

Education Realty Trust, Inc.
Form 10-K
March 04, 2008

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

(Mark One)

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

For the fiscal year ended December 31, 2007

Or

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

For the transition period from

to

Commission file number: 001-32417

Education Realty Trust, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

**(State or other jurisdiction of
incorporation or organization)**

20-1352180

**(I.R.S. Employer
Identification No.)**

530 Oak Court Drive, Suite 300

Memphis Tennessee

(Address of principal executive offices)

38117

(Zip Code)

Registrant's telephone number, including area code: (901) 259-2500

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

Title of class

Common Stock, \$.01 par value per share

Name of exchange on which registered

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

No

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 twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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Indicate by check mark if the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes No
As of June 30, 2007, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$397 million, based on the closing sales price of \$14.03 per share as reported on the New York Stock Exchange. (For purposes of this calculation all of the registrant's directors and executive officers are deemed affiliates of the registrant.)

As of February 28, 2008, the Registrant had 28,506,966 shares of common stock outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

The Registrant incorporates by reference portions of its Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders into Part III of this Form 10-K to the extent stated herein.

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this document and in the documents that are or will be incorporated by reference into this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things discussion and analysis of the financial condition of Education Realty Trust, Inc., our strategic plans and objectives, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Annual Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Annual Report include changes in general economic conditions, changes in real estate conditions, construction costs that may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. The forward-looking statements should be read in light of these factors and the factors identified in Item 1A Risk Factors below.

EDUCATION REALTY TRUST, INC. FISCAL 2007 FORM 10-K

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PART I

Item 1. Business.

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

Our Company

Education Realty Trust, Inc., which we refer to as EDR or the Trust, is a self-managed and self-advised real estate investment trust, or REIT, organized in July 2004 to develop, acquire, own and manage high quality student housing communities located near university campuses. We were formed to continue and expand upon the student housing business of Allen & O Hara, Inc., or the EDR Predecessor, a company with over 40 years of experience as an owner, manager and developer of student housing. As of December 31, 2007, we own 39 student housing communities located in 17 states containing 24,463 beds in 7,466 apartment units located near 32 universities. As of December 31, 2007, we provide third-party management services for 27 student housing communities located in 11 states containing 15,453 beds in 4,750 apartment units at 20 universities. We also provide third-party development consulting services on student housing development projects mostly for universities but also for our own ownership and other third parties.

Initial Public Offering and Formation Transactions

On January 31, 2005, or the Closing Date, we sold 21,850,000 shares of our common stock at an offering price of \$16.00 per share, including the sale of 2,850,000 shares in connection with the full exercise of the over-allotment option by the underwriters of our initial public offering, or the Offering. Simultaneous with the Offering, we completed our Formation Transactions, which included the contribution of the student housing business of the EDR Predecessor and its subsidiaries, purchase of the related minority interests in the EDR Predecessor and its subsidiaries and the acquisition of 14 student housing communities previously owned by JPI Investment Company, L.P. and its affiliates, or JPI. The net proceeds of the Offering after expenses were approximately \$320,400.

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

We are the sole general partner of our Operating Partnership. As a result, our board of directors effectively directs all of our Operating Partnership's affairs. We own 96.0% of the outstanding partnership units of our Operating Partnership, and 3.1% of the partnership units are held by the former owners of our initial properties and assets, including members of our management team. Some of our officers also own an indirect interest in our Operating Partnership, which we refer to as profits interest units, which is held through ownership of units in Education Realty Limited Partner, LLC, a Delaware limited liability company controlled by us and that holds 0.9% of the aggregate interests in our Operating Partnership.

Since the Closing Date, University Towers Operating Partnership, LP, or the University Towers Partnership, which is our affiliate, has held, owned and operated our University Towers property located in Raleigh, North Carolina. We own 67.0% of the units in the University Towers Partnership, and 33.0% of the University Towers Partnership is held by the former owners of our initial properties and assets including members of our management team.

REIT Status and Taxable REIT Subsidiary

We have elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes. With the exception of income from our taxable REIT subsidiary or TRS, income earned under the REIT is not subject to income taxes. In order to qualify as a REIT, a specified percentage of our gross income must be derived from real property sources, which would generally exclude our income from providing development and management services to third parties as well as our income from certain services afforded to our student-tenants. In order to avoid realizing such income in a manner that would adversely affect our ability to qualify as a REIT, we provide some services through our Management Company and our Development Company, with our Management Company electing, together with us, to be treated as our TRS. Our

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Management Company is wholly owned and controlled by our Operating Partnership, and our Management Company wholly owns our Development Company. Our Development Company is a disregarded entity for federal income tax purposes and all assets owned and earned by our Development Company are deemed to be owned and earned by our Management Company.

Business and Growth Strategy

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

Acquisition Strategy

We seek to acquire high quality, well-designed and well-located properties, with a focus on off-campus garden-style communities with modern floor plans and amenities. Our ideal acquisition targets generally are located in markets that have stable or increasing student populations and an insufficient supply of student housing. We also seek to acquire investments in student housing communities that possess sound market fundamentals but are under-performing and would benefit from re-positioning, renovation and/or improved property management. We consider the following property and market factors to identify potential property acquisitions:

university and campus reputation;

competitive admissions criteria;

limited number of on-campus beds and limited plans for expansion;

distance of property from campus;

property unit mix;

competition;

significant out-of-state enrollment;

past operating performance;

potential for improved management;

ownership and capital structure;

presence of desired amenities;

maintenance and condition of the property;

access to a university-sponsored or public transportation line; and

parking availability.

In addition to the initial properties that we acquired on the Closing Date, we acquired an additional five properties in individual transactions throughout 2005. The five transactions had an aggregate purchase price of approximately \$119,800 including the assumption of mortgage debt totaling \$48,700. In January 2006, we acquired 13 student housing properties referred to as the Place Portfolio for \$205,000, which includes the assumption of mortgage debt of

\$98,660, and in June 2006, we also acquired the Players Club property in Statesboro, Georgia for a purchase price of \$12,900. Furthermore, in 2006 our senior management team utilized existing relationships with equity investors to acquire University Village Towers in Riverside, California, The Reserve on Stinson in Norman, Oklahoma and Fontainebleu in Santa Barbara, California through joint venture arrangements. In 2007, the development and construction of University Village in Greensboro, North Carolina was completed under a joint venture arrangement and the Trust will continue to hold an interest in the property going forward. Under the joint venture agreements, we hold a minority ownership interest in the properties and earn a fee for the management of the properties. This strategy enables us to accretively diversify our portfolio by expanding into geographic markets where we are not currently present with lower capital requirements than if we acquired the properties on our own. We expect to continue pursuing these types of arrangements in the future.

Also in 2007, we acquired land in Carbondale, Illinois and began construction on a student housing community near Southern Illinois University. This represents the first community EDR is developing and building for its own ownership since becoming a public company.

Operating Strategy

We seek to maximize funds from the operations of the student

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housing communities that we own and manage through the following operational strategies.

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

establishing internal controls and procedures for cost control consistently throughout our communities;

operating with flat property-level management structures, minimizing multiple layers of management;

negotiating service-level pricing arrangements with national and regional vendors and requiring corporate-level approval of service agreements for each community; and

conducting an annual assessment of the costs and effectiveness of each of our marketing strategies in order to place greater emphasis on lower cost/high-impact initiatives.

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

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

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

Third-Party Services

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

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

Third-party management services

We provide third-party management services for student housing communities owned by educational institutions, charitable foundations and others. Our management services typically cover all aspects of operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. These services are comparable to the services that we provide for our owned properties. We typically provide these services pursuant to multi-year management contracts that have an initial term between five and ten years. We believe that providing these services allows

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us to increase cash flow with little incremental cost by leveraging our existing management expertise and infrastructure. For the year ended December 31, 2007, our fees from third-party management services, excluding operating expense reimbursements represented 3.1% of our revenues.

The following table presents certain summary information regarding the student housing communities that we managed for other owners as of December 31, 2007:

Property	University	# of Beds	# of Units
On-campus properties			
University Park Calhoun Street Apartments	University of Cincinnati	747	288
Reinhard Villages	Clarion University of Pennsylvania	656	180
University Park	Salisbury University (Maryland)	578	145
University Park Phase II	Salisbury University (Maryland)	312	108
Bettie Johnson Hall	University of Louisville	490	224
Herman & Heddy Kurz Hall	University of Louisville	402	224
Billy Minardi Hall	University of Louisville	38	20
Community Park	University of Louisville	358	101
University Village	California State University San Marcos	620	126
Arlington Park Apartments	University of Northern Colorado	394	179
Blazer Hall	University of Alabama Birmingham	753	190
Total on-campus		5,348	1,785
Off-campus properties			
Granville Towers	University of North Carolina at Chapel Hill	1,321	349
Illini Tower	University of Illinois at Champaign	725	206
Honeysuckle Apartments	Bloomsburg University of Pennsylvania	407	104
Evergreen Commons	Lock Haven University of Pennsylvania	408	108
Campus Village	University of Colorado Denver	685	210
The College Inn	North Carolina State University	440	121
Village at Chandler Crossing I	Michigan State & Central Michigan University	732	252
Village at Chandler Crossing II	Michigan State & Central Michigan University	336	84
The Club at Chandler Crossing	Michigan State & Central Michigan University	768	210
Landing at Chandler Crossing	Michigan State & Central Michigan University	936	306
The Village at Bluegrass	University	744	228
Upper Eastside Lofts	Sacramento State University	408	132
University Village (1)	University of North Carolina - Greensboro	600	203
University Village Towers (1)	University of California - Riverside	548	149
The Reserve on Stinson (1)	University of Oklahoma	612	204
Fontainebleu (1)	University of California - Santa Barbara	435	99
Total off-campus		10,105	2,965
Totals (for both on- and off-campus)		15,453	4,750

- (1) EDR holds a minority interest in the community.

Third-party development consulting services

We provide third-party development consulting services primarily to universities seeking to modernize their on-campus student housing communities but also to other third-party investors. Our development consulting services typically include the following:

market analysis and evaluation of housing needs and options;

cooperation with university in architectural design;

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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.

By providing these services, we are able to observe emerging trends in student housing development and market acceptance of unit and community amenities. Our development consulting services also provide us with opportunities to obtain additional third-party property management contracts. Of the 25 student housing communities we have provided development-consulting services to since 2000, the property owners have awarded us third-party management services contracts for 15 with 10 universities electing to manage the communities in house under their existing infrastructure. In 2007, our fees from third-party development consulting services, excluding operating expense reimbursements, represented 4.9% of our revenues.

Since 2000, we have provided third-party development consulting services to clients for projects totaling over \$1,000,000 in value. We are currently providing third-party development services to Slippery Rock University of Pennsylvania, Indiana University of Pennsylvania, and to third parties near the University of Michigan, Ann Arbor and the University of California Santa Barbara pursuant to signed definitive contracts. The aggregate project cost of these four projects is approximately \$191,500. Additionally, we are providing pre-development, construction and management consulting services on a new project at West Chester University of Pennsylvania and an additional phase at Indiana University of Pennsylvania. In aggregate, these total approximately \$154,000 in project costs. We typically are notified that we have been awarded development consulting services projects on the basis of a competitive award process and thereafter begin to work on the project. In the case of tax exempt bond financed projects, definitive contracts are not executed until bond closing.

Our Operations

We staff each of our owned and managed student housing communities with a full-service property management team. We typically staff each property with one Community Manager, a marketing/leasing manager, a student accounts manager, a resident services director, a maintenance supervisor, one on-site resident Community Assistant for each 50-85 students and general office staff. Each property management team markets, leases and manages the community with a focus on maximizing its profitability. In addition, each property management team is trained to provide social and developmental opportunities for students, enhancing the students' college experiences as well as the desirability of our communities.

We have developed policies and procedures to carefully select and develop each team of on-site employees and to provide each team with corporate-based support for each essential operating area, including lease administration, sales/marketing, community and university relations, student life administration, maintenance and loss prevention, accounting, human resources/benefits administration and information systems. The corporate level personnel responsible for each of these areas support each community manager's leadership role, and are available as a resource to the community managers around the clock.

Residence Life and Student Development

Our corporate director of residence life and student personnel development designs and directs our residence life program. Our programs are developed at the corporate level and implemented at each community by our community assistants, together with our other on-site personnel. We provide educational, social and recreational activities

designed to help students achieve academic goals, promote respect and harmony throughout the community, and help bridge interaction with the respective university. Examples of our residence life and student development programs include:

community-building and social activities geared to university-related events, holidays, public safety and education;

study and attention skills counseling;

career development, resume writing and employment search skill training;

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sponsorship of intramural sport teams, academic clubs and alumni-based activities;

parent and resident appreciation events;

community service activities including recycling, blood drives, food drives and student volunteer committees;

lectures focused on social issues, including effective communication, multi-cultural awareness and substance abuse;

university outreach activities; and

voter registration, enrollment and education.

The Community Assistants perform key roles in the administrative functioning of the community and interface with students through constructive programs, activities and listening to student interests and concerns. Our on-site leadership selects students to serve as Community Assistants who meet criteria established by our corporate director of residence life and student personnel development.

Marketing

We begin our annual marketing campaign by thoroughly segmenting the student population attending each of the primary universities where our student housing communities are located, and compiling market surveys of comparable student apartment properties. With this information in hand, we formulate a marketing/sales strategy that consists of a renewal campaign for current residents and a broader campaign directed at the eligible student population. We assess university regulations regarding housing requirements to avoid targeting markets in which significant numbers of students are not eligible to live off-campus until they achieve certain credit hour levels.

We begin our renewal campaign between November and January of each year. Signage, direct mailings to the students and their parents, appreciation parties and staff selling incentives are key elements of the renewal campaign. The Community Assistant team plays a key role in communicating the renewal message throughout their assigned property area. We use a database of current resident demographic data to direct sales information to primary feeder high schools, particularly where new freshmen are eligible to live off-campus. Other database criteria include gender, high school location, prior apartment community, academic class standing, field of study and activity preferences.

We appeal to the greater university population through theme-based newspaper advertising campaigns, open house activities, housing fairs conducted by the university and, where effective, web-based advertising. Our Community Assistant staff targets certain university-sponsored on-campus events to distribute handouts displaying our logo and offering incentives to visit our sales center. Wherever possible, our student housing communities appear on university websites in listings of off-campus housing options, together with banner advertising where available.

Leasing

Our standard lease begins in August and runs for approximately 11.5 months, ending July 31 or early August to coincide with the university's fall academic term. The primary exception to our standard lease term is our University Towers community, which we generally rent on nine-month academic year leases. Our standard lease is an agreement between the student and parental guarantor, and the specific student housing community. All leases are for a bed, in a private or shared bedroom, with rights to share common areas within the unit and throughout the community. The individual lease is a strong selling attraction as it limits a student's liability to the rental for one bedroom instead of burdening the student with shared liability for the entire unit rental amount.

We lease our units by floor plan type using internally-generated occupancy spreadsheets to maximize full leasing of entire units, avoiding spotty vacancies particularly in the four-bedroom units. We offer roommate-matching services to facilitate full occupancy. We develop wait lists and monitor popular floor plans that fill to capacity early in the leasing season. If any fully vacant units remain available after the beginning of any academic semester, we seek to lease such units on a temporary basis to university-related visitors and our tenants' parents and family members, or keep them available for future leasing to students.

Unlike conventional apartment communities that have monthly move-outs and renewals, our student housing community occupancies remain relatively stable throughout the academic year, but must be entirely re-leased at the beginning of each academic year. Because of the nature of leasing to students, we are highly dependent upon the success of our marketing and leasing efforts during the annual leasing season, generally

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November through August. Our leasing staff undergoes intensive annual professional training to maximize the success of our leasing efforts.

We typically require rent to be paid in 12 equal monthly payments throughout the lease term, with the first installment due on July 1. Residents of University Towers and residence halls that we manage for third parties typically pay their annual rent in two installments on July 1 and December 1. We replace contracted students who fail to pay the first installment with students on our waiting list or from walk-in traffic while the market is still active with students seeking housing at the commencement of the academic year.

Strategic Relationships

We assign high priority to establishing and nurturing relationships with the administration of each of the primary universities where our student housing communities are located. Our corporate staff establishes this network, and on-site management then sustains it with follow-up by corporate staff during routine visits to the community. As a result of our strategic relationships, universities often refer their students to our properties, thus enhancing our leasing effort throughout the year. These networks create goodwill for our student housing communities throughout the university administration, including departments of admissions, student affairs, public safety, athletics and international affairs.

Most universities promote off-campus housing alternatives to their student population. It is our intention to be among the most preferred off-campus residences and for universities to include our communities in listings and literature provided to students. We seek to obtain student mailing lists and to be featured in Internet-based student housing listings wherever permitted by the institution and incorporate these initiatives into our marketing efforts. Our Community Managers make scheduled personal visits with academic departments to further our community exposure at this level.

Our senior management team has developed long-standing relationships with developers, owners and brokers of student housing properties that allow us to identify and capitalize on acquisition opportunities. As a result, we have generated an internal database of contacts that we use to identify and evaluate acquisition candidates. As it is our intention to develop a diverse portfolio of student housing communities, we also develop strategic relationships with equity investors in order to pursue acquisitions through joint venture arrangements. Acquisitions, through joint venture arrangements, allow us to obtain a minority interest in student housing communities in geographic markets where we are not currently present with less capital than if we acquired the properties on our own.

Competition

Competition from universities

We compete for student tenants with the owners of on-campus student housing, which is generally owned by educational institutions or charitable foundations. Educational institutions can generally avoid real estate taxes and borrow funds at lower interest rates, while we and other private sector operators pay full real estate tax rates and have higher borrowing costs. The competitive advantages of on-campus student housing also include its physical proximity to the university campus and captive student body. Many universities have policies requiring students to live in their on-campus facilities during their freshman year.

On-campus housing is limited, however, and most universities are able to house only a small percentage of their students. As a result, educational institutions depend upon, and may serve as referral sources for, private providers of off-campus housing. In addition, off-campus housing facilities tend to offer more relaxed rules and regulations than on-campus properties and therefore tend to be more appealing to students. Off-campus student housing offers freedom from restrictions such as quiet hours or gender visitation limitations, and is especially appealing to upperclassmen who are transitioning towards their independence.

Competition from private owners

We compete with several regional and national owner-operators of off-campus student housing, including two publicly-traded competitors, GMH Communities Trust (GCT) and American Campus Communities, Inc. (ACC). We also compete with privately held developers and other real estate firms and in a number of markets with smaller local owner-operators. Currently, the industry is fragmented with no participant holding a dominant market share. We believe that a number of other large national companies with substantial financial resources may be potential entrants in the student housing business. The entry of one or more of these companies could increase competition for students

and for the acquisition,

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management and development of student housing properties.

Employees

At December 31, 2007, we had approximately 1,196 employees, including:

1,110 on-site employees, including 448 Community Assistants;

17 people in our property management services department;

14 people in our development consulting services department; and

55 executive, corporate administration and financial personnel.

Our senior management team has over 200 years of collective experience working together in the EDR Predecessor's student housing business. Our management team's in-depth knowledge of the student housing industry results from hands-on experiences. Several of our executive officers began their careers as student-tenant employees or community managers responsible for managing individual student housing communities. The following table demonstrates our management team's extensive experience in the student housing industry:

Key Employees	Title	Number of Years
Paul O. Bower	Chairman, Chief Executive Officer and President	38
Craig L. Cardwell	President of Allen & O'Hara Education Services, Inc.	36
Thomas J. Hickey	Senior Vice President of Allen & O'Hara Education Services, Inc.	35
Wallace L. Wilcox	Vice President of Construction	27
William W. Harris	President of Allen & O'Hara Development Company	25
Thomas Trubiana	Senior Vice President and Chief Investment Officer	31
Susan B. Arrison	Vice President of Human Resources	17
Randall H. Brown	Executive Vice President and Chief Financial Officer	8

NYSE Certifications

Our CEO certified to the New York Stock Exchange in 2007 that we were in compliance with the NYSE listing standards. Our CEO and CFO have executed the certifications required by section 302 of the Sarbanes-Oxley Act of 2002, which are contained herein as exhibits to this Form 10-K for the fiscal year ended December 31, 2007.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all employees. It is available in the corporate governance section of our investor website at www.educationrealty.com.

Available Information

EDR files annual and periodic reports with the Securities and Exchange Commission, or the SEC. All filings made by EDR with the SEC may be copied or read at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC as the Company does. The website is <http://www.sec.gov>.

Additionally, a copy of this Annual Report on Form 10-K, along with EDR's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on EDR's website, www.educationrealty.com, free of charge. The filings can be found in the SEC filings section of our website. EDR's website also contains its Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the committees of the Board of Directors. These items can be found in the Corporate Governance section of our website. Reference to the Company's website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this document. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Education Realty Trust, Inc., 530

Oak Court Drive, Suite 300, Memphis, Tennessee 38117.

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Item 1A. Risk Factors.

Risks related to our properties and our business

Our results of operations are subject to the following risks inherent in the student housing industry: annual leasing cycle, concentrated lease-up period, seasonal cash flows and increased risk of student defaults during the summer months of a twelve-month lease.

We generally lease our properties under 11.5 month leases, but we may also lease for terms of nine months or less. As a result, we may experience significantly reduced cash flows during the summer months at properties leased for terms shorter than twelve months. In addition, students leasing under twelve-month leases may be more likely to default on their rental payments during the summer months. Although we typically require a student's parents to guarantee the student's lease, we may have to spend considerable effort and expense in pursuing payment upon a defaulted lease, and our efforts may not be successful. Furthermore, all of our properties must be entirely re-leased each year, exposing us to increased leasing risk. In addition, we are subject to increased leasing risk on properties that we acquire that we have not previously managed due to our lack of experience leasing those properties and unfamiliarity with their leasing cycles. Student housing communities are typically leased during a leasing season that begins in November and ends in August of each year. We are therefore highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this season. Prior to the commencement of each new lease period, mostly during the first two weeks of August but also during September at some communities, we prepare the units for new incoming tenants. Other than revenue generated by in-place leases for returning tenants, we do not generally recognize lease revenue during this period referred to as "Turn" as we have no leases in place. In addition, during Turn we incur significant expenses making our units ready for occupancy, which we recognize immediately. This lease Turn period results in seasonality in our operating results during the third quarter of each year.

Our use of debt financing reduces cash available for distribution and may expose us to the risk of default under our debt obligations.

Our charter and bylaws impose no limitation on the amount of debt we may incur. Our debt service obligations expose us to the risk of default and reduce (or eliminate) cash resources that are available to operate our business. On March 30, 2006, we amended and restated our revolving credit facility and the Operating Partnership entered into a \$50,000 senior unsecured term loan. On June 8, 2007, we prepaid the entire balance outstanding on the unsecured term loan. The amended credit facility has substantially the same terms as the original facility, including \$100,000 of availability and customary affirmative and negative covenants. The amount available to us and our ability to borrow from time to time under this facility is subject to certain conditions and the satisfaction of specified financial covenants, which include limiting distributions to our stockholders. If the income generated by our properties and other assets fails to cover our debt service, we would be forced to reduce or eliminate distributions to our stockholders and may experience losses. Our level of debt and the operating limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

we may be unable to borrow additional funds as needed or on favorable terms;

we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

we may default on our payment or other obligations as a result of insufficient cash flow or otherwise, and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases; and

foreclosures could create taxable income without accompanying cash proceeds, a circumstance that could hinder our ability to meet the REIT distribution requirements.

We face significant competition from university-owned student housing and from other private student housing communities located within close proximity to universities.

Many students prefer on-campus housing to off-campus housing because of the closer physical proximity to campus and integration of on-campus facilities into the academic community. Universities can generally avoid real estate taxes

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and borrow funds at lower interest rates, while we and other private-sector operators pay full real estate tax rates and have higher borrowing costs. Consequently, universities often can offer more convenient and/or less expensive student housing than we can, which can adversely affect our occupancy and rental rates.

We also compete with other national and regional owner-operators of off-campus student housing in a number of markets as well as with smaller local owner-operators. There are a number of purpose-built student housing properties that compete directly with us located near or in the same general vicinity of many of our student housing communities. Such competing student housing communities may be newer than our student housing communities, located closer to campus, charge less rent, possess more attractive amenities, or offer more services, shorter lease terms or more flexible leases. The construction of competing properties or decreases in the general levels of rents for housing in competing properties could adversely affect our rental income.

We believe that a number of other large national companies may be potential entrants in the student housing business. In some cases, these potential competitors possess substantially greater financial and marketing resources than we do. The entry of one or more of these companies could increase competition for student tenants and for the acquisition, development and management of other student housing communities.

We may not be able to recover our costs for our development consulting services.

We typically are awarded development consulting services business on the basis of a competitive award process, but definitive contracts are typically not executed until the formal approval of the institution's governing body at the completion of the process. In the intervening period, we may incur significant predevelopment and other costs in the expectation that the development consulting services contract will be executed. These costs could range up to \$2,000 or more per project and typically include architects' fees to design the property and contractors' fees to price the construction. We typically seek to enter into a reimbursement agreement with the institution that requires the institution to provide a guarantee of our advances. However, we may not be successful in negotiating such an agreement. In addition, if an institution's governing body does not ultimately approve our selection and the underlying terms of a pending development, we may not be able to recover these costs from the institution. In addition, when we are awarded development consulting business, we generally receive 50% of our fees at the time the project is financed, and the remainder is generally paid in monthly installments thereafter. As a result, the recognition and timing of revenues will, among other things differ from the timing of payments and be contingent upon the project owner's successful structuring and closing of the project financing as well as the timing of construction.

We may not be able to recover internal development costs.

When developing student housing communities for our ownership on University land, definitive contracts are not executed until the formal approval of the transaction by the institution's governing body at the completion of the process. In the intervening period, we may incur significant predevelopment and other costs in the expectation that a ground lease will be executed. These costs could range up to \$1,000 or more and typically include architects' fees to design the property and third party fees related to other predevelopment services. If an institution's governing body does not ultimately approve the lease we will not be able to recover these predevelopment costs.

We may be unable to take advantage of certain disposition opportunities because of additional costs we have agreed to pay if we sell certain of our properties in taxable transactions for a period of five years.

On the Closing Date, we issued University Towers Partnership units for our interest in University Towers. So long as the contributing owners of such property hold at least 25% of the University Towers Partnership units that they received on the Closing Date, we have agreed to maintain certain minimum amounts of debt on the properties so as to avoid triggering gain to the contributing owners. If we fail to do this, we will owe to the contributing owners the amount of taxes that they incur. In each case, the amount of tax is computed assuming the highest federal and state rates. As a result, these agreements may preclude us from selling the restricted properties at the optimal time.

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We rely on our relationships with universities, and changes in university personnel and/or policies could adversely affect our operating results.

In some cases, we rely on our relationships with universities for referrals of prospective tenants or for mailing lists of prospective tenants and their parents. The failure to maintain good relationships with personnel at these universities could therefore have a material adverse effect on us. If universities refuse to make their lists of prospective student-tenants and their parents available to us or increase the costs of these lists, the increased costs or failure to obtain such lists could also have a material adverse effect on us.

We may be adversely affected by a change in university admission policies. For example, if a university reduces the number of student admissions, the demand for our properties may be reduced and our occupancy rates may decline. In addition, universities may institute a policy that a certain class of students, such as freshmen, must live in a university-owned facility, which would also reduce the demand for our properties. While we may engage in marketing efforts to compensate for such policy changes, we may not be able to effect such marketing efforts prior to the commencement of the annual lease-up period or at all.

Our growth will be dependent upon our ability to acquire and/or develop, lease, integrate and manage additional student housing communities successfully.

We cannot assure you that we will be able to identify real estate investments, including joint ventures, that meet our investment criteria, that we will be successful in completing any acquisition we identify or that any acquisition we complete will produce a return on our investment.

Our future growth will be dependent upon our ability to successfully acquire new properties and enter into joint ventures on favorable terms, which may be adversely affected by the following significant risks:

- we may be unable to acquire a desired property at all or at a desired purchase price because of competition from other purchasers of student housing;

- many of our future acquisitions are likely to be dependent on external financing, and we may be unable to finance an acquisition on favorable terms or at all;

- we may be required to incur significant capital expenditures to improve or renovate acquired properties;

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

- we may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of the properties.

As we acquire additional properties, we will be subject to risks associated with managing new properties, including lease-up and integration risks. Newly acquired properties may not perform as expected, and newly acquired properties may have characteristics or deficiencies unknown to us at the time of acquisition.

Risks related to the real estate industry

Our performance and the value of our real estate assets are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make distributions to our stockholders depends on our ability to generate cash revenues in excess of expenses, scheduled debt service obligations and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties.

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These events include:

local oversupply of student housing units, increased competition or reduction in demand for student housing;

inability to collect rent from tenants;

vacancies or our inability to lease beds on favorable terms;

inability to finance property development and acquisitions on favorable terms;

increased operating costs, including insurance premiums, utilities, and real estate taxes;

costs of complying with changes in governmental regulations;

the relative illiquidity of real estate investments;

changing student demographics;

decreases in student enrollment at particular colleges and universities;

changes in university policies related to admissions;

national, regional and local economic conditions; and

rising interest rates.

We will depend heavily on the availability of equity and debt capital to fund our business.

In order to maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, as amended, which we refer to as the Code, to distribute annually at least 90% of our REIT taxable income, determined without regard to distributions paid and excluding any net capital gain. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, including any net capital gains, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under federal tax laws. Because of these distribution requirements, REITs are largely unable to fund capital expenditures, such as acquisitions, renovations, development and property upgrades from operating cash flow. Consequently, we will be largely dependent on the public equity and debt capital markets and private lenders to provide capital to fund our growth and other capital expenditures. We may not be able to obtain this financing on favorable terms or at all. Our access to equity and debt capital depends, in part, on:

general market conditions;

our current debt levels and the number of properties subject to encumbrances;

our current performance and the market's perception of our growth potential;

our cash flow and cash distributions; and

the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, satisfy our debt service obligations or make the cash distributions to our stockholders, including those necessary to maintain our qualification as a REIT.

Financing our future growth plan or refinancing existing debt maturities could be adversely impacted by negative capital market conditions.

Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the subprime mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater uncertainty regarding our ability to access the credit market in order to attract financing on reasonable terms, if at all. Our ability to finance our pending or new acquisitions as well as our ability to refinance debt maturities could be adversely affected by our inability to secure permanent financing on reasonable terms, if at all.

We have limited time to perform due diligence on many of our acquired properties, which could subject us to significant unexpected liabilities and under-performance of the acquired properties.

When we enter into an agreement to acquire a property, we often have limited time to complete our due diligence prior to

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acquiring the property. Because our internal resources are limited, we may rely on third parties to conduct a portion of our due diligence. To the extent these third parties or we underestimate or fail to identify risks and liabilities associated with the properties we acquire, we may incur unexpected liabilities, or the property may fail to perform in accordance with our projections. If, during the due diligence phase, we do not accurately assess the value of and liabilities associated with a particular property, we may pay a purchase price that exceeds the current fair value of the assets. As a result, material goodwill and other intangible assets would be recorded, which could result in significant charges to earnings in future periods. These charges, in addition to the financial impact of significant liabilities that we may assume, could seriously harm our financial and operating results, as well as our ability to pay dividends.

Certain losses may not be covered by insurance.

We carry insurance covering comprehensive liability, fire, earthquake, terrorism, business interruption, vandalism and malicious mischief, extended coverage perils, physical loss perils, commercial general liability, personal injury, workers compensation, business, automobile, errors and omissions, employee dishonesty, employment practices liability and rental loss with respect to all of the properties in our portfolio and the operation of our Management Company and Development Company. We also carry insurance covering flood (when the property is located in whole or in material part in a designated flood plain area) on some of our properties. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses (such as property damage from riots or wars, employment discrimination losses, punitive damage awards, or acts of God) that may be either uninsurable or not economically insurable. Some of our policies are subject to large deductibles or co-payments and policy limits that may not be sufficient to cover losses. In addition, we may discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Future terrorist attacks in the United States could harm the demand for and the value of our student housing communities.

Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, or threats of the same, could harm the demand for and the value of our properties. A decrease in demand in our markets would make it difficult for us to renew or re-lease our properties at rates equal to or above historical rates.

Terrorist attacks also could directly affect the value of our properties through damage, destruction, loss or increased security costs, and the availability or cost of insurance for such acts. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property, and an entity that arranges for the disposal or treatment of a hazardous or toxic substance or petroleum at another property may be held jointly and severally liable for the cost to investigate and clean up such property or other affected property. Such parties are known as potentially responsible parties, or PRPs. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. PRPs are liable to the government as well as to other PRPs who may have claims for contribution. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage, or adversely affect our ability to sell, lease or develop the real

property or to borrow

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using the real property as collateral. We do not carry environmental insurance on any of the properties in our portfolio. Environmental laws also impose ongoing compliance requirements on owners and operators of real property. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials, storage tanks, storm water and wastewater discharges, lead-based paint, wetlands and hazardous wastes. Failure to comply with these laws could result in fines and penalties and/or expose us to third-party liability. Some of our properties may have conditions that are subject to these requirements, and we could be liable for such fines or penalties and/or liable to third parties for those conditions.

We could be exposed to liability and remedial costs related to environmental matters.

Certain properties in our portfolio may contain, or may have contained, asbestos-containing building materials, or ACBMs. Environmental laws require that ACBMs be properly managed and maintained, and may impose fines and penalties on building owners and operators for failure to comply with these requirements. Also, certain properties may contain, or may have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Certain properties in our portfolio contain, or may have contained, elevated radon levels. Third parties may be permitted by law to seek recovery from owners or operators for property damage and/or personal injury associated with exposure to contaminants, including, but not limited to, petroleum products, hazardous or toxic substances and asbestos fibers. Also, some of the properties may contain regulated wetlands that can delay or impede development or require costs to be incurred to mitigate the impact of any disturbance. Absent appropriate permits, we can be held responsible for restoring wetlands and be required to pay fines and penalties.

Some of the properties in our portfolio may contain microbial matter such as mold and mildew. The presence of microbial matter could adversely affect our results of operations. In addition, if any property in our portfolio is not properly connected to a water or sewer system, or if the integrity of such systems are breached, or if water intrusion into our buildings otherwise occurs, microbial matter or other contamination can develop. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. If this were to occur, we could incur significant remedial costs and we may also be subject to material private damage claims and awards. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. If we become subject to claims in this regard, it could materially and adversely affect us and our future insurability for such matters.

Independent environmental consultants conduct Phase I environmental site assessments on all of our acquisitions. Phase I environmental site assessments are intended to evaluate information regarding the environmental condition of the surveyed property and surrounding properties based generally on visual observations, interviews and certain publicly available databases. These assessments do not typically take into account all environmental issues including, but not limited to, testing of soil or groundwater or the possible presence of asbestos, lead-based paint, radon, wetlands or mold. The results of these assessments are addressed and could result in either a cancellation of the purchase, the requirement of the seller to remediate issues, or additional costs on our part to remediate the issue. None of the previous site assessments revealed any past or present environmental liability that we believe would be material to us. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the assessments were conducted or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

We cannot assure you that costs of future environmental compliance will not affect our ability to make distributions or that such costs or other remedial measures will not be material to us.

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We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. For example, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. We have not conducted an audit or investigation of all of our properties to determine our compliance with present ADA requirements. Noncompliance with the ADA or FHAA could result in the imposition of fines or an award for damages to private litigants and also could result in an order to correct any non-complying feature. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHAA or other legislation. If we incur substantial costs to comply with the ADA, FHAA or any other legislation, we could be materially and adversely affected.

In June 2001, the United States Department of Justice, or DOJ, notified JPI of an on-going investigation regarding possible violations of the ADA and the FHAA at various residential properties developed by JPI, mostly multi-family apartment communities. Of the 14 student housing communities we acquired from JPI on the Closing Date, one property is included in those reviewed by the DOJ to date. The DOJ has reviewed the property plans for this property but has not issued a report regarding its review. In October 2002, the DOJ indicated that the investigations were being delayed for an undetermined period of time. This investigation has not been resolved and, at this point, no conclusion can be reached regarding what will be required to conclude it or whether it will result in a dispute or legal proceedings with the DOJ. Noncompliance with the ADA and the FHAA could result in the imposition of injunctive relief, fines, awards of damages to private litigants or additional capital expenditures to remedy such noncompliance. We are unable to predict the outcome of the DOJ's investigation related to the JPI portfolio.

We may incur significant costs complying with other regulations.

The properties in our portfolio are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or be liable for private action money damages. Furthermore, existing requirements could change and require us to make significant unanticipated expenditures that would materially and adversely affect us.

Our potential participation in joint ventures presents additional risks.

We may co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we will not have sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers may become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers also may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our preferences, policies or objectives. Such investments also will have the potential risk of our reaching impasses with our partners or co-venturers on key decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our management team from focusing its time and effort exclusively on our business. In addition, we may in some circumstances be liable for the actions of our third-party partners or co-venturers.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or

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on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot ensure that we will have funds available to correct those defects or to make those improvements. In acquiring a property, we may agree to transfer restrictions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These transfer restrictions would impede our ability to sell a property even if we deem it necessary or appropriate.

Risks related to our organization and structure

To maintain our REIT status, we may be forced to limit the activities of our Management Company.

To maintain our status as a REIT, no more than 20% of the value of our total assets may consist of the securities of one or more taxable REIT subsidiaries, such as our Management Company. Some of our activities, such as our third-party management, development consulting and food services, must be conducted through our Management Company and Development Company for us to maintain our REIT qualification. In addition, certain non-customary services such as cleaning, transportation, security and, in some cases, parking, must be provided by a taxable REIT subsidiary or an independent contractor. If the revenues from such activities create a risk that the value of our Management Company, based on revenues or otherwise, approaches the 20% threshold, we will be forced to curtail such activities or take other steps to remain under the 20% threshold. Because the 20% threshold is based on value, it is possible that the Internal Revenue Service, or IRS, could successfully contend that the value of our Management Company exceeds the 20% threshold even if our Management Company accounts for less than 20% of our consolidated revenues, income or cash flow, in which case our status as a REIT could be jeopardized.

Our charter contains restrictions on the ownership and transfer of our stock.

Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (by value, by number of shares or by voting power, whichever is more restrictive) of the outstanding shares of our common stock or more than 9.8% (by value, by number of shares or by voting power, whichever is more restrictive) of all our outstanding shares, including both common and preferred stock. We refer to this restriction as the ownership limit. Generally, if a beneficial owner of our shares exceeds the ownership limit, such owner will be effectively divested of all ownership rights with respect to shares exceeding the limit and may suffer a loss on his or her investment.

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding stock and thereby subject certain shares to the ramifications of exceeding the ownership limit. Our charter, however, permits exceptions to be made to this limitation if our board of directors determines that such exceptions will not jeopardize our tax status as a REIT. This ownership limit could delay, defer or prevent a change of control or other transaction that might otherwise result in a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain tax and anti-takeover provisions of our charter and bylaws may inhibit a change of our control.

Certain provisions contained in our charter and bylaws and the Maryland General Corporation Law may discourage a third party from making a tender offer or acquisition proposal to us, or could delay, defer or prevent a change in control or the removal of existing management. These provisions also may delay or prevent our stockholders from receiving a premium for their shares of common stock over then-prevailing market prices. These provisions include:
the REIT ownership limit described above;

authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by our board of directors;

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the right of our board of directors, without a stockholder vote, to increase our authorized shares and classify or reclassify unissued shares; and

advance notice requirements for stockholder nomination of directors and for other proposals to be presented at stockholder meetings.

The Maryland business statutes also impose potential restrictions on a change of control of our Company.

Various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to our stockholders. Our bylaws exempt us from some of those laws, such as the control share acquisition provisions, but our board of directors can change our bylaws at any time to make these provisions applicable to us.

We have the right to change some of our policies that may be important to our stockholders without stockholder consent.

Our major policies, including our policies with respect to investments, leverage, financing, growth, debt and capitalization, are determined by our board of directors or those committees or officers to whom our board of directors has delegated that authority. Our board of directors also establishes the amount of any distributions that we make to our stockholders. Our board of directors may amend or revise the foregoing policies, our distribution payment amounts and other policies from time to time without a stockholder vote. Accordingly, our stockholders may not have control over changes in our policies.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors and officers liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and that is material to the cause of action. Our bylaws require us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, our stockholders and we may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

Our success depends on key personnel whose continued service is not guaranteed.

We depend upon the services of our key personnel, particularly Paul O. Bower, our Chairman, Chief Executive Officer and President, Randall H. Brown, our Executive Vice President and Chief Financial Officer, Thomas Trubiana, our Chief Investment Officer, and Craig L. Cardwell, our President of Allen & O Hara Education Services, Inc. Messrs. Bower, Trubiana and Cardwell each have been in the student housing business for over 30 years, and each of them has developed a network of contacts and a reputation that attracts business and investment opportunities and assists us in negotiations with universities, lenders and industry personnel. In addition, Mr. Brown possesses detailed knowledge of and experience with our financial and ancillary support operations that are critical to our operations and financial reporting obligations as a public company. We will continue to need to attract and retain qualified additional senior executive officers as we grow our business. The loss of the services of any of our senior executive officers, or our inability to recruit and retain qualified personnel could have a material adverse effect on our business and financial results.

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Federal income tax risks

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We intend to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT. If we lose our REIT status, we will face serious tax consequences that could substantially reduce the funds available for distribution to our stockholders for each of the years involved because:

we would not be allowed a deduction for distributions to stockholders in computing our taxable income, and such amounts would be subject to federal income tax at regular corporate rates;

we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, holds its assets through a partnership or a limited liability company. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and two gross income tests : (a) at least 75% of our gross income in any year must be derived from qualified sources, such as rents from real property, mortgage interest, distributions from other REITs and gains from sale of such assets, and (b) at least 95% of our gross income must be derived from sources meeting the 75% income test above, and other passive investment sources, such as other interest and dividends and gains from sales of securities. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding any net capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

We may be subject to federal and state income taxes that would harm our financial condition.

Even if we qualify and maintain our status as a REIT, we may become subject to federal income taxes and related state taxes. For example, if we have net income from a sale of dealer property or inventory, or, if our Management Company enters into agreements with us or our tenants on a basis that is determined to be other than an arm's length basis, that income will be subject to a 100% penalty tax. If we believe that a sale of a property might be treated as a prohibited transaction, we will attempt to structure a sale through a taxable REIT subsidiary, in which case the gain from the sale would be subject to corporate income tax but not the 100% prohibited transaction tax. We cannot assure you, however, that the IRS would not assert successfully that sales of properties that we make directly, rather than through a taxable REIT subsidiary, were sales of dealer property or inventory, in which case the 100% penalty tax will apply. In addition, we may not be able to make sufficient distributions to avoid corporate income tax and the 4% excise tax on undistributed income. We may also be subject to state and local taxes on our income or property, either directly or at the level of our Operating Partnership or the University Towers Partnership or at a level of the other entities through which we indirectly own our properties that would adversely affect our operating results.

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An investment in our common stock has various tax risks, including the treatment of distributions in excess of earnings and the inability to apply passive losses against distributions.

Distributions in excess of current and accumulated earnings and profits, to the extent that they exceed the adjusted basis of an investor's common stock, will be treated as long-term capital gain (or short-term capital gain if the shares have been held for less than one year). Any gain or loss realized upon a taxable disposition of shares by a stockholder who is not a dealer in securities will be treated as a long-term capital gain or loss if the shares have been held for more than one year, and otherwise will be treated as short-term capital gain or loss. Distributions that we properly designate as capital gain distributions will be treated as taxable to stockholders as gains (to the extent that they do not exceed our actual net capital gain for the taxable year) from the sale or disposition of a capital asset held for greater than one year. Distributions we make and gain arising from the sale or exchange by a stockholder of shares of our stock will not be treated as passive income, meaning stockholders generally will not be able to apply any passive losses against such income or gain.

Future distributions may include a significant portion as a return of capital.

Our distributions may exceed the amount of our income as a REIT. If so, the excess distributions will be treated as a return of capital to the extent of the stockholder's basis in our stock, and the stockholder's basis in our stock will be reduced by such amount. To the extent distributions exceed a stockholder's basis in our stock, the stockholder will recognize capital gain, assuming the stock is held as a capital asset.

Item 1B. Unresolved Staff Comments.

None.

Table of Contents**Item 2. Properties.****General**

As of December 31, 2007, our properties consisted of 39 communities located in 17 states containing 24,463 beds in 7,466 apartment units located near 32 universities. On January 6, 2006, we completed the acquisition of the 13 collegiate student housing communities with a combined total of 5,894 beds from Place Properties, L.P. of Atlanta, Georgia. Under terms of the transaction, Place Properties sold its owned portfolio to the Operating Partnership and then leased back the properties and operated them with the existing management teams under a renewable, initial five-year lease agreement with the Trust. On February 1, 2008, the lease was terminated early and the Trust began operating these properties.

Thirty-eight of our 39 properties are modern apartment communities, with clusters of low-rise buildings that consist of student housing units with private bedrooms and one or more bathrooms centered around a common area consisting of a fully furnished living room, dining room and fully-equipped kitchen. University Towers is a high-rise residence hall that has a cafeteria on the premises and no individual kitchens in the units. We provide food services through our Management Company to residents of University Towers. Our student housing communities typically contain a swimming pool, recreational facilities and common areas, and each bedroom has individualized locks, high-speed Internet access and telephone and cable television connections.

Our owned student housing communities typically have the following characteristics:

located in close proximity to university campuses (within two miles or less);

average age of approximately 9 years;

designed specifically for students with modern unit plans and amenities; and

supported by our long-standing Community Assistant program and other student-oriented activities and services that enhance the college experience.

Properties

The following tables provide certain summary information about our owned properties as of December 31, 2007 and 2006:

Name	Primary University Served	Year Built	Acquisition Date	# of Beds	# of Occupancy Units	Average Monthly Rate(1)	Year Ended December 31, 2007	
							Total Revenue (In thousands)	Revenue per Available Bed(2)
Owned and Operated								
NorthPointe	University of Arizona	1999	Jan 05	912	300	93.2%	\$ 326	\$ 358
The Reserve at Athens	University of Georgia	1999	Jan 05	612	200	99.6	237	387
The Reserve at Clemson	Clemson University	1999	Jan 05	590	177	92.3	185	313
Players Club	Florida State University Western Kentucky	1994	Jan 05	336	84	97.7	136	405
The Gables	University	1996	Jan 05	288	72	97.9	88	305
College Station University	Augusta State University North Carolina State	1989	Jan 05	203	61	68.7	40	195
Towers	University	1989	Jan 05	953	251	78.0	444(4)	466(4)

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The Pointe at South Florida Commons at Knoxville	University of South Florida	1999	Jan	05	1,002	336	92.3	389	388
The Commons	University of Tennessee	1999	Jan	05	708	211	98.0	307	433
The Reserve on Perkins	Florida State University	1997	Jan	05	732	252	93.9	248	339
The Reserve at Star Pass	Oklahoma State University	1999	Jan	05	732	234	94.4	229	313
The Pointe at Western College Station at W. Lafayette	University of Arizona	2001	Jan	05	1,020	336	94.2	373	366
Commons on Kinnear	Western Michigan University	2000	Jan	05	876	324	95.5	335	382
The Pointe	Purdue University	2000	Jan	05	960	336	95.2	331	345
The Reserve at Columbia	The Ohio State University	2000	Jan	05	502	166	96.0	230	459
The Reserve on Frankford	Pennsylvania State University	1999	Jan	05	984	294	98.8	380	386
	University of Missouri	2000	Jan	05	676	260	92.7	232	343
	Texas Tech University	1997	Jan	05	737	243	88.5	232	315

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Name	Primary University Served	Year Built	Acquisition Date	# of Beds	# of Occupancy Units	Year Ended December 31, 2007		
						Average Rate(1)	Monthly Total Revenue	Revenue per Available Bed(2)
								(In thousands)
The Lofts	University of Central Florida	2002	Jan 05	730	254	98.2	426	584
The Reserve on West 31st	University of Kansas	1998	Jan 05	720	192	92.6	234	325
Campus Creek	University of Mississippi	2004	Feb 05	636	192	97.1	265	417
Pointe West	University of South Carolina	2003	Mar 05	480	144	99.8	207	432
Campus Lodge	University of Florida	2001	Jun 05	1,116	360	96.4	593	531
College Grove	Middle Tennessee State University	1998	Apr 05	864	240	97.8	285	329
The Reserve on South College	Auburn University	1999	Jul 05	576	180	96.2	203	352
Players Club	Georgia Southern University	1993	Jun 06	624	214	78.8	182	292
Sub-total owned and operated								
		1998(3)		18,569	5,913	93.6(3)	\$ 7,137	\$ 384(3)
Owned and Leased Properties(5)								
Troy Place	Troy State University	2000	Jan 06	408	108			
Jacksonville Place	Jacksonville State University	2000	Jan 06	504	132			
Macon Place	Macon State College	1999	Jan 06	336	84			
Clayton Place	Clayton College & State University	1999	Jan 06	854	221			
River Place	State University of West Georgia	2000	Jan 06	504	132			
Murray Place	Murray State University	2000	Jan 06	408	108			
Cape Place	Southeast Missouri State University	2000	Jan 06	360	96			
Clemson Place	Clemson University	1998		288	96			

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			Jan 06		
Martin Place	University of Tennessee at Martin	2000	Jan 06	384	96
Berkeley Place	Clemson University	1999	Jan 06	480	132
Carrollton Place	State University of West Georgia	1998	Jan 06	336	84
Statesboro Place	Georgia Southern University	1999	Jan 06	528	132
Western Place	Western Kentucky University	2000	Jan 06	504	132

**Sub-total
owned and
leased
properties**

1999(3) 5,894 1,553

**Total owned
properties**

1999(3) 24,463 7,466

(1) Average of the physical month-end occupancy rates.

(2) Monthly revenue per available bed for 2007 is equal to total revenue for the year ended December 31, 2007 divided by the sum of the design beds (including staff and model beds) at the property each month. For properties acquired during the year, monthly revenue per available bed equals total

revenue for the period subsequent to acquisition through December 31, 2007 divided by the sum of the design beds (including staff and model beds) at the property each month.

- (3) Represents average for all properties in portfolio.
- (4) Revenues and revenue per available bed for University Towers excludes revenue from food service operations.
- (5) EDR did not operate the Place Portfolio during 2007, and therefore no operating statistics are presented. On February 1, 2008, the lease with Place Properties LLC was terminated and EDR began operating these properties.

	Year Ended December 31, 2006		
	Average Monthly		Revenue per
YearAcquisition # of	# of Occupancy	Total	Available

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Name	Primary University Served	Built	Date	Beds	Units	Rate(1)	Revenue (In thousands)	Bed(2)
Owned and Operated								
NorthPointe	University of Arizona	1999	Jan 05	912	300	89.1%	\$ 294	\$ 323
The Reserve at Athens	University of Georgia	1999	Jan 05	612	200	99.4	228	373
The Reserve at Clemson	Clemson University	1999	Jan 05	590	177	92.7	190	322
Players Club	Florida State University	1994	Jan 05	336	84	94.4	128	380
	Western Kentucky University							
The Gables	University	1996	Jan 05	288	72	96.2	86	298
College Station	Augusta State University	1989	Jan 05	203	61	63.1	35	174
University Towers	North Carolina State University	1989	Jan 05	953	251	82.9	432(4)	453(4)
The Pointe at South Florida	University of South Florida	1999	Jan 05	1,002	336	97.0	397	397
Commons at Knoxville	University of Tennessee	1999	Jan 05	708	211	97.3	291	411
The Commons	Florida State University	1997	Jan 05	732	252	93.4	252	345
The Reserve on Perkins	Oklahoma State University	1999	Jan 05	732	234	91.1	210	287

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Name	Primary University Served	Year Built	Acquisition Date	# of Beds	# of Occupancy Units	Average Rate(1)	Year Ended December 31, 2006	
							Monthly Total Revenue (In thousands)	Revenue per Available Bed(2)
The Reserve at Star Pass	University of Arizona	2001	Jan 05	1,020	336	93.0	333	327
The Pointe at Western	Western Michigan University	2000	Jan 05	876	324	96.6	331	378
College Station at W. Lafayette	Purdue University	2000	Jan 05	960	336	91.0	315	328
Commons on Kinnear	The Ohio State University	2000	Jan 05	502	166	95.6	231	460
The Pointe	Pennsylvania State University	1999	Jan 05	984	294	96.7	357	363
The Reserve at Columbia	University of Missouri	2000	Jan 05	676	260	90.4	243	359
The Reserve on Frankford	Texas Tech University	1997	Jan 05	737	243	90.2	246	334
The Village on Tharpe(6)	Florida State University	1995	Jan 05	1,554	486	95.4	520	334
The Lofts	University of Central Florida	2002	Jan 05	730	254	97.5	407	558
The Reserve on West 31st	University of Kansas	1998	Jan 05	720	192	92.6	216	299
Campus Creek	University of Mississippi	2004	Feb 05	636	192	92.9	251	394
Pointe West	University of South Carolina	2003	Mar 05	480	144	99.2	180	375
Campus Lodge	University of Florida	2001	Jun 05	1,116	360	95.8	567	508
College Grove	Middle Tennessee State University	1998	Apr 05	864	240	96.8	260	301
The Reserve on South College	Auburn University	1999	Jul 05	576	180	95.0	184	319
Players Club	Georgia Southern University	1993	Jun 06	624	214	79.6	102	281
Sub-total owned and operated		1998(3)		20,123	6,399	93.3(3)	\$ 7,286	\$ 367(3)

**Owned and
Leased
Properties(5)**

Troy Place	Troy State University	2000	Jan 06	408	108
Jacksonville Place	Jacksonville State University	2000	Jan 06	504	132
Macon Place	Macon State College	1999	Jan 06	336	84
Clayton Place	Clayton College & State University	1999	Jan 06	854	221
River Place	State University of West Georgia	2000	Jan 06	504	132
Murray Place	Murray State University	2000	Jan 06	408	108
Cape Place	Southeast Missouri State University	2000	Jan 06	360	96
Clemson Place	Clemson University	1998	Jan 06	288	96
Martin Place	University of Tennessee at Martin	2000	Jan 06	384	96
Berkeley Place	Clemson University	1999	Jan 06	480	132
Carrollton Place	State University of West Georgia	1998	Jan 06	336	84
Statesboro Place	Georgia Southern University	1999	Jan 06	528	132
Western Place	Western Kentucky University	2000	Jan 06	504	132

**Sub-total
owned and
leased
properties**

1999(3)	5,894	1,553
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**Total owned
properties**

1999(3)	26,017	7,952
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(1) Average of the physical month-end occupancy rates.

(2) Monthly revenue per available bed for 2006 is equal to total

revenue for the year ended December 31, 2006 divided by the sum of the design beds (including staff and model beds) at the property each month. For properties acquired during the year, monthly revenue per available bed equals total revenue for the period subsequent to acquisition through December 31, 2006 divided by the sum of the design beds (including staff and model beds) at the property each month.

- (3) Represents average for all properties in portfolio.
- (4) Revenues and revenue per available bed for University Towers excludes revenue from food service operations.
- (5) EDR did not operate the Place Portfolio during 2006, and therefore no

operating statistics are presented. On February 1, 2008, the lease with Place Properties LLC was terminated and EDR began operating these properties.

- (6) The Village on Tharpe was sold in 2007 as discussed in Note 6 to the consolidated financial statements.

Table of Contents**Mortgage Indebtedness**

The following table contains summary information concerning the mortgage debt encumbering our properties as of December 31, 2007:

Property	Outstanding December 31, 2007	Contractual Fixed Interest Rate	Maturity Date	Amortization
University Towers	\$ 23,099	6.77%	3/1/2008	30 Year
The Reserve at Clemson	12,000	5.55%	3/1/2012	30 Year
The Gables	4,364	5.50%	11/1/2013	30 Year
NorthPointe	18,800	5.55%	3/1/2012	30 Year
The Pointe at S. Florida	23,467	5.48%	7/7/2009	30 Year
The Pointe at Western	21,209	5.48%	7/7/2009	30 Year
The Lofts	27,000	5.59%	5/1/2014	30 Year
The Reserve on Perkins/The Commons at Knoxville	31,420	5.48%	7/7/2009	30 Year
The Pointe at Penn State/The Reserve at Star Pass	49,821	5.48%	7/7/2009	30 Year
Campus Lodge	36,362	6.97%	5/1/2012	30 Year
Pointe West	10,815	4.92%	8/1/2014	30 Year
College Station at W. Lafayette	14,531	5.48%	7/7/2009	30 Year
The Commons on Kinnear	14,434	5.48%	7/7/2009	30 Year
The Reserve at Frankford	14,237	5.48%	7/7/2009	30 Year
The Reserve at Columbia	19,048	5.48%	7/7/2009	30 Year
Troy Place	9,440	6.44%	12/9/2009	30 Year
Jacksonville Place	11,120	6.44%	12/9/2009	30 Year
Macon Place	7,440	6.44%	12/9/2009	30 Year
Clayton Place	24,540	6.44%	12/9/2009	30 Year
River Place	13,680	6.44%	12/9/2009	30 Year
Murray Place	6,800	6.44%	12/9/2009	30 Year
Cape Place	8,520	6.44%	12/9/2009	30 Year
Clemson Place	8,160	6.44%	12/9/2009	30 Year
Martin Place	8,960	6.44%	12/9/2009	30 Year
Total debt /weighted average rate	419,267	5.90%		
Unamortized premium	1,673			
Total mortgage loans net of unamortized premium	420,940			
Less current portion of long-term debt	(26,481)			
Total long-term debt, net of current portion	\$ 394,459			

The weighted average interest rate of the mortgage indebtedness was 5.90% and 5.85% at December 31, 2007 and 2006, respectively. Each of these mortgages is a non-recourse obligation subject to customary exceptions and has 30-year amortization. The loans generally do not allow prepayment prior to maturity. However, prepayment is allowed in certain cases subject to prepayment penalties.

Item 3. Legal Proceedings.

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

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Our common stock began trading on the New York Stock Exchange under the symbol EDR on January 26, 2005. The initial public offering price of our common stock on such date was \$16.00 per share. There were approximately 959 holders of record of the 28,506,966 shares outstanding on February 28, 2008. On the same day, our common stock closed at \$12.96. The following table provides information on the high and low prices for our common stock on the NYSE and the dividends declared for 2006 and 2007:

	High	Low	Distributions Declared
<i>Fiscal 2006</i>			
Quarter 1	\$ 15.83	\$ 12.81	\$ 0.30
Quarter 2	16.65	14.02	0.30
Quarter 3	16.85	13.60	0.30
Quarter 4	16.15	14.41	0.21
<i>Fiscal 2007</i>			
Quarter 1	\$ 15.48	\$ 13.99	\$ 0.21
Quarter 2	14.99	13.69	0.21
Quarter 3	14.39	11.83	0.21
Quarter 4	14.10	10.75	0.21

Direct stock purchase and dividend reinvestment plan

On July 31, 2006, we implemented the direct stock purchase and dividend reinvestment plan 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 plan will be either issued by EDR or acquired directly from third parties in the open market or in privately negotiated transactions. The purchase price per share of common stock acquired on any particular investment date will not be less than 95% of the average high and low sales price per share of the common stock on the NYSE on that particular day. We will determine the source of shares available through the plan based on market conditions, relative transaction costs and our need for additional capital. To the extent the plan acquires shares of common stock directly from EDR, we will receive additional capital for general corporate purposes.

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**COMPARISON OF 35 MONTH CUMULATIVE TOTAL RETURN *
Among Education Realty Trust, The S & P 500 Index
And The MSCI US REIT Index**

*\$100 invested on 1/26/05 in stock or index, including reinvestment of dividends.

Index	Period Ending						
	01/26/05	06/30/05	12/31/05	06/30/06	12/31/06	06/30/07	12/31/07
Education Realty Trust, Inc.	100.00	112.57	82.17	110.59	101.28	98.90	81.68
S&P 500	100.00	102.31	108.21	111.14	125.30	134.02	132.18
MSCI US REIT	100.00	115.39	121.67	138.07	165.37	154.71	137.57

We cannot assure you that your share performance will continue into the future with the same or similar trends depicted in the graph above. We will not make or endorse any predictions as to future share performance.

The performance comparisons noted in the graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this graph by reference, and shall not otherwise be deemed filed under such acts.

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The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2007.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted Average Exercise Price of Outstanding Options Warrants and Rights(1)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	N/A	N/A	760,000
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	N/A	N/A	760,000

(1) Does not include 200,000 shares of restricted stock that are subject to vesting requirements and 277,500 PIUs which were issued through EDR's 2004 Incentive Plan.

Recent Sales of Unregistered Securities

For the year ended December 31, 2007, we issued 17,500 profits interest units to employees. The issuance of these units was made in reliance upon exemptions from registration provided by Section 4(2) under the Securities Act and Rule 506 of Regulation D thereunder.

Item 6. Selected Financial Data.

We have not presented historical information for EDR prior to the completion of the IPO because we did not have material corporate operating activity during the period from our formation until the closing of our IPO.

The following table sets forth selected financial and operating data on a consolidated historical basis for EDR and on a combined historical basis for the EDR Predecessor. For the periods presented prior to our IPO, the historical combined financial information for the EDR Predecessor includes:

the student housing operations of Education Properties Trust, LLC (including the properties referred to as Northpointe, The Reserve at Athens, The Reserve at Clemson and Players Club)

the student housing operations of the properties referred to as the Gables, College Station and University Towers, and

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the third party management and development consulting service operations and real estate operations of Allen & O Hara Education Services, LLC

The results of operations for the year ended December 31, 2005 represent the combined historical operations of the EDR Predecessor for the period January 1, 2005 through January 30, 2005 as well as the consolidated historical operations of EDR for the year ended December 31, 2005.

The following information presented below does not provide all of the information contained in our financial statements, including related notes. You should read the information below in conjunction with the historical consolidated and combined financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Annual Report on Form 10-K.

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Table of Contents**STATEMENT OF OPERATIONS DATA**

	Education Realty Trust, Inc.			EDR Predecessor	
	2007	2006	2005	2004	2003
	Year Ended December 31, (In thousands, except share and per share data)				
Revenues:					
Student housing leasing revenue	\$ 85,651	\$ 81,202	\$ 70,010	\$ 17,896	\$ 17,095
Student housing food service revenue	2,359	3,634	3,491	3,137	2,879
Other leasing revenue	13,811	14,012			
Third-party development consulting services	5,411	3,773	1,759	392	691
Third-party management revenue	3,391	2,796	1,968	1,326	1,026
Operating expense reimbursements	9,330	7,638	6,694	5,223	4,438
Total revenues	119,953	113,055	83,922	27,974	26,129
Operating expenses:					
Student housing leasing operations	41,215	39,503	34,758	7,645	7,408
Student housing food service operations	2,236	3,318	3,275	2,899	2,645
Reimbursable operating expenses	9,330	7,638	6,694	5,223	4,438
General and administrative	14,561	12,331	12,549	3,545	3,425
Depreciation and amortization	32,223	34,035	26,845	3,120	3,061
Total operating expenses	99,565	96,825	84,121	22,432	20,977
Operating income (loss)	20,388	16,230	(199)	5,542	5,152
Nonoperating expenses	27,675	29,933	17,266	5,786	5,771
Loss before equity in earnings of unconsolidated entities	(7,287)	(13,703)	(17,465)	(244)	(619)
Equity in earnings (losses) of unconsolidated entities	(277)	740	880	1,002	629
Income (loss) before income taxes and minority interest	(7,564)	(12,963)	(16,585)	758	10
Taxes	258	659	497		
Income (loss) before minority interest	(7,822)	(13,622)	(17,082)	758	10
Minority interest	(39)	(404)	(1,073)		
Income (loss) from continuing operations	(7,783)	(13,218)	(16,009)	758	10
Discontinued operations:					
Income from operations of discontinued operations	788	973	475		

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Gain on sale of student housing property	1,579				
Income from discontinued operations	2,367	973	475		
Net income (loss)	\$ (5,416)	\$ (12,245)	\$ (15,534)	\$ 758	\$ 10

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	Education Realty Trust, Inc.			EDR Predecessor	
	2007	2006	2005	2004	2003
	Year Ended December 31, (In thousands, except share and per share data)				
Earnings per share information:					
Income (loss) per share – basic and diluted					
Continuing operations	(0.28)	(0.50)	(0.69)		
Discontinued operations	0.08	0.04	0.02		
Net loss per share	\$ (0.20)	\$ (0.46)	\$ (0.67)		
Weighted average common shares outstanding – basic and diluted	28,010,144	26,387,547	23,063,110		
Distributions per common share	\$ 0.82	\$ 1.10	\$ 0.79		

BALANCE SHEET DATA

	As of December 31, Education Realty Trust, Inc.			EDR Predecessor	
	2007	2006	2005	2004	2003
	(In thousands)				
Assets:					
Student housing properties, net	\$ 732,979	\$ 804,759	\$ 620,305	\$ 83,785	\$ 86,388
Other assets, net	34,481	30,699	83,744	5,089	5,536
Total assets	\$ 767,460	\$ 835,458	\$ 704,049	\$ 88,874	\$ 91,924
Liabilities and equity:					
Mortgage notes payable	\$ 420,940	\$ 423,933	\$ 328,335	\$ 81,111	\$ 82,204
Other indebtedness	11,500	69,400			
Other liabilities	19,080	19,837	17,255	5,974	7,225
Total liabilities	451,520	513,170	345,590	87,085	89,429
Minority interest	18,121	19,289	27,926		
Equity	297,819	302,999	330,533	1,789	2,495
Total liabilities and equity	\$ 767,460	\$ 835,458	\$ 704,049	\$ 88,874	\$ 91,924

OTHER DATA (UNAUDITED)

	As of December 31, Education Realty Trust, Inc.			EDR Predecessor	
	2007	2006	2005	2004	2003

(In thousands, except per share and selected property information)

Funds from operations (FFO) (1):					
Net income (loss)	\$ (5,416)	\$(12,245)	\$(15,534)	\$ 758	\$ 10
Gain on sale of student housing property, net of minority interest	(1,579)				
Student housing property depreciation and amortization of lease intangibles	31,780	33,680	26,845	3,120	3,061
Equity portion of real estate depreciation and amortization on equity investees	424	54			
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	As of December 31,				
	Education Realty Trust, Inc.			EDR Predecessor	
	2007	2006	2005	2004	2003
(In thousands, except per share and selected property information)					
Depreciation and amortization of discontinued operations	711	2,048	2,323		
Minority interest benefit	(6)	(355)	(1,040)		
Funds from operations available to all share and unitholders	\$ 25,914	\$ 23,182	\$ 12,594	\$ 3,878	\$ 3,071
Cash flow information:					
Net cash provided by operations	\$ 26,806	\$ 25,187	\$ 18,373	\$ 3,068	\$ 4,309
Net cash provided by (used in) investing	33,399	(120,830)	(200,157)	(181)	(925)
Net cash provided by (used in) financing	(62,598)	40,408	243,445	(2,480)	(3,658)
Per share and distribution data:					
Net loss per share basic and diluted	\$ (0.20)	\$ (0.46)	\$ (0.67)	\$ (2,220)	\$
Cash distributions declared per share/unit	0.82	1.10	0.79		
Cash distributions declared	22,985	29,114	18,721		
Selected property information (2):					
Units	5,913	5,913	5,699	1,146	1,146
Beds	18,571	18,571	17,947	3,896	3,896
Occupancy (3)	93.6%	93.1%	92.0%	89.2%	85.1%
Revenue per available bed (4)	\$ 384	\$ 370	\$ 368	\$ 421	\$ 406

(1) 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 property, plus real

estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. We present FFO available to all shareholders and unitholders because we consider it 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 minority interest 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, however, real estate values have risen or fallen with market conditions.

Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property 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.

- (2) The selected property

information represents all 26, 26 and 25 owned and operated properties for 2007 and 2006 (both excluding the Place Portfolio) and 2005, respectively. Prior to 2004 the data represents the seven properties owned by the EDR Predecessor, which are NorthPointe, The Reserve at Athens, The Reserve at Clemson, Players Club, The Gables, College Station and University Towers. This information excludes property information related to Tharpe (discontinued operations) for all years.

- (3) Average of the month-end occupancy rates for the period.
- (4) Revenue per available bed is equal to the total revenue divided by the sum of the design beds

(including staff
and model beds)
at the property
each month.
Revenue and
design beds for
any acquired
property is
included
prospectively
from acquisition
date.

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in ten sections:

Overview

Our Business Segments

Trends and Outlook

Critical Accounting Policies

Results of Operations

Liquidity and Capital Resources

Off-Balance Sheet Arrangements

Funds From Operations

Inflation

Recent Accounting Pronouncements

We believe our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Item 8, *Financial Statements and Supplementary Data*, and the Risk Factors included in Item 1A of this Annual Report on Form 10-K.

Unless otherwise noted, this MD&A relates only to results from continuing operations. The years ended December 31, 2006 and 2005 reflect the classification of the Village on Tharpe's financial results as discontinued operations.

Overview

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

We were formed to continue and expand upon the student housing business of the EDR Predecessor, which commenced in 1964. We did not commence operations until the completion of our initial public offering, which occurred on January 31, 2005.

We earn income from rental payments we receive as a result of our ownership of student housing properties. We also earn income by performing property management services and development consulting services for third parties.

While we manage most of the properties we own, we do not recognize any fee income from their management on a consolidated basis.

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

Our Business Segments

We define business segments by their distinct customer base and service provided. Management has identified three reportable segments: student housing leasing, third-party management services and third-party development consulting services. We evaluate each segment's performance based on net operating income, which is defined as income before depreciation, amortization, interest expense, equity in earnings of unconsolidated entities and

discontinued operations. The accounting policies of the reportable segments are described in more detail in the summary of significant accounting policies in the footnotes to the financial statements. Inter-company fees are reflected at the contractually stipulated amounts.

Student housing leasing

Student housing leasing revenue represented approximately 92.0% of our revenue, excluding operating expense reimbursements, for the twelve months ended December 31, 2007. Our revenue related to food service operations is included in this segment. Additionally this segment includes other leasing revenue related to the Place Portfolio lease. Unlike multi-family housing where apartments are leased by the unit, student-housing communities are typically leased by the bed on an individual lease liability basis. Individual lease liability limits each resident's liability to his or her own rent without liability for a roommate's rent. A parent or guardian is required to execute each lease as a guarantor unless the

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resident provides adequate proof of income. The number of lease contracts that we administer is therefore equivalent to the number of beds occupied instead of the number of apartment units.

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

The majority of our leases commence mid-August and terminate the last day of July. These dates coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each property in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2007 and 2006, approximately 68.5% and 68.3%, respectively, of our beds were leased to students who were first-time residents at our properties. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in November and ends in August. Our properties' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

Prior to the commencement of each new lease period, mostly during the first two weeks of August but also during September at some communities, we prepare the units for new incoming tenants. Other than revenue generated by in-place leases for returning tenants, we do not generally recognize lease revenue during this period referred to as

Turn as we have no leases in place. In addition, during Turn we incur significant expenses making our units ready for occupancy, which we recognize immediately. This lease Turn period results in seasonality in our operating results during the third quarter of each year.

Third-party management services

Revenue from our third-party management services, excluding operating expense reimbursements, represented approximately 3.1% of our revenue for 2007. These revenues are typically derived from multi-year management agreements, under which management fees are typically 3-5% of leasing revenue. These agreements typically have an initial term of five to ten years with a renewal option for an additional five years. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the third-party properties' owners. These costs are referred to as reimbursable operating expenses and are required to be reimbursed to us by the third-party 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 our management when analyzing the operating performance of our third-party management services business.

Third-party development consulting services

Revenue from our third-party development consulting services, excluding operating expense reimbursements, represented approximately 4.9% of our revenue for 2007. Fees for these services are typically 3-5% of the total project cost and are payable over the life of the project, which is typically one to two years in length. We incur expenses that are reimbursable by a project when awarded. We recognize the expenses when incurred, while the reimbursement revenue is not recognized until the consulting contract is awarded. These operating expenses are wholly reimbursable and therefore not considered by our management when analyzing the operating performance of our third-party development consulting services business. Also, at times we will pay pre-development project expenses such as architectural fees and permits if such are required prior to the project's financing being in place. We typically obtain a guarantee from the owner for repayment of these project specific costs.

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

The amount and timing of future revenues from development consulting services will be contingent upon our ability to

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successfully compete in public universities competitive procurement processes, our ability to successfully structure financing of these projects, and our ability to ensure completion of construction within agreed construction timelines and budgets. To date, all of our third-party development projects have completed construction in time for their targeted occupancy dates.

Trends and Outlook

Rents and occupancy

We expect the general trends of increased university enrollment and limited availability of on-campus housing to continue for the foreseeable future, providing us with continued opportunities to maximize revenues through increased occupancy and/or rental rates in our owned portfolio. We manage our properties to maximize revenues, which are primarily determined by two components: rental rates and occupancy rates. In 2007, same community revenue per available bed increased to \$388 and same community physical occupancy increased to 94.1% compared to revenue per available bed of \$371 and physical occupancy of 93.4% for 2006. The results represent averages for the Company's portfolio which is not necessarily indicative of every property in the portfolio. As would be expected, individual properties can and do perform both above and below these averages and at times an individual property may show a decline in total revenue due to local university and economic conditions. Our management focus is to assess these situations and address as quickly as possible to minimize the Company's exposure and reverse any negative trend. We customarily adjust rental rates in order to maximize revenues, which in some cases results in a lower occupancy rate, but in most cases results in stable or increasing revenues from the property. As a result, a decrease in occupancy rates may be offset by an increase in rental rates and may not be material to our operations.

General and administrative costs

In 2006, we experienced additional payroll costs related to growth and costs associated with formulating and documenting our internal control systems to comply with the Sarbanes Oxley Act of 2002. In 2007, we have continued to experience increases in salaries and staffing costs primarily related to the growth of each business segment and due to new systems implementation efforts. This trend is expected into 2008 mainly due to the re-issuance of the Place lease and the Company's related assumption of the management responsibilities over the portfolio.

Termination of lease with Place Properties, Inc.

On February 1, 2008, the Trust terminated the lease with Place Properties, Inc. (Place) for 13 properties owned by the Trust but previously operated and managed by Place. Under the agreement, the Trust will receive a lease termination fee of \$5,800 with the possibility of receiving an additional \$200 if certain criteria in the agreement are not met (see note 18 to the consolidated financial statements). As a result of the lease termination, the Trust began managing these properties and began recognizing the results of operations for these properties in the Trust's consolidated financial statements as of the lease termination date. Previously, the Trust recognized base rental income of \$13,740 annually for the lease and had the right to receive Additional Rent annually if the properties exceeded certain criteria defined in the lease agreement. In the near term, the net operating income received from these properties is expected to be less than the rental income received under the lease; thus, reducing our net income from continuing operations over the next 2 to 4 years.

Critical Accounting Policies

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

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Student housing leasing revenue recognition

Student housing leasing revenue is comprised of all revenue related to the leasing activities at our student housing properties and includes revenues from the leasing of space, parking lot rentals and certain ancillary services. Revenue from our food service operations is also included in this segment. Additionally, we include other leasing revenue related to the Place Portfolio lease in this segment.

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

Student housing food service revenue recognition

In 2006, we provided food service to an unaffiliated secondary boarding school through a contract covering a nine-month period. The contract required a flat weekly fee and the related revenues were recognized on a straight-line basis over the contract period. This contract was terminated effective December 31, 2006. Additionally, we maintain a dining facility at University Towers, which offers meal plans to the tenants as well as dining to other third-party customers. The meal plans typically require upfront payment by the tenant covering the school semester and the related revenue is recognized on a straight-line basis over the corresponding semester.

Other leasing revenue recognition

Other leasing revenue relates to our leasing of 13 properties we acquired from Place Properties (Place) on January 1, 2006. Simultaneous with the acquisition of the 13 properties, the Trust leased the assets to Place and received base monthly rent of \$1,145 and had the right to receive Additional Rent annually if the properties exceeded certain criteria defined in the lease agreement. Base rent was recognized on a straight-line basis over the lease term and Additional Rent was recognized only upon satisfaction of the defined criteria. On February 1, 2008, the lease was terminated.

Revenue and cost recognition of third-party development consulting services

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

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

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Student housing property acquisitions and dispositions

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

Property acquisitions are accounted for utilizing the purchase method in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and accordingly, the results of operations are included from the respective dates of acquisition. Pre-acquisition costs, including legal and professional fees and other third party costs related directly to the acquisition of the property, are accounted for as part of the purchase price. Independent appraisals, estimates of cash flows and valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and other identifiable intangibles such as amounts related to in-place leases.

Student housing properties are classified as held for sale based on the criteria within SFAS No. 144, *Accounting for the Impairment and Disposal of Long Lived Assets*. When a student housing property is identified as held for sale, fair value less cost to sell is estimated. If fair value less cost to sell is less than the carrying amount of the asset an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a student housing property has met the held for sale criteria. Operations of student housing properties that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. In 2007, no impairment losses on student housing properties held for sale were recognized.

Repairs and maintenance

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

Long lived assets impairment

Management is required to assess whether there are any indicators that our real estate properties may be impaired in accordance with SFAS No. 144. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. These estimates of cash flows are based on factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property, thereby reducing our net income.

Results of Operations for the Years Ended December 31, 2007 and 2006

	Year Ended December 31, 2007					Year Ended December 31, 2006				
	Student Housing Leasing	Development	Third-Party Management Services	Third-Party Adjustments	Total	Student Housing Leasing	Development	Third-Party Management Services	Third-Party Adjustments	Total
Revenues:										
Student housing leasing revenue	\$ 85,651	\$	\$	\$	\$ 85,651	\$ 81,202	\$	\$	\$	\$ 81,202
Student housing food service revenue	2,359				2,359	3,634				3,634
	13,811				13,811	14,012				14,012

Other leasing
revenue

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	Year Ended December 31, 2007					Year Ended December 31, 2006				
	Student Housing Leasing	Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Development Consulting Services	Third-Party Management Services	Adjustments	Total
Third-party development consulting services		5,411			5,411		3,773			3,773
Third-party management services			3,391		3,391			2,796		2,796
Intersegment revenues			3,428	(3,428)				3,298	(3,298)	
Operating expense reimbursements				9,330	9,330				7,638	7,638
Total revenues	101,821	5,411	6,819	5,902	119,953	98,848	3,773	6,094	4,340	113,055
Operating expenses:										
Student housing leasing operations	41,215				41,215	39,503				39,503
Student housing food service operations	2,236				2,236	3,318				3,318
General and administrative	105	2,787	6,628		9,520	21	2,210	5,004		7,235
Intersegment expenses	3,428			(3,428)		3,298			(3,298)	
Reimbursable operating expenses				9,330	9,330				7,638	7,638
Total operating expenses	46,984	2,787	6,628	5,902	62,301	46,140	2,210	5,004	4,340	57,694
Net operating income (loss)	54,837	2,624	191		57,652	52,708	1,563	1,090		55,361
Nonoperating expenses(1)	58,111				58,111	62,660				62,660
Income (loss) before equity in earnings of unconsolidated	(3,274)	2,624	191		(459)	(9,952)	1,563	1,090		(7,299)

entities, income taxes, minority interest and discontinued operations										
Equity in earnings of unconsolidated entities	(510)	233		(277)	(74)	814				740
Income (loss) before taxes, minority interest and discontinued operations(2)	\$ (3,784)	\$ 2,857	\$ 191	\$ (736)	\$ (10,026)	\$ 2,377	\$ 1,090	\$		\$ (6,559)

(1) Nonoperating expenses include interest expense, interest income, exit fees on early payment of debt, amortization of deferred financing costs, depreciation, and amortization of intangibles.

(2) The following is a reconciliation of the reportable segments net income (loss) before income taxes, minority interest and discontinued operations to EDR s consolidated net income (loss) before income taxes, minority interest and

discontinued
operations
determined
under generally
accepted
accounting
principles:

	2007	2006
Net loss before taxes, minority interest and discontinued operations for reportable segments	\$ (736)	\$ (6,559)
Other unallocated corporate expenses	(6,828)	(6,404)

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	2007	2006
Net loss before income taxes, minority interest and discontinued operations	\$ (7,564)	\$ (12,963)

Student housing leasing

Overall average physical occupancy and Revenue per Available Bed (RevPAB) for 2007 and 2006 were as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Difference
Occupancy			
Physical (1)	93.6%	93.1%	0.5%
Economic (2)	93.5%	91.1%	2.4%
NarPAB (3)	\$ 360	\$ 346	\$ 14
Other income per avail. bed (4)	\$ 24	\$ 24	\$
RevPAB (5)	\$ 384	\$ 370	\$ 14
Operating expense per bed (6)	\$ 185	\$ 180	\$ 5
Operating margin	51.9%	51.4%	0.5%
Design Beds (7)	222,852	219,732	3,120

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

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

- (3) NarPAB represents GAAP net apartment rent for the respective period divided by the sum of the design beds in the portfolio for each of the included months. Does not include food service revenue or other leasing revenue.

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

- (5) Represents total revenue (net apartment rent plus other income) for the respective period divided by the sum of the design beds in the portfolio for each of the

included
months.

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

- (7) Represents the sum of the monthly design beds in the portfolio during the period, excluding Place properties.

Total revenue in the student housing leasing segment was \$101,821 for 2007. This represents an increase of \$2,973 or 3.0% from the same period in 2006. Student housing leasing revenue increased 5.5%, contributing \$4,449 to the overall increase. Student housing leasing revenue growth consisted of a \$959 increase related to the acquisition of the Players Club located in Statesboro, Georgia in June of 2006, and a \$3,490 or 4.4% increase in same community revenue. Growth in same community revenue was driven by an approximate 2.5% improvement in rates, 0.8% improvement in occupancy, 0.2% improvement in other income and a 0.9% increase due to less vacant days during the turn period in the current leasing year compared to the prior leasing year. Growth in rates and occupancy are a result of good marketing campaigns, resident satisfaction, quality facilities and continued growth in the underlying demographics of university enrollment and the college age population. Offsetting the improvement in student housing leasing revenue was a \$1,275 decline in student housing food service revenue, which was the result of terminating a contract to provide food service to an unaffiliated secondary boarding school in California on December 31, 2006. Other leasing revenue, which represents revenue on a master lease of 13 properties to a third-party, decreased \$201 in 2007 compared to the same period in 2006. The decrease in other leasing revenue is due to a decline in the additional rent recognized for 2007 compared to 2006. This loss of additional rent is reflective of declining performance at the properties, which was a leading factor in the lease termination on February 1, 2008 as discussed in note 18 to the consolidated financial statements.

Operating expenses in the student housing leasing segment increased \$844 or 1.8% to \$46,984 for 2007, as compared to 2006. Student housing leasing operations increased a total

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of \$1,712 or 4.3% over the prior year, with \$716 of the increase attributable to adding Players Club to the portfolio midway through 2006 and \$996 attributable to a 2.6% increase in same community expenses. Increases in utility costs of \$517, insurance costs of \$215, credit card and collection related costs of \$382 and repair and maintenance expenses of \$307 were the main drivers of the increase in same community expenses and were offset by decreases in marketing expenses and real estate taxes. The increase in student housing leasing operations was offset by a \$1,082 decline in student housing food service operations related to the termination of the food service contract discussed above. Equity in earnings in unconsolidated entities decreased \$436 from 2006 to a loss of \$510 for 2007. This represents our share of the net income or loss related to four investments in unconsolidated entities that own student housing communities. These communities are also managed by the Trust.

Third-party development consulting services

The following table represents the development consulting projects that were active during the years ended December 31, 2007 and 2006:

Project	Beds	Fee Type	Recognized Earnings		
			2007	2006	Difference
Slippery Rock University Phase I	1,390	Development fee	\$ 46	\$ 1,787	\$ (1,741)
Indiana University of Pennsylvania Phase I	734	Development fee	1,597	924	673
University of Michigan	849	Development fee	285	567	(282)
University of North Carolina Greensboro	600	Construction oversight			
		fee	50	105	(55)
University of Louisville Phase III	359	Construction oversight			
		fee		59	(59)
University of Alabama Birmingham	753	fee		61	(61)
University of Alabama Tuscaloosa	631	Development fee	978	257	721
Slippery Rock University Phase II	746	Development fee	1,067		1,067
Indiana University of Pennsylvania Phase II	1,102	Development fee	1,378		1,378
Fontainebleu Renovation Project	435	Development fee	10		10
Other		Consulting fee		13	(13)
Third-party development consulting services			\$ 5,411	\$ 3,773	\$ 1,638
California University of Pennsylvania Phase IV	447	Development fee	\$	\$ 173	\$ (173)
California University of Pennsylvania Phase V	354	Development fee	124	143	(19)
University of North Carolina Greensboro	600	Development fee	118	240	(122)
University of Louisville Phase III	359	Development fee	(9)	126	(135)
University of Alabama Birmingham	753	Development fee		132	(132)
Equity in earnings of unconsolidated entities			\$ 233	\$ 814	\$ (581)

Third-party development consulting services revenue increased by \$1,638 or 43.4% to \$5,411 for 2007 compared to 2006. During 2007, AODC was engaged in eight active development projects representing 6,487 beds. AODC initiated work on Slippery Rock University Phase II, Indiana University of Pennsylvania Phase II and Fontainebleu Renovation Project and completed work on Slippery Rock Phase I, California University of Pennsylvania Phase V, Indiana University of Pennsylvania Phase I, University of North Carolina- Greensboro and University of Alabama-Tuscaloosa. During 2006, revenue of \$3,773 was recognized, which included development fee revenue on four projects and construction oversight fees related to three other projects.

The increased volume in development consulting revenue is mainly due to an increase in the number of projects being managed by AODC but also represents a shift in the percentage of new projects AODC contracted directly. In previous years, the majority of our development services were contracted through joint venture relationships with the profits

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from those services being recognized through equity in earnings of unconsolidated entities. The shift to direct contracts caused equity in earnings of unconsolidated entities in the third-party development consulting services segment to decrease \$581 or 71.4% from the prior year. There were four joint ventures with active development projects in 2006, compared to two in 2007.

General and administrative costs in the third-party development consulting services segment increased \$577 to \$2,787 for 2007, as compared to 2006. This increase is a result of the higher volume of development projects; thus, increases in staffing and corporate overhead costs allocated to the segment.

Third-party management services

Total third-party management services revenue increased by \$725 or 11.9% to \$6,819 for 2007, as compared to 2006. Growth in our owned portfolio period over period as discussed under student housing leasing above contributed to \$130 of the increase by way of intersegment revenue, while third-party management fee revenue increased \$595 or 21.3% to \$3,391 for 2007. The increase in third-party fees consists of \$562 related to nine new management contracts entered into during 2007, \$50 related to a community that came out of development in August of 2006, \$387 related to four contracts entered into in the fall of 2006 to manage properties for which we also have an ownership interest, and \$38 related to revenue growth in existing contracts. These increases were partially offset by a decrease of \$442 in third-party fees as a result of three terminated contracts, including one contract related to a property purchased by one of the Company's joint ventures and is included in the new contracts noted above.

General and administrative costs for our third-party management services segment increased \$1,624 to \$6,628 for 2007, as compared to 2006. The increase reflects incremental salaries and overhead costs related to the approximate 50% growth in management contracts and the increase in intersegment management revenue volume noted above, and increased travel and integration costs related to the new contracts added in late 2006 and in 2007.

Nonoperating expenses

Nonoperating expenses decreased \$4,549 to \$58,111 for 2007, as compared to 2006. This decrease was primarily driven by a \$1,900 decline in depreciation expense due to fully depreciated assets that remain in service and a \$2,635 decline in interest expense. The decline in interest expense is related to the repayment of the Term Loan and Amended Revolver, both defined below, during 2007 and the capitalization of interest for the development of the student housing community in Carbondale, Illinois in the amount of \$58.

Unallocated corporate expenses

Unallocated corporate expenses represent general and administrative expenses that are not allocated to any of our business segments. For 2007, unallocated corporate expenses were \$6,828, an increase of \$424 or 6.6% over the prior year. The majority of this increase is due to higher salary and overhead costs related to growth driven increases in head count over the prior year. These increases were partially offset by a decrease in third-party service provider fees from 2006, which included first year implementation costs of Sarbanes Oxley.

Table of Contents**Results of Operations for the years ended December 31, 2006 and 2005**

The following table presents our results of operations for Education Realty Trust, Inc. for the year ended December 31, 2006 and the combined results of operations for Education Realty Trust, Inc. (post Offering) and the EDR Predecessor (pre Offering) for the year ended December 31, 2005:

	Year Ended December 31, 2006					Year Ended December 31, 2005				
	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	\$ 81,202	\$	\$	\$	\$ 81,202	\$ 70,010	\$	\$	\$	\$ 70,010
Student housing food service revenue	3,634				3,634	3,491				3,491
Other leasing revenue	14,012				14,012					
Third-party development consulting services		3,773			3,773		1,759			1,759
Third-party management services			2,796		2,796			1,968		1,968
Intersegment revenues			3,298	(3,298)				2,418	(2,418)	
Operating expense reimbursements				7,638	7,638				6,694	6,694
Total revenues	98,848	3,773	6,094	4,340	113,055	73,501	1,759	4,386	4,276	83,922
Operating expenses:										
Student housing leasing operations	39,503				39,503	34,758				34,758
Student housing food service operations	3,318				3,318	3,275				3,275
General and administrative	21	2,210	5,004		7,235		2,245	3,969		6,214
Intersegment expenses	3,298			(3,298)		2,418		(2,418)		
Reimbursable operating expenses				7,638	7,638				6,694	6,694

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Total operating expenses	46,140	2,210	5,004	4,340	57,694	40,451	2,245	3,969	4,276	50,941
Net operating income (loss)	52,708	1,563	1,090		55,361	33,050	(486)	417		32,981
Nonoperating expenses(1)	62,660				62,660	44,255	(6)			44,249
Income (loss) before equity in earnings of unconsolidated entities, income taxes, minority interest and discontinued operations	(9,952)	1,563	1,090		(7,299)	(11,205)	(480)	417		(11,268)

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	Year Ended December 31, 2006					Year Ended December 31, 2005						
	Student Housing Leasing	Development	Third-Party Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Development	Third-Party Consulting Services	Third-Party Management Services	Adjustments	Total
Equity in earnings of unconsolidated entities	(74)		814			740			880			880
Income (loss) before taxes, minority interest and discontinued operations(2)	\$ (10,026)	\$ 2,377	\$ 1,090	\$	\$ (6,559)	\$ (11,205)	\$ 400	\$ 417	\$	\$ (10,388)		

(1) Nonoperating expenses include interest expense, interest income, exit fees on early payment of debt, amortization of deferred financing costs, depreciation, and amortization of intangibles.

(2) The following is a reconciliation of the reportable segments net income (loss) before income taxes, minority interest and discontinued operations to EDR s consolidated net income (loss) before

income taxes,
 minority interest
 and
 discontinued
 operations
 determined
 under generally
 accepted
 accounting
 principles:

	2006	2005
Net loss before income taxes, minority interest and discontinued operations for reportable segments	\$ (6,559)	\$ (10,388)
Other unallocated corporate expenses	(6,404)	(6,197)
Net loss before income taxes, minority interest and discontinued operations	\$ (12,963)	\$ (16,585)

Student housing leasing

Revenue from student housing leasing increased \$25,347 to \$98,848 for 2006. This 34.5% increase in revenue from the same period in 2005 was attributable to a significant increase in beds by way of acquisition and the addition of other leasing revenue related to the 13 property Place Portfolio lease discussed below. Aggregate design beds for 2006 increased 29,471 beds or 15.5% over the same period in 2005 to 219,732 beds. At current RevPAB rates this acquisition driven increase in beds represented about \$10,900 of the increased revenue for 2006, while growth in same community revenue contributed approximately \$400. In January 2006, we completed the acquisition of a 13 property portfolio from Place Properties. Simultaneous with the acquisition, we entered into a lease agreement under which Place Properties leased and operated the properties. The lease was terminated on February 1, 2008. Other leasing revenue related to the lease contributed \$14,012 of revenue for the year ended December 31, 2006, including the recognition of \$274 of Additional Rent, as defined in the lease agreement. Student housing food service revenue was relatively flat at about \$3,600. Approximately \$1,400 of student housing food service revenue was related to a contract to provide food service to a secondary boarding school in California. This contract was terminated effective December 31, 2006.

Operating expenses of our student housing communities increased \$5,689 to \$46,140 for 2006. Expense growth of approximately \$4,800 was attributable to increased beds by way of acquisition as discussed above. Same store operating expenses year-over-year were held relatively flat mainly as a result of improvements in turn costs and bad debt expense along with other improvements that combined to offset higher utility costs and property taxes for the period. Intersegment expenses, which represent management fees paid to our management company increased approximately \$900 as a result of acquired beds and higher revenue.

The net impact of the growth in revenue and expenses noted above was a 59.5% rise in net operating income for the segment to \$52,708 for 2006. As noted a majority of the growth came through acquisition and the addition of other leasing revenue related to the Place Portfolio which drove an increase in operating margins from 45.0% to 53.3% for the segment.

Excluding the 13 properties leased to Place Properties, our operating margins also improved from 50.3% to 51.4%.

Third-party development consulting services

Third-party development services revenues increased by \$2,014 to \$3,773 for 2006 from \$1,759 for 2005. During

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2006, we were engaged in four active development projects representing 3,604 beds and recognized construction oversight fees on an additional three projects. During the same period in 2005, we recognized development fees on two projects, recognized \$306 of purchasing fees related to a third project, and recognized construction oversight fees on another two projects. The increased volume in development consulting revenue was mainly due to an increase in the number of projects being managed by AODC but also represented a shift in the percentage of new projects AODC contracted directly. In previous years, the majority of our development services were contracted through joint venture relationships with the profits from those services being recognized through equity in earnings of unconsolidated entities.

Equity in earnings of unconsolidated entities remained flat at just over \$800 for the years ended December 31, 2006 and 2005. During 2006, there were five projects underway representing 2,513 beds while four projects representing 1,996 beds were being managed through joint ventures in 2005.

General and administrative costs in the third-party development consulting services was held relatively flat year-over-year at just over \$2,200 for 2006 and 2005.

Third-party management services

Third-party management services revenues increased \$828 to \$2,796 for 2006 from \$1,968 for 2005. Growth in our owned portfolio year-over-year contributed approximately \$900 of the increase by way of intersegment revenue. Aggregate design beds in our owned portfolio for 2006 were 219,732 which was an increase of 29,471 aggregate beds from the prior year. The opening of three new managed properties in August and September of 2005 and the addition of a new management contract in September 2005 contributed \$378 of additional revenue year-over-year. Three third-party development communities opened during the summer of 2006 added \$328 to 2006 revenue. Management services provided to three properties acquired in the fall of 2006 through joint venture arrangements contributed \$67 of management fees in 2006 and our management company subsidiary earned approximately \$100 in preopening management support fees related to two communities while under development. Offsetting these increases was a decline of \$150 as a result of the termination of two management agreements during the summer of 2006.

General and administrative costs for our third-party management services increased \$1,035 to \$5,004 for 2006. This increase was a direct result of the growth in both our owned and managed portfolios as discussed above. Our owned portfolio grew from 20 properties at the start of 2005 to 26 properties at the end of 2006. In addition the third-party management services group added a total of ten new properties to its managed portfolio from the spring of 2005 through December 31, 2006, while two contracts were terminated during that time. Additional growth in general and administrative expenses occurred due to a higher overhead burden as a result of our overall growth.

Nonoperating expenses

Nonoperating expenses increased \$18,405 to \$62,660 for 2006. The increase was driven by approximately \$12,453 of additional interest expense and \$7,105 of additional depreciation and amortization related mainly to the acquisition of the 13 properties from Place Properties in January 2006 and a full twelve months of expense in 2006 related to acquisitions made during 2005. These increases were partially offset by a \$1,100 decline in amortization of deferred financing costs as a result of prepayment penalties on early retirement of debt that was incurred in the first quarter of 2005.

Unallocated corporate expenses

Other unallocated corporate expenses represent general and administrative expenses that are not allocated to the third-party development consulting and third-party management services segments. Intersegment management fees are charged to the student housing leasing segment so it is not allocated any corporate expenses. For 2006 other corporate expenses were \$6,404, an increase of \$207 over the prior year. General and administrative expenses increased approximately \$2,800 mainly due to increased salaries and staffing costs and \$850 related to the first year costs of implementing the Sarbanes-Oxley Act of 2002. Corporate related net interest expense was approximately \$300 in 2006 compared to net interest income of approximately \$900 in 2005. The change is a result of higher than usual interest income in the second half of 2005 related to uninvested funds from our private equity offering in September 2005. In 2006, the private equity offering funds were used in the acquisition of the Place Portfolio and additional interest expense was incurred as funds were drawn

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on our revolving credit facility to partially fund distributions to our shareholders. These increases were offset by a decrease in noncash compensation expense of \$3,883. Noncash compensation includes the amortization of restricted stock awards over their vesting period and the applicable cost of any awards that were immediately vested upon date of grant. The decrease of \$3,883 in 2006 from 2005 was due to a one-time charge related to our Offering that occurred in January 2005 when fully vested awards were granted.

Liquidity and Capital Resources**Revolving credit facility and other indebtedness**

On March 31, 2006, the Operating Partnership amended and restated the revolving credit facility (the Amended Revolver) dated January 31, 2005 in the amount of \$100,000 and entered into a senior unsecured term loan facility (the Term Loan) in the amount of \$50,000. On June 8, 2007, the Trust paid off the Term Loan with the proceeds received from the sale of the student housing property referred to as Tharpe.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Amended Revolver. Additionally, the Amended Revolver is secured by a cross-collateralized, first mortgage lien on six unmortgaged properties. The Amended Revolver has a term of three years and matures on March 31, 2009, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions. At December 31, 2007, there was \$11,500 outstanding on the Amended Revolver. The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership's option, equal to a base rate or London InterBank Offered Rate (LIBOR) plus an applicable margin based upon our leverage (6.95% at December 31, 2007).

Availability under the Operating Partnership's Amended Revolver is limited to a borrowing base availability equal to the lesser of (i) 65% of the property asset value (as defined in the amended credit agreement) of the properties securing the facility and (ii) the loan amount which would produce a debt service coverage ratio of no less than 1.30, with debt service based on the greater of two different sets of conditions specified in the amended credit agreement. At December 31, 2007 we had a borrowing base availability of \$55,653 under the Amended Revolver.

The Operating Partnership's Amended Revolver contains customary affirmative and negative covenants and contains financial covenants that, among other things, require the Trust and its subsidiaries to maintain certain minimum ratios of EBITDA (earnings before payment or charges of interest, taxes, depreciation, amortization or extraordinary items) as compared to interest expense and total fixed charges. The financial covenants also include consolidated net worth and leverage ratio tests. In January 2007, the Trust determined it would be in violation of its interest coverage ratio covenant related to the Amended Revolver. On February 27, 2007, the Trust entered into an amendment to the Amended Revolver (First Amendment), whereby the interest coverage ratio was adjusted from 1.85:1.00, to not less than 1.70:1.00 at all times from December 31, 2006 until March 31, 2008. However, due to the fact the Trust attained an interest coverage ratio of 1.87:1.00 for the nine months ended September 30, 2007; the interest coverage ratio reverted back to 1.85:1.00 on a prospective basis.

The Trust is prohibited from making distributions that exceed \$1.20 per share unless prior to and after giving effect to such action the total leverage ratio is less than or equal to 60%. The amount of restricted payments permitted may be increased as long as either of the following conditions is met: (a) after giving effect to the increased restricted payment, the total leverage ratio shall remain less than or equal to 60%; or (b) the increased restricted payment, when considered along with all other restricted payments for the last 3 quarters, does not exceed (i) 100% of funds from operations for the applicable period through and including December 31, 2007, and (ii) 95% of funds from operations for the applicable period thereafter.

Liquidity outlook and capital requirements

At December 31, 2007, we had \$4,034 of cash, a decrease of approximately \$2,393 from December 31, 2006. During 2007, we generated \$26,806 cash from operations, received \$48,942 of proceeds from the sale of Tharpe and received \$22,530 in proceeds from our direct stock purchase plan. In addition to funding working capital needs, this allowed us to repay the remaining \$47,000 outstanding under the Term Loan, pay down \$10,900 outstanding under the Amended Revolver, invest \$5,675 in a new development and distribute \$24,203 to our stockholders and unitholders.

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Our current liquidity needs include funds for distributions to our stockholders and unit holders, including those required to maintain our REIT status and satisfy our current annual distribution target of \$0.82 per share/unit, funds for capital expenditures, funds for debt repayment and, potentially, funds for new property acquisitions and development. We generally expect to meet our short-term liquidity requirements through net cash provided by operations. However, distributions for the years ended December 31, 2006 and 2005 outpaced cash from operations during the same periods. The resulting operating cash shortfalls of \$5,688 and \$1,682, respectively, were funded by draws on our revolving line of credit. Distributions for 2007 totaled \$24,203 or \$0.82 per weighted average share/unit compared to cash provided by operations of \$26,806 or \$0.91 per weighted average share/unit for the same period. We expect our long-term liquidity requirements to be satisfied through growth in cash generated by operations and external sources of debt and equity capital, including our credit facility, public capital markets as well as private sources of capital. To the extent that we are unable to maintain our revolving credit facility or an equivalent source of debt financing, we will be more reliant upon the public and private capital markets to meet our long-term liquidity needs.

An additional source of capital is the possible disposition of non-strategic properties. We continually assess all of our properties, the markets they are in, and the universities they serve to determine if any dispositions are necessary or appropriate. During 2007, a student housing property located in Tallahassee, Florida was sold for proceeds of \$48,942. These proceeds were first used to repay the Term Loan and the remainder was used to pay down the Amended Revolver. The sale of any unencumbered asset would provide additional capital to most likely pay down debt or possibly finance acquisition/development growth or other operational needs.

Based on our closing share price of \$11.24 on December 31, 2007, our total enterprise value was \$764,488. With total debt outstanding on December 31, 2007 of \$430,767, our current debt to total enterprise value was 56.3%. We believe our capital structure and current FFO and distribution targets, along with our availability under our \$100,000 Amended Revolver, leaves us with sufficient liquidity and access to financing to fund current working capital needs and make future student housing investments. Current market conditions may make additional capital more expensive for us and could impact our access to the capital markets. There can be no assurance that we will be able to obtain additional financing under satisfactory conditions or at all or that we will make any investments in additional properties.

We intend to invest in additional properties only as suitable opportunities arise. In the short term, we intend to fund any acquisitions with working capital and borrowings under first mortgage property secured debt or our \$100,000 revolving credit facility. We intend to finance property acquisitions over the longer term with the proceeds from additional issuances of common or preferred stock, private capital in the form of joint ventures, debt financing and issuances of units of our Operating Partnership. There can be no assurance, however, that such financing will be obtained on reasonable terms, or at all, particularly in light of current capital market conditions.

We anticipate that our existing working capital and cash from operations will be adequate to meet our liquidity requirements for at least the next twelve months.

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. 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.

During 2007, we purchased land and began development on a student housing property in Carbondale, Illinois. This is the first property that will be developed with the intent of ownership by the Trust; thus, increasing our exposure and capital requirements related to development.

Long-term liquidity requirements

Our long-term liquidity requirements consist primarily of funds necessary to pay scheduled debt maturities, renovations, expansion and other non-recurring capital expenditures that need to be made periodically to our properties. We expect to

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meet these needs through existing working capital, cash provided by operations, additional borrowings under our Amended Revolver, the sale of non-strategic assets, and the issuance of equity instruments, including common stock, or additional or replacement debt, if market conditions permit. We believe these sources of capital will be sufficient to provide for our long-term capital needs. There can be no assurance, however, that such financing will be obtained on reasonable terms, or at all, particularly in light of current capital market conditions. Our Amended Revolver is a material source to satisfy our long-term liquidity requirements. As such, compliance with the financial and operating debt covenants is material to our liquidity. Non-compliance with the covenants would have a material adverse effect on our financial condition and liquidity.

During 2007, we refinanced \$29,900 of maturing mortgage debt bearing interest of 6.63% and \$26,500 of maturing mortgage debt bearing interest at 3.49%. The new mortgages are interest only at a fixed rate of 5.55% through March 1, 2012 and 5.59% through May 1, 2014, respectively.

Capital expenditures

The historical recurring capital expenditures at our owned and managed communities, excluding the 13 properties leased to Place Properties, are set forth as follows:

	As of and for the Years Ended December 31,		
	2007	2006	2005
Total units	6,400	6,400	5,935
Total beds	20,125	20,125	18,548
Total recurring capital expenditures	\$ 2,487	\$ 2,222	\$ 1,638
Average per unit	\$388.56	\$347.25	\$275.96
Average per bed	\$123.57	\$110.43	\$ 88.30

Recurring capital expenditures exclude capital spending on renovations, community repositioning, or other major periodic projects. Capital expenditures associated with newly developed properties are typically capitalized as part of their development costs. As a result such properties typically do not require recurring capital expenditures until their second year of operation or later.

Additionally, we are required by certain of our lenders to contribute contractual amounts annually to reserves for capital repairs and improvements at the mortgaged properties. These contributions may be less than or exceed the amount of capital expenditures actually incurred during any given year at such properties.

Commitments

The following table summarizes our contractual obligations as of December 31, 2007:

	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Contractual Obligations:					
Long-Term Debt Obligations(1)	\$ 26,481	\$ 297,437	\$ 66,262	\$ 40,587	\$ 430,767
Contractual Fixed Interest Obligations(2)	23,729	23,999	9,749	2,942	60,419
Operating Lease and Future Purchase Obligations(3)	3,394	4,430	2,593	485	10,902
Capital Reserve Obligations(4)	1,404	2,395	421	182	4,402
Total	\$ 55,008	\$ 328,261	\$ 79,025	\$ 44,196	\$ 506,490

(1) Includes required monthly principal

amortization and amounts due at maturity on first mortgage debt secured by student housing properties and amounts due under Amended Revolver and Term Loan agreements. The first mortgage debt does not include \$1,673 of unamortized debt premium.

- (2) Includes contractual fixed rate interest payments.
- (3) Includes future minimum lease commitments under operating lease obligations and future purchase obligations for advertising.
- (4) Includes future annual contributions to the capital reserve as required by certain mortgage debt.

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As of December 31, 2007, thirteen of our properties were unencumbered by mortgage debt. Six of these thirteen properties have, however, been pledged as collateral against any borrowing under our \$100,000 revolving credit facility.

At December 31, 2007, we had outstanding indebtedness of \$432,440 (net of unamortized debt premium of \$1,673). The scheduled future maturities of all outstanding indebtedness at December 31, 2007 are as follows:

Year	
2008	\$ 26,481
2009	285,049
2010	12,388
2011	947
2012	65,315
Thereafter	40,587
Total	430,767
Debt premium	1,673
Outstanding as of December 31, 2007, net of debt premium	\$ 432,440

At December 31, 2007, the outstanding mortgage debt had a weighted average interest rate of 5.90% and carried an average term to maturity of 2.47 years. Our ratio of mortgage debt to total market capitalization was approximately 54.8% at December 31, 2007.

In 2009, \$285,049 or 66.0% of the Trust's debt reaches maturity. Based on current activity in the debt markets, we do not see any issues surrounding the coming refinancing needs, however, there is no way to predict future market conditions.

In addition to mortgage debt, the Trust also had \$11,500 outstanding under the Amended Revolver. The Amended Revolver has a term of three years and matures on March 31, 2009, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions. The Amended Revolver requires interest only payments through maturity. The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage (6.95% at December 31, 2007).

Distributions

We are required to distribute 90% of our REIT taxable income (excluding 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. All such distributions are at the discretion of our board of directors. We may be required to use borrowings under our revolving credit facility, if necessary, to meet REIT distribution requirements and maintain our REIT status. We consider market factors and our performance in addition to REIT requirements in determining distribution levels.

On January 8, 2008, we announced our fourth quarter distribution of \$0.205 per share of common stock for the quarter ended on December 31, 2007. The distribution is payable on February 5, 2008 to stockholders of record at the close of business on January 22, 2008.

Off-Balance Sheet Arrangements

As discussed in note 8 to the consolidated financial statements, we hold investments in unconsolidated entities. Three of these unconsolidated entities have third party mortgage indebtedness totaling \$88,555 at December 31, 2007.

Additionally, the Operating Partnership guaranteed \$23,200 of construction debt held by University Village-Greensboro LLC in order to receive a 25% ownership stake in the venture with College Park Apartments. The construction debt is expected to be refinanced in September of 2008 after construction is complete and the student housing community is occupied. The Operating Partnership will not guarantee the debt after the construction loan is

refinanced.

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 property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. We present FFO available to all shareholders and unitholders because we consider it an important supplemental measure of our operating performance and believe it is frequently used

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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 minority interest 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, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property 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 and April 2002), 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. 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.

The following table presents a reconciliation of our FFO available to our shareholders and unitholders to our net income for the years ended December 31, 2007, 2006 and 2005.

	Year Ended December 31,		
	2007	2006	2005
Net income (loss)	\$ (5,416)	\$ (12,245)	\$ (15,534)
Gain on sale of student housing property, net of minority interest	(1,579)		
Student housing property depreciation and amortization of lease intangibles	31,780	33,680	26,845
Equity portion of real estate depreciation and amortization on equity investees	424	54	
Depreciation and amortization of discontinued operations	711	2,048	2,323
Minority interest benefit	(6)	(355)	(1,040)
Funds from operations available to all share and unit holders	\$ 25,914	\$ 23,182	\$ 12,594

Inflation

Our student 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 student housing in our primary markets or a reduction in student enrollment at our principal universities.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 does not address what to measure at fair value; instead, it addresses how to measure fair value. SFAS 157 applies (with limited exceptions) to existing standards that require assets or liabilities to be measured at fair value. SFAS 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data and requires new disclosures for assets and liabilities measured at fair value based on their level in the hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Trust has evaluated SFAS 157 and determined the adoption will not have a material impact on its consolidated financial condition and results of operations.

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In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits the option to measure financial instruments and certain other items at fair value, with changes in fair value recorded in earnings. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Trust has evaluated SFAS 159 and determined the adoption will not have a material impact on its consolidated financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects

of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Trust is currently evaluating the impact of adopting SFAS 141R on its consolidated financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Trust is currently evaluating the impact of adopting SFAS 160 on its consolidated financial condition and results of operations.

Item 7A. 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. The Trust's interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower its overall borrowing costs. To achieve this objective, the Trust manages its 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.

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common shareholders 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. At December 31, 2007, we had fixed rate debt of \$419,267. Holding other variables constant a 100 basis point increase in interest rates would cause a \$8,844 decline in the fair value for our fixed rate debt. Conversely, a 100 basis point decrease in interest rates would cause a \$9,215 increase in the fair value of our fixed rate debt. At December 31, 2007, all of the outstanding principal amounts of our mortgage notes payable on the properties we own have fixed interest rates with a weighted average rate of 5.90% and an average term to maturity of 2.47 years.

At December 31, 2007, we had \$11,500 drawn on the Amended Revolver. The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage.

Approximately 97% of the Trust's outstanding debt was subject to fixed rates at December 31, 2007. We may in the future use derivative financial instruments to manage, or hedge, interest rate risks related to our variable rate borrowings. We do not, and do not expect to, use derivatives for trading or speculative purposes, and we expect to enter into contracts only with major financial institutions.

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Item 8. Financial Statements and Supplementary Data.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chairman, Chief Executive Officer, and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the guidelines established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. We reviewed the results of management's assessment with our Audit Committee.

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report which appears on the following page.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Education Realty Trust, Inc.

Memphis, Tennessee

We have audited the accompanying consolidated balance sheets of Education Realty Trust, Inc. and subsidiaries (the Trust) as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 and the combined statements of operations, owners' equity, and cash flows for Education Realty Trust Predecessor (the EDR Predecessor, as defined in note 1) for the period January 1, 2005 through January 30, 2005. We also have audited the Trust's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Trust's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Trust's internal control over financial reporting based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, and the combined results of operations and cash flows of the EDR Predecessor for the period January 1, 2005 through January 30, 2005 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria

established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ *DELOITTE & TOUCHE LLP*

Memphis, Tennessee

March 3, 2008

Table of Contents**CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006**

	2007	2006
	(Amounts in thousands, except share and per share data)	
ASSETS		
Assets:		
Student housing properties, net	\$ 732,979	\$ 804,759
Assets under development	5,675	
Corporate office furniture, net	1,693	752
Cash and cash equivalents	4,034	6,427
Restricted cash	8,188	9,154
Student contracts receivable, net	329	227
Receivable from affiliate	18	369
Receivable from managed third parties	606	1,055
Goodwill and other intangibles, net	3,531	3,649
Other assets	10,407	9,066
Total assets	\$ 767,460	\$ 835,458

LIABILITIES AND STOCKHOLDERS EQUITY

Liabilities:		
Mortgage loans, net of unamortized premium/discount	\$ 420,940	\$ 423,933
Other long-term debt		47,000
Revolving line of credit	11,500	22,400
Accounts payable	1,397	696
Accrued expenses	9,695	10,153
Accounts payable affiliate	60	
Deferred revenue	7,928	8,988
Total liabilities	451,520	513,170
Minority interest	18,121	19,289

Commitments and contingencies (see Note 16)

Stockholders equity:

Common stock, \$.01 par value, 200,000,000 shares authorized, 28,431,855 and 26,810,552 shares issued and outstanding as of December 31, 2007 and 2006, respectively	284	268
Preferred shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding		
Additional paid-in capital	330,969	330,374
Warrants		375

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Accumulated deficit	(33,434)	(28,018)
Total stockholders' equity	297,819	302,999
Total liabilities and stockholders' equity	\$ 767,460	\$ 835,458

See accompanying notes to the consolidated and combined financial statements.

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Table of Contents**CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**

	Education Realty Trust, Inc. Consolidated			EDR Predecessor Combined January 1
	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	through January 30, 2005
	(Amounts in thousands, except share and per share data)			
Revenues:				
Student housing leasing revenue	\$ 85,651	\$ 81,202	\$ 68,507	\$ 1,503
Student housing food service revenue	2,359	3,634	3,222	269
Other leasing revenue	13,811	14,012		
Third-party development services	5,411	3,773	1,759	
Third-party management services	3,391	2,796	1,865	103
Operating expense reimbursements	9,330	7,638	6,023	671
Total revenues	119,953	113,055	81,376	2,546
Operating expenses:				
Student housing leasing operations	41,215	39,503	34,234	524
Student housing food service operations	2,236	3,318	3,020	255
General and administrative	14,561	12,331	12,182	367
Depreciation and amortization	32,223	34,035	26,585	260
Reimbursable operating expenses	9,330	7,638	6,023	671
Total operating expenses	99,565	96,825	82,044	2,077
Operating income (loss)	20,388	16,230	(668)	469
Nonoperating expenses:				
Interest expense	26,957	29,353	16,186	479
Exit fees on early repayment of debt	174		1,084	
Amortization of deferred financing costs	1,036	1,114	820	
Interest income	(492)	(534)	(1,303)	
Total nonoperating expenses	27,675	29,933	16,787	479
Loss before equity in earnings of unconsolidated entities, income taxes, minority interest and discontinued operations	(7,287) (277)	(13,703) 740	(17,455) 853	(10) 27

Equity in earnings of unconsolidated
entities

Income (loss) before income taxes, minority interest and discontinued operations	(7,564)	(12,963)	(16,602)	17
Taxes	258	659	497	

See accompanying notes to the consolidated and combined financial statements.

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	Education Realty Trust, Inc.			EDR Predecessor Combined January 1 through January 30, 2005
	Year Ended December 31, 2007	Consolidated Year Ended December 31, 2006	Year Ended December 31, 2005	
	(Amounts in thousands, except share and per share data)			
Income (loss) before minority interest and discontinued operations	(7,822)	(13,622)	(17,099)	17
Minority interest	(39)	(404)	(1,073)	
Loss from continuing operations	(7,783)	(13,218)	(16,026)	17
Discontinued operations:				
Income from discontinued operations, net of minority interest of \$34, \$49 and \$33, respectively	788	973	475	
Gain on sale of student housing property, net of minority interest of \$65	1,579			
Income from discontinued operations	2,367	973	475	
Net income (loss)	\$ (5,416)	\$ (12,245)	\$ (15,551)	\$ 17
Earnings per share information:				
Income (loss) per share basic and diluted:				
Continuing operations	(0.28)	(0.50)	(0.69)	
Discontinued operations	0.08	0.04	0.02	
Net loss per share	\$ (0.20)	\$ (0.46)	\$ (0.67)	
Weighted average common shares outstanding basic and diluted	28,010,144	26,387,547	23,063,110	
Distributions per common share	\$ 0.82	\$ 1.10	\$ 0.79	

See accompanying notes to the consolidated and combined financial statements.

Table of Contents**CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS AND OWNERS EQUITY**

	Common Stock Shares	Additional Paid-In Capital	Unearned Deferred Compensation	Warrants	Loan to Unit Holder	Accumulated Deficit	EDR Predecessor Equity	Total
(Amounts in thousands, except share and per share data)								
EDR								
Predecessor:								
Balance, December 31, 2004		\$	\$	\$	\$	\$	\$ 1,789	\$ 1,789
Net income							17	17
Balance, January 30, 2005		\$	\$	\$	\$	\$	\$ 1,806	\$ 1,806
The Trust:								
Balance, December 31, 2004	100	\$	\$	1	\$	\$	(222)	\$ (221)
Issuance and registration of common shares The Offering	21,850,000	219	320,200					320,419
Redemption of Promoter's common shares simultaneous with The Offering	(100)		(1)					(1)
Issuance of warrants				375				375
Loan to unit holder					(5,996)			(5,996)
Excess of purchase price of EDR								
Predecessor over fair value related to Promoter carried over at historical cost			(17,382)					(17,382)
Restricted shares issued to			3,126	(3,126)				

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officers and directors								
Amortization of restricted stock	38,889			656				656
Issuance of common shares								
private placement	4,375,000	44	66,911					66,955
Cash dividends			(18,721)					(18,721)
Net loss						(15,551)		(15,551)
Balance, December 31, 2005	26,263,889	263	354,134	(2,470)	375	(5,996)	(15,773)	330,533
Reclassification of unearned compensation upon adoption of SFAS 123R			(2,470)	2,470				
Restricted shares issued to officers and directors	6,000		88					88
Amortization of restricted stock	36,000		604					604
Operating unit conversion to common stock	99,056	1	1,389					1,390
Redemption of minority interest to satisfy loan to unitholder						5,996		5,996

See accompanying notes to the consolidated and combined financial statements.

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	Common Stock Shares	Additional Paid-In Capital	Unearned Deferred Compensation	Warrants	Loan to Unit Holder	Accumulated Deficit	EDR Predecessor Equity	Total
(Amounts in thousands, except share and per share data)								
Net proceeds from issuance of common shares -direct stock purchase plan and dividend reinvestment plan	405,607	4	5,743					5,747
Cash dividends			(29,114)					(29,114)
Net loss						(12,245)		(12,245)
Balance, December 31, 2006	26,810,552	268	330,374	375		(28,018)		302,999
Restricted shares issued to officers and directors	8,000		113					113
Amortization of restricted stock	36,000		604					604
Net proceeds from issuance of common shares direct stock purchase plan and dividend reinvestment plan	1,577,303	16	22,476					22,492
Cash dividends			(22,985)					(22,985)
Expiration of Warrants			375	(375)				
PIU Repurchase			12					12
Net loss						(5,416)		(5,416)
Balance, December 31, 2007	28,431,855	\$ 284	\$ 330,969	\$	\$	\$ (33,434)	\$	\$ 297,819

See accompanying notes to the consolidated and combined financial statements.

Table of Contents**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

	Education Realty Trust, Inc. Consolidated			EDR Predecessor Combined January 1
	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	through January 30, 2005
Operating activities:				
Net income (loss)	\$ (5,416)	\$ (12,245)	\$ (15,551)	\$ 17
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	32,223	34,035	26,585	246
Depreciation included in discontinued operations	711	2,048	2,323	
Deferred tax expense (benefit)	(178)	48	(209)	
Loss on disposal of assets	38	11	18	
Gain on sale of student housing property	(1,644)			
Loss on early repayment of debt	138			
Amortization of deferred financing costs	1,036	1,114	820	14
Amortization of unamortized debt premiums/discounts	(583)	(559)	(364)	
Distributions of earnings from unconsolidated entities	364	787	879	
Noncash compensation expense related to PIUs and restricted stock	772	796	4,783	
Equity in earnings of unconsolidated entities	277	(740)	(853)	(27)
Minority interest in continuing operations	(39)	(404)	(1,073)	
Minority interest in discontinued operations	99	49	33	
Change in operating assets and liabilities (net of acquisitions):				
Student contracts receivable	(291)	259	(374)	(5)
Management fees receivable	63	(117)	(284)	63
Other assets	(1,104)	(1,272)	868	(818)
Accounts payable and accrued expenses	509	697	3,069	712
Accounts payable affiliate	411	(594)	(3,729)	276
Deferred revenue	(580)	1,274	1,432	(320)
Net cash provided by operating activities	26,806	25,187	18,373	158
Investing activities:				
Property acquisitions, net of cash acquired		(112,717)	(187,283)	(25)
Deferred acquisition costs and earnest money deposits			(4,718)	
Purchase of corporate furniture and fixtures	(1,348)	(86)	(1,093)	
Restricted cash	966	(40)	(1,725)	(2,348)
Insurance proceeds on property loss		184	175	

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Investment in student housing properties	(8,463)	(4,858)	(5,513)
Proceeds from sale of student housing properties	48,942		

See accompanying notes to the consolidated and combined financial statements.

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