, we manage exposure to fluctuations in market interest rates for

its borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable. In addition, we use interest rate swaps to effectively convert a portion of its variable rate debt to fixed rate, thus reducing the impact of changes in interest rates on interest payments (see Notes 6 and 11 to the accompanying condensed consolidated financial statements). We did not enter into derivatives or other financial instruments for trading or speculative purposes.

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest changes generally do not affect the fair market value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. As of June 30, 2017, we had fixed rate debt of \$250.0 million. Holding other variables constant, a 100 basis point increase in interest rates would cause a \$15.5 million decline in the fair value for our fixed rate debt. Conversely, a 100 basis point decrease in interest rates would cause a \$16.7 million increase in the fair value of our fixed rate debt.

As of June 30, 2017, the effect of our hedge agreements was to fix the interest rate on \$187.5 million variable rate term loans. Had the hedge agreements not been in place during the six months ended June 30, 2017, our interest costs would have been approximately \$1.1 million lower, based on balances and reported interest rates through the period as the variable interest rates were lower than effective interest rates on the hedge agreements. Additionally, if the variable interest rates on this debt had been 100 basis points higher through the six months ended June 30, 2017 and the hedge agreements not been in place, our annual interest costs would have been approximately \$0.8 million higher. Derivative financial instruments expose us to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. We believe we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. As part of our on-going control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing credit risk concentration. We believe the likelihood of realized losses from counterparty non-performance is remote.

No material changes have occurred with regards to market risk since our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on February 28, 2017.

Item 4. Controls and Procedures.

Education Realty Trust, Inc.

Evaluation of Disclosure Controls and Procedures

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

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Trust's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of June 30, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of June 30, 2017, the Trust's disclosure controls and procedures were effective in causing material information relating to the Trust to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures with SEC disclosure obligations.

Changes in Internal Control Over Financial Reporting

There were no changes in the Trust's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2017 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Education Realty Operating Partnership, LP

Evaluation of Disclosure Controls and Procedures

The Operating Partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's filings under the Exchange Act is recorded, processed, summarized and reported

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

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of June 30, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of June 30, 2017, the Operating Partnership's disclosure controls and procedures were

effective in causing material information relating to the Operating Partnership to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures with SEC disclosure obligations.

Changes in Internal Control Over Financial Reporting

There were no changes in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2017 that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II - Other Information

Item 1. Legal Proceedings.

We are not currently a party to, nor are any of our communities the subject of, pending material legal proceedings. In the normal course of business, the Trust is subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain the ultimate outcome of such matters, in management's opinion, the liabilities, if any, are not expected to have a material effect on our financial position, results of operations or liquidity.

Item 1A. Risk Factors

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

The discussion of the Trust's business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, which describes various risks and uncertainties to which we are or may be subject. These risks and uncertainties have the potential to affect the Trust's business, financial condition, results of operations, cash flows and prospects in a material adverse manner.

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

Issuer Repurchases of Equity Securities

During the six months ended June 30, 2017, certain of our employees surrendered shares of common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with vesting of restricted shares of common stock and restricted stock units issued under the Education Realty Trust, Inc. 2011 Omnibus Equity Incentive Plan (the "2011 Plan"). There were no repurchases during the three months ended June 30, 2017.

The following table summarizes all of these repurchases during the second quarter of 2017:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 – 30, 2017	—	\$ —	—	—
May 1 – 31, 2017	—	\$ —	—	—
June 1 – 30, 2017	—	\$ —	—	—
Total	—	\$ —	—	—

⁽¹⁾ These amounts represent shares surrendered by certain employees to satisfy statutory minimum federal and state tax obligations in connection with the vesting of restricted shares of common stock and restricted stock units.

Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan

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

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

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

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

During the three months ended June 30, 2017, in connection with the DRSP, we directed the plan administrator to purchase 354 shares of our common stock in the open market for a total of \$13,458 pursuant to the dividend reinvestment component of the DRSP with respect to our dividend for the second quarter of 2017. We also directed the plan administrator to purchase 194 shares of our common stock for \$7,705 in the aggregate in the open market for investors pursuant to the direct stock purchase component of the DRSP. The following chart summarizes these purchases of our common stock for the three months ended June 30, 2017.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 – 30, 2017	84	\$ 40.26	—	—
May 1 – 31, 2017	411	\$ 37.99	—	—
June 1 – 30, 2017	53	\$ 39.56	—	—
Total	548	\$ 38.62	—	—

⁽¹⁾ All shares of common stock were purchased in the open market pursuant to the terms of our DRSP. Our Board of Directors authorized the issuance of 4,000,000 shares of common stock under the DRSP.

Recent Sales of Unregistered Securities

None.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

Education Realty Trust, Inc.

Date: July 31, 2017 By: /s/ Randy Churchey

Randy Churchey

Chief Executive Officer and Chairman of the Board of Directors

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

Edwin B. Brewer, Jr.

Executive Vice President and Chief Financial Officer

SIGNATURES

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

Education Realty Operating Partnership, LP

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

Date: July 31, 2017 By: /s/ Randy Churchey

Randy Churchey

Chief Executive Officer and Chairman of the Board of Directors

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

Edwin B. Brewer, Jr.

Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	<u>Second Articles of Amendment and Restatement of Education Realty Trust, Inc., as supplemented (Incorporated by reference to Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q, filed on November 7, 2014).</u>
3.2	<u>Amended and Restated Bylaws of Education Realty Trust, Inc., as amended (Incorporated by reference to Exhibit 3.2 to the Trust's Quarterly Report on Form 10-Q, filed on November 7, 2014).</u>
3.3	<u>Amendment No. 2 to the Amended and Restated Bylaws of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K, filed on March 6, 2017).</u>
4.1	<u>Form of Certificate for Common Stock of Education Realty Trust, Inc. (Incorporated by reference to Exhibit 4.1 to the Trust's Annual Report on Form 10-K, filed on March 16, 2010).</u>
4.2	<u>Indenture by and among Education Realty Operating Partnership, LP, Education Realty Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee, dated November 7, 2014 (Incorporated by reference to Exhibit 4.6 the Trust's and the Operating Partnership's joint Registration Statement on Form S-3 (File No. 333-199988), filed on November 7, 2014).</u>
4.3	<u>First Supplemental Indenture by and among Education Realty Operating Partnership, LP, Education Realty Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Trust's and the Operating Partnership's Current Report on Form 8-K, filed on November 25, 2014).</u>
10.1	<u>Education Realty Trust, Inc. 2017 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-217895), filed on May 11, 2017).</u>
31.1	<u>Education Realty Trust, Inc. - Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
31.2	<u>Education Realty Trust, Inc. - Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
31.3	<u>Education Realty Operating Partnership, LP - Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
31.4	<u>Education Realty Operating Partnership, LP - Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
32.1	<u>Education Realty Trust, Inc. - Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
32.2	<u>Education Realty Trust, Inc. - Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
32.3	<u>Education Realty Operating Partnership, LP - Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
32.4	<u>Education Realty Operating Partnership, LP - Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
101.	INS XBRL Instance Document**
101.	SCH XBRL Taxonomy Extension Schema Document**
101.	CAL XBRL Taxonomy Extension Calculation Linkbase Document**
101.	LAB XBRL Taxonomy Extension Label Linkbase Document**
101.	PRE XBRL Taxonomy Extension Presentation Linkbase Document**
101.	DEF XBRL Taxonomy Extension Definition Linkbase Document**

* Filed herewith.

** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016, (ii) the unaudited Condensed Consolidated Statements of Income and

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Comprehensive Income for the three and six months ended June 30, 2017 and 2016, (iii) the unaudited Condensed Consolidated Statements of Changes in Equity for the six months ended June 30, 2017 and 2016, (iv) the unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 and (v) the Notes to Condensed Consolidated Financial Statements (unaudited).