Education Realty Trust, Inc.
Form 10-K/A
June 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 3
(Mark One)

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

For the fiscal year ended December 31, 2012
or

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

For the transition period from to
Commission file number 001-32417
Education Realty Trust, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	20-1352180
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
999 South Shady Grove Road, Suite 600 Memphis, Tennessee	38120
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (901) 259-2500
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

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

As of June 29, 2012, the last business day of the registrant’s most recently completed second quarter, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $1 billion, based on the closing sales price of $11.08 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 22, 2013, the registrant had 113,871,318 shares of common stock outstanding.

PART II

DOCUMENTS INCORPORATED BY REFERENCE

To the extent stated herein, the Registrant incorporates by reference into Part III of this Annual Report on Form 10-K, or Annual Report, portions of its Definitive Proxy Statement on Schedule 14A for the 2013 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

EXPLANATORY NOTE
Amendment No. 1

On March 4, 2013, Education Realty Trust, Inc. (the "Trust") filed Amendment No. 1 to the Annual Report on Form 10-K ("Amendment No. 1"), which was filed on March 1, 2013, solely to provide eXtensible Business Reporting Language (XBRL) interactive data files as Exhibit 101. The Trust furnished Exhibit 101 in accordance with the temporary hardship exemption provided by Rule 201 of Regulation S-T, which extended the date by which the interactive data file is required to be submitted by six business days.

Amendment No. 2

On April 1, 2013, the Trust filed Amendment No. 2 to the Annual Report on Form 10-K ("Amendment No. 2"), which amends the Trust's 2012 Annual Report. The Trust filed Amendment No. 2 to its 2012 Annual Report to include the financial statements of University Village- Greensboro, LLC ("UV- Greensboro"), an unconsolidated joint venture affiliate of the Trust in accordance with Rule 3-09 of Regulation S-X, which financial statements were not available at the time of filing of the 2012 Annual Report. This Amendment No. 2 did not affect any other items in the 2012 Annual Report.

Amendment No. 3

Subsequent to the issuance of the Trust's 2012 Annual Report, the Trust identified classification errors in the Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010, included in "Item 8. Financial Statements and Supplementary Data".

As a result, the Trust is filing this Amendment No. 3 to the 2012 Annual Report for the purpose of restating its Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010, to correct these classification errors. The restatement does not affect the total net change in cash for each of the three years in the period ended December 31, 2012, and has no impact on the Trust's consolidated balance sheets, consolidated statements of operations, consolidated statements of changes in equity, or previously reported notes to the consolidated financial statements. It also has no impact on the non-GAAP measures referred to as funds from operations, adjusted earnings before interest, taxes, depreciation and amortization or net operating income. Conforming changes have been made to selected financial data (Item 6), management's discussion and analysis of financial condition and results of operations (Item 7), and to revise management's conclusion of the effectiveness of the Trust's disclosure controls and procedures (Item 9A) included in this form 10-K/A. See Notes 17 and 19 to the accompanying consolidated financial statements included in this Amendment No. 3 for further information relating to this restatement.

The Trust has not modified or updated disclosures presented in the 2012 Annual Report, except to reflect the effects of subsequent events described in Note 18 and the restatement as described in Notes 17 and 19. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-K. References to the "Form 10-K/A" herein shall refer to the Form 10-K as amended by this Amendment No. 3 to the

Form 10-K.

This 10-K/A only amends and restates Items 6,7,8, 9A and 15 solely as a result of, and to reflect the restatement of the classification errors referred to above, and no other information in the 2012 Annual Report is amended hereby. Pursuant to the rules of the SEC, Item 15 of Part IV has been amended to include the currently dated certifications from the Company's Principal Executive Officer and Principal Financial Officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002. The certifications of the Company's Principal Executive Officer and Principal Financial Officer are attached to this Amendment No. 3 as Exhibits 31 and 32.

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Item 6. Selected Financial Data.

The following table sets forth selected financial and operating data on a consolidated historical basis for EdR.

The following information presented below does not provide all of the information contained in our financial statements, including the related notes. You should read the information below in conjunction with the historical consolidated 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.

STATEMENT OF OPERATIONS DATA

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(In thousands, except per share data)				
Revenues:					
Collegiate housing leasing revenue	$131,092	$98,491	$86,347	$82,448	$79,533
Other leasing revenue	—	—	—	—	1,357
Third-party development services	820	4,103	2,483	8,178	8,303
Third-party management services	3,446	3,336	3,189	3,221	3,672
Operating expense reimbursements	9,593	8,604	14,519	9,722	10,796
Total revenues	144,951	114,534	106,538	103,569	103,661
Operating expenses:					
Collegiate housing leasing operations	63,194	48,789	44,703	44,904	45,118
General and administrative	14,176	12,316	13,373	10,952	11,481
Depreciation and amortization	35,436	25,961	21,984	19,822	19,656
Ground lease expense	6,395	5,498	1,528	207	105
Loss on impairment	—	—	—	—	388
Reimbursable operating expenses	9,593	8,604	13,603	9,722	10,796
Total operating expenses	128,794	101,168	95,191	85,607	87,544
Operating income	16,157	13,366	11,347	17,962	16,117
Nonoperating expenses	15,322	18,647	19,467	17,851	23,011
Income (loss) from continuing operations before equity in earnings (losses) of unconsolidated entities, income taxes and discontinued operations	835	(5,281)	(8,120)	111	(6,894)
Equity in earnings (losses) of unconsolidated entities	(363)	(447)	(260)	(1,410)	(196)
Income (loss) before income taxes and discontinued operations	472	(5,728)	(8,380)	(1,299)	(7,090)
Income tax expense (benefit)	(884)	(95)	442	1,905	1,102
Income (loss) from continuing operations	1,356	(5,633)	(8,822)	(3,204)	(8,192)
Discontinued operations:					
Income (loss) from operations of discontinued operations	1,785	(7,530)	(34,080)	(3,887)	117
Gain on sale of collegiate housing property	5,496	2,388	611	—	—
	7,281	(5,142)	(33,469)	(3,887)	117

Income (loss) from discontinued operations					
Net income (loss)	8,637	(10,775)	(42,291)	(7,091)	(8,075)

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Less: Net income (loss) attributable to the noncontrolling interests	216	239	(233)	164	(128)
Net income (loss) attributable to Education Realty Trust, Inc.	$8,421	$(11,014)	$(42,058)	$(7,255)	$(7,947)
Earnings per share information:					
Income (loss) per share – basic and diluted					
Continuing operations	0.01	(0.08)	(0.16)	(0.09)	(0.28)
Discontinued operations	0.07	(0.07)	(0.57)	(0.09)	—
Net income (loss) per share	$0.08	$(0.15)	$(0.73)	$(0.18)	$(0.28)
Weighted average common shares outstanding – basic and diluted	102,317	75,485	57,536	40,496	28,513
Distributions per common share	$0.34	$0.24	$0.20	$0.36	$0.82
Amounts attributable to Education Realty Trust, Inc. – common stockholders:					
Income (loss) from continuing operations, net of tax	1,198	(5,916)	(9,095)	(3,486)	(8,059)
Income (loss) from discontinued operations, net of tax	7,223	(5,098)	(32,963)	(3,769)	112
Net income (loss)	$8,421	$(11,014)	$(42,058)	$(7,255)	$(7,947)

BALANCE SHEET DATA

	As of December 31,				
	2012	2011	2010	2009	2008
	(In thousands)				
Assets:					
Collegiate housing properties, net	$1,220,266	$860,167	$698,793	$749,884	$733,507
Other assets, net	104,421	117,642	37,887	54,729	44,140
Total assets	$1,324,687	$977,809	$736,680	$804,613	$777,647
Liabilities and equity:					
Mortgage and construction notes payable	$398,846	$358,504	$367,631	$406,365	$442,259
Other indebtedness	79,000	—	3,700	—	32,900
Other liabilities	75,087	46,175	30,567	22,004	20,559
Total liabilities	552,933	404,679	401,898	428,369	495,718
Redeemable noncontrolling interests	8,944	9,776	10,039	11,079	11,751
Equity	762,810	563,354	324,743	365,165	270,178
Total liabilities and equity	$1,324,687	$977,809	$736,680	$804,613	$777,647

OTHER DATA (UNAUDITED)

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	As of December 31,				
	2012	2011	2010	2009	2008
	(In thousands, except per share data and selected property information)				
Funds from operations (FFO)(1):					
Net income (loss) attributable to Education Realty Trust, Inc.	$8,421	$(11,014)	$(42,058)	$(7,255)	$(7,947)
Gain on sale of collegiate housing property	(5,496)	(2,388)	(611)	—	—
Impairment losses	—	7,859	33,610	3,173	2,021
Loss on sale of collegiate housing assets	—	—	—	—	512
Collegiate housing property depreciation and amortization of lease intangibles	37,237	29,101	29,940	28,522	28,819
Equity portion of real estate depreciation and amortization on equity investees	225	412	479	512	496
Equity portion of loss on sale of collegiate housing property on equity investee	88	256	137	—	—
Noncontrolling interests	305	244	(233)	164	(128)
Funds from operations available to all share and unitholders	$40,780	$24,470	$21,264	$25,116	$23,773
Other adjustments to FFO:					
Development cost write-off, net of tax benefit	—	—	—	—	417
Acquisition costs	1,110	741	1,467	—	—
Ground lease straightline	4,364	4,208	984	—	—
Reorganization/severance costs, net of tax	—	—	447	—	—
Loss (gain) on extinguishment of debt	—	757	1,426	(830)	4,360
Impact of other adjustments to FFO	5,474	5,706	4,324	(830)	4,777
FFO on participating developments:					
Interest on loan to participating development	1,830	1,598	329	—	—
Development fees on participating development, net of costs and tax	91	887	128	—	—
FFO on participating developments	1,921	2,485	457	—	—
Core funds from operations available to all share and unitholders(2)	$48,175	$32,661	$26,045	$24,286	$28,550

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	As of December 31,				
	2012	2011	2010	2009	2008
	(In thousands, except per share data and selected property information)				
Cash flow information- restated [7]:					
Net cash provided by operations	$51,394	$34,037	$32,269	$33,235	$26,011
Net cash used in investing	(368,948)	(159,813)	(20,474)	(41,638)	(31,656)
Net cash provided by (used in) financing	258,780	194,631	(36,006)	30,569	10,614
Per share and distribution data:					
Net income (loss) per share – basic and diluted	$0.08	$(0.15)	$(0.73)	$(0.18)	$(0.28)
Cash distributions declared per share/unit	0.34	0.26	0.20	0.36	0.82
Cash distributions declared	34,491	18,224	12,295	15,330	25,797
Selected community information[3]:					
Units[4]	8,494	6,461	5,608	5,444	5,168
Beds[4]	25,003	19,997	17,853	17,213	16,547
Occupancy[5]	90.6%	92.7%	91.6%	90.4%	92.6%
Revenue per available bed[6]	$498	$444	$414	$408	$411

(1) As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States ("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. In October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO and prior periods should be restated to be consistent with this guidance. Accordingly, we have restated all periods presented to reflect the current guidance. We present FFO available to all stockholders 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 noncontrolling 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. For a reconciliation of our FFO available to our stockholders and unitholders to our net income (loss) for the years ended December 31, 2012, 2011 and 2010, see “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Funds From Operations.”

(2) Core FFO is defined as FFO adjusted to include the economic impact of revenue on participating projects for which recognition is deferred for GAAP purposes. The adjustment for this revenue is calculated on the same percentage of completion method used to recognize revenue on third-party development projects. Core FFO also includes adjustments to exclude the impact of straight-line adjustments for ground leases, gains/losses on extinguishment of debt, transaction costs related to acquisitions and reorganization or severance costs. We believe that these adjustments are appropriate in determining Core FFO as they are not indicative of the operating performance of the Trust’s assets. In addition, management uses Core FFO in the assessment of the Trust’s operating performance and comparison to its industry peers and believes that Core FFO is a useful supplemental measure for

the investing community to use in comparing the Trust to other REITs as many REITs provide some form of adjusted or modified FFO.

(3) The selected community information represents all owned communities for 2012 (43), 2011 (34), 2010 (28), 2009 (27), and 2008 (26). This information excludes property information related to discontinued operations for all years.

(4) Represents data as of December 31.

(5) Average of the month-end occupancy rates for the period.

(6) 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 properties are included prospectively from acquisition date.

(7) See Note 19 to the accompanying consolidated financial statements. Cash flow information for the years ended December 31, 2009 and 2008 was not impacted by the restatement.

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, has been revised for the effects of the restatement of the statements of cash flows in the consolidated financial statements. See Note 19 to the accompanying consolidated financial statements included in Item 8. MD&A is designed to provide a reader of our financial statements with a narrative on our financial condition, results of operations, liquidity and certain other factors that may affect our future results from the perspective of our management. Our MD&A is presented in eleven sections:

- Overview
- Our Business Segments
- Trends and Outlook
- Critical Accounting Policies
- Results of Operations
- Liquidity and Capital Resources
- Distributions
- Off-Balance Sheet Arrangements
- Non GAAP Measures
- 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. Risk Factors" of this Annual Report.

Unless otherwise noted, this MD&A relates only to results from continuing operations. The years ended December 31, 2012, 2011 and 2010 reflect the classification of the following communities’ financial results as discontinued operations: Reserve at Clemson (sold in November 2010); The Gables, Western Place, Berkeley Place and the Pointe at Southern (all sold in December 2010); Troy Place, The Reserve at Jacksonville, The Reserve at Martin, The Chase at Murray and Clemson Place (all sold in January 2011); Collegiate Village (sold in April 2011); Clayton Station (sold in June 2011); NorthPointe and The Reserve on Frankford (both sold in September 2012) and The Reserve at Star Pass (sold in December 2012).

Overview

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

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

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

Collegiate housing leasing

Collegiate housing leasing revenue represented approximately 96.7% of our revenue, excluding operating expense reimbursements, for the year ended December 31, 2012.

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

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

The majority of our leases commence mid-August and terminate the last day of July. These dates generally coincide with the commencement of the universities' fall academic term and the completion of the subsequent summer school session. As such, we are required to re-lease each community in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2012 and 2011, approximately 74.6% and 72.6%, respectively, of our leased beds were to students who were first-time residents at our communities. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in November and ends in August of each year. Our communities' occupancy rates are therefore typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year.

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

Development consulting services

For the year ended December 31, 2012, revenue from our development consulting services represented approximately 0.8% of our revenue, excluding operating expense reimbursements. We provide development consulting services primarily to colleges and universities seeking to modernize their on-campus collegiate housing communities, to other third-party investors and to our collegiate housing leasing segment in order to develop communities for our ownership. Our development consulting services typically include the following:

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

Fees for these services are typically 3 – 5% of the total cost of a project and are payable over the life of the construction period, which in most cases is one to two years in length. Occasionally, the development consulting contracts include a provision whereby the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. As part of the development agreements, there are certain costs we pay on behalf of universities or third-party investors. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the universities or third-party investors. We recognize the expense and revenue related to these reimbursements when incurred.

These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our development consulting services business.

Management services

For the year ended December 31, 2012, revenue from our management services segment represented approximately 2.5% of our revenue, excluding operating expense reimbursements. We provide management services for collegiate housing communities owned by educational institutions, charitable foundations, the Trust and others. Our management services typically cover all aspects of community operations, including residence life and student development, marketing, leasing administration, strategic relationships, information systems and accounting services. We provide these services pursuant to multi-year management agreements under which management fees are typically 3 – 5% of leasing revenue. These agreements usually have an initial term of two to five years with renewal options of like terms. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by management when analyzing the operating performance of our management services business.

Trends and Outlook

Rents and occupancy

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

Our communities' occupancy rates are typically stable during the August to July academic year but are susceptible to fluctuation at the commencement of each new academic year. For the year ended December 31, 2012, same-community revenue per available bed increased to $456 and same-community physical occupancy decreased to 91.5%, compared to same-community revenue per available bed of $439 and same-community physical occupancy of 92.7% for the year ended December 31, 2011. The results represent averages for the Trust's portfolio, which are not necessarily indicative of every community in the portfolio. Individual communities can and do perform both above and below these averages, and, at times, an individual community may experience a decline in total revenue due to local university and economic conditions. Our management focus is to assess these situations and address them quickly in an effort to minimize the Trust's exposure and reverse any negative trends.

Our last two leasing cycles produced same-community revenue growth of nearly 5.0% in 2010 and over 7.0% in 2011. Same-community opening occupancy for the 2012/2013 lease term was 90.5% as compared to 94.7% for the 2011/2012 lease term. Net rental rates for the 2012/2013 lease term increased approximately 5.1% over the prior lease term, thus producing overall same-community revenue growth of approximately 1.0% over the prior lease term. The decline in occupancy for the 2012/2013 lease term is primarily attributable to 5 communities that were impacted by local factors, including modest declines in university enrollment.

Development consulting services

The Trust has historically earned more than $5.0 million annually in third-party development revenue. However, as a result of a deterioration in the credit markets, which began in late 2008, financing of new projects became harder to obtain, and the Trust's third-party development revenue declined from $8.2 million for the year ended December 31, 2009 to $2.5 million in 2010 and then rebounded to $4.1 million in 2011. For the year ended December 31, 2012, third-party development revenue was $0.8 million. Beginning in the summer of 2010, our development team began seeing improvement in the credit markets and an increase in interest from colleges and universities that are considering new collegiate housing. We also continue to receive requests for proposals on new development projects. This improvement in the development consulting market is evidenced by the Trust's active development projects, the completion of our participating development during the second quarter of 2012 and the completion of two third-party developments in the first quarter of 2012. Furthermore, the Trust currently has one active third-party development at Mansfield University of Pennsylvania (scheduled to open in summer 2013), three third-party developments scheduled to begin in the spring/summer of 2013 at Clarion University of Pennsylvania, East Stroudsburg University of Pennsylvania and West Chester University of Pennsylvania and was awarded a third-party development at Wichita State University in the fourth quarter of 2012 that is also scheduled to begin in 2013.

We develop collegiate housing communities for our ownership, and we plan to increase self-development activity going forward. The On-Campus Equity Plan, or The ONE Plan^{SM}, is our private equity program for universities, which allows universities to use the Trust's equity and financial stability to develop and revitalize campus housing while preserving their credit capacity for other campus projects. This program is designed to provide the Trust's equity to solve a university's housing needs through a ground lease structure where the Trust owns the land improvements and operates the community. Others in the industry have a similar program and to date the Trust has four ONE Plan^{SM} projects completed or underway. In December 2011, we were selected by the University of Kentucky (UK) to develop, own and manage a multi-phase project aimed at revitalizing UK's on-campus housing which could potentially include the addition of 9,000 beds within five to seven years utilizing the ONE Plan^{SM}. Construction on Central Hall, the first building in the multi-phase project, is progressing as planned. The 601-bed, two-building, four-story community will be available for occupancy in the summer of 2013. In October 2012, the Trust received approval from the UK board of trustees and signed definitive agreements for Phase II of the project. Phase II of the project will include four communities with 2,317 beds and a total project cost of approximately $133.7 million. All four communities are expected to open in the summer of 2014. We view our entry into the partnership with UK as a defining moment, not only for EdR, but also for our industry. Most state universities face many of the same challenges as UK, including reduced support from constrained state budgets, aged on-campus housing and demands on institutional funds for academic and support services. This declining state support for higher education is the norm rather than the exception. These external factors provide a great opportunity for our company. The volume of discussions we are having with other universities has increased over the last year as additional universities investigate this type of structure to replace their aging on-campus housing stock. We expect the volume of true third-party development contracts to be impacted as more universities avail themselves of this new program.

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

Collegiate housing operating costs

The Trust implemented focused cost control measures in late 2008 that drove a same-community operating expense decline of 4.6% for the year ended December 31, 2009 and helped keep operating expenses relatively flat during 2010. During the year ended December 31, 2011, same-community operating expenses increased approximately 2.9% compared to the year ended December 31, 2010, which included a 2.2% increase in direct operating expenses and a 5.9% increase in fixed costs primarily as a result of real estate tax refunds received in 2010. For the year ended December 31, 2012, same-community operating expenses increased approximately 2.3% compared to the same period in the prior year which is in line with our expectation and a reasonable level of growth for the foreseeable future.

General and administrative costs

Historically, we have presented all general and administrative ("G&A") costs, including regional and corporate costs of supporting our communities, in G&A in our consolidated statement of operations. Beginning with the three months ended March 31, 2012, we began reporting the costs to manage our owned portfolio as part of our collegiate housing operating costs and not as part of G&A costs, and previous periods presented have been reclassified for consistent presentation and comparability (see Note 2 to the accompanying consolidated financial statements). We believe the new presentation improves comparability within the industry and provides a better reflection of the total cost to operate a property as we do not include management fees in our property operating expenses. G&A costs for the year ended December 31, 2012 were $6.8 million, before development pursuit costs and acquisition costs, an increase of $0.6 million, or 9.5%, when compared to the same period in the prior year. This increase is largely due to costs associated with the growth of our owned collegiate housing portfolio, the growth in our owned development activity and normal inflationary pressures.

Asset repositioning and capital recycling

We continue to reposition and improve our owned portfolio as follows:

- In 2010 and 2011, we sold twelve communities for a combined sales price of $112.8 million. These communities were located at mostly smaller universities with limited barriers to entry;
- Through November of 2010 and January 2012, we purchased $256 million of assets within walking distance of universities such as the University of Virginia, University of California–Berkeley, Notre Dame, Texas Christian University and Saint Louis University;
- In 2012, we sold three communities, The Reserve at Star Pass and NorthPointe both serving the University of Arizona and The Reserve on Frankford serving Texas Tech University for net cash proceeds of approximately $67.3 million (see Note 5 to the accompanying consolidated financial statements);
- In 2012, we purchased the collegiate housing community referred to as The Province, adjacent to the campus of East Carolina University, for $50.0 million in cash, The District on 5th, within walking distance of the University of Arizona, for $66.4 million in cash, Campus Village, adjacent to Michigan State University, for $20.9 million in cash, The Province, adjacent to Kent State University for $45 million in cash, and The Centre and The Suites at Overton Park, both adjacent to Texas Tech University for $25.5 million in cash and $48.5 million in assumed debt (see Note 4 to the accompanying consolidated financial statements);
- We currently have ten active owned developments with our share of aggregate development costs of $343.8 million within walking distance of universities such as Arizona State University, University of Connecticut, University of Mississippi and the University of Colorado and directly on the campuses of University of Kentucky and the University of Texas at Austin (see Note 4 to the accompanying consolidated financial statements);
- We have improved our portfolio’s median distance to edge of campus to 0.2 miles; and
- We have increased our average rental rate to $571 per bed.

Critical Accounting Policies

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

Collegiate housing leasing revenue recognition

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

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

Revenue and cost recognition of development consulting services

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

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

Collegiate 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 15 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures, and equipment are depreciated over 3 to 7 years. Depreciation is computed using the straight-line method for financial reporting purposes.

Results of operations for acquired collegiate housing communities are included in the Trust's results of operations from the respective dates of acquisition. Appraisals, estimates of cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. The Trust recognizes pre-acquisition costs, which include legal and professional fees and other third-party costs related directly to the acquisition of a community when they are incurred.

Management assesses impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management uses an estimate of future undiscounted cash flows of the related asset based on its intended use to determine whether the carrying value is recoverable. If the Trust determines that the carrying value of an asset is not recoverable, the fair value of the asset is estimated and an impairment loss is recorded to the extent the carrying value exceeds estimated fair value (see Note 2 to the accompanying consolidated financial statements). Management estimates fair value using discounted cash flow models, market appraisals if available, and other market participant data.

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

Repairs and maintenance

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

Use of estimates

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

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

Results of Operations for the Years Ended December 31, 2012 and 2011

The following table presents our results of operations for the years ended December 31, 2012 and 2011 (amounts in thousands):

	Year Ended December 31, 2012					Year Ended December 31, 2011				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	$131,092	$—	$—	$—	$131,092	$98,491	$—	$—	$—	$98,491
Third-party development consulting services	—	1,018	—	(198)	820	—	5,682	—	(1,579)	4,103
Third-party management services	—	—	3,446	—	3,446	—	—	3,336	—	3,336
Operating expense reimbursements	—	—	—	9,593	9,593	—	—	—	8,604	8,604
Total segment revenues	131,092	1,018	3,446	9,395	144,951	98,491	5,682	3,336	7,025	114,534
Segment operating expenses:										
Collegiate housing leasing operations	63,194	—	—	—	63,194	48,789	—	—	—	48,789
General and administrative	—	3,528	2,779	(44)	6,263	—	2,998	2,667	(75)	5,590
Reimbursable operating expenses	—	—	—	9,593	9,593	—	—	—	8,604	8,604
Total segment operating expenses	63,194	3,528	2,779	9,549	79,050	48,789	2,998	2,667	8,529	62,983
Segment net operating income (loss)(1)	$67,898	$(2,510)	$667	$(154)	$65,901	$49,702	$2,684	$669	$(1,504)	$51,551

(1) The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated income (loss) before income taxes and discontinued operations for the year ended December 31:

	2012	2011
Net operating income for reportable segments	$65,901	$51,551
Other unallocated general and administrative expenses	(7,913)	(6,726)
Depreciation and amortization	(35,436)	(25,961)

Ground leases	(6,395)	(5,498)
Nonoperating expenses	(15,322)	(18,647)
Equity in earnings (losses) of unconsolidated entities	(363)	(447)
Income (loss) before income taxes and discontinued operations	$472	$(5,728)

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Collegiate housing leasing

Collegiate housing operating statistics for owned communities and same-communities for the years ended December 31, 2012 and 2011 were as follows:

	Year Ended December 31, 2012(9)		Year Ended December 31, 2011(9)		Favorable (Unfavorable)	
Owned communities:						
Occupancy						
Physical(1)	90.6	%	92.7	%	(210) bps	
Economic(2)	87.4	%	87.8	%	(40) bps	
NarPAB(3)	$464		$433		$31	
Other income per avail. bed(4)	$34		$11		$23	
RevPAB(5)	$498		$444		$54	
Operating expense per bed(6)	$240		$220		$(20	)
Operating margin(7)	51.8	%	50.5	%	130 bps	
Design Beds(8)	263,002		221,663		41,339	
Same-communities(10):						
Occupancy						
Physical(1)	91.5	%	92.7	%	(120) bps	
Economic(2)	87.6	%	88.2	%	(60) bps	
NarPAB(3)	$430		$414		$16	
Other income per avail. bed(4)	$26		$25		$1	
RevPAB(5)	$456		$439		$17	
Operating expense per bed(6)	$223		$218		$(5	)
Operating margin(7)	51.1	%	50.2	%	90 bps	
Design Beds(8)	214,301		214,301		—	

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

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

(3)Net apartment rent per available bed ("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.

(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/application fees, late fees, termination fees, parking fees, transfer fees, damage recovery, utility recovery and other miscellaneous fees.

(5)Revenue per available bed ("RevPAB") 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 and ground/facility lease fees divided by the sum of the design beds for each of the included months

(7)Represents operating income divided by revenue.

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

(9)This information excludes property information related to discontinued operations.

(10)Represents operating statistics for communities that were operating for the full year ended December 31, 2012 and 2011.

Total revenue in the collegiate housing leasing segment was $131.1 million for the year ended December 31, 2012. This represents an increase of $32.6 million, or 33.1%, from the same period in 2011. This increase included $28.8 million of revenue related to 17 new communities, which increased the portfolio to more than 25,000 beds, and $3.8 million of revenue from a 4.0% increase in same-community revenue. The same-community revenue growth was driven by a 5.1% improvement in net rental rates, a 1.4% decline in occupancies and a 0.3% increase in other rental revenue.

As discussed above, beginning with the three months ended March 31, 2012, we are reporting in all periods presented regional and corporate costs to support our owned portfolio as part of our collegiate housing operating costs and not as part of G&A costs. Operating expenses in the collegiate housing leasing segment increased $14.4 million, or 29.5%, to $63.2 million for the year ended December 31, 2012 as compared to the same period in 2011. The 17 new communities added $13.3 million of operating expenses over the same period in the prior year. In addition, same-community operating expenses increased $1.1 million, or 2.3%, over the same period in the prior year.

Development consulting services

The following table represents the development consulting projects that were active during the years ended December 31, 2012 and 2011:

Project	Beds	Fee Type	Segment Revenues 2012 (in thousands)	2011	Difference	
Indiana University of Pennsylvania – Phase IV	596	Development fee	$—	$456	$(456	)
Colorado State University – Pueblo II	500	Development fee	—	1	(1	)
Centennial Hall	454	Development fee	182	273	(91	)
East Stroudsburg University	969	Development fee	136	1,886	(1,750	)
Mansfield University of Pennsylvania	634	Development fee	35	1,362	(1,327	)
Mansfield University of Pennsylvania - Phase II	684	Development fee	417	—	417	
Miscellaneous consulting fees	—	Consulting fee	50	125	(75	)
Third-party development consulting services total			820	4,103	(3,283	)
Participating project – Science + Technology Park at Johns Hopkins	572	Development fee	198	1,579	(1,381	)
Development consulting services total			$1,018	$5,682	$(4,664	)

Development consulting services revenue decreased $4.7 million, or 82.1%, to $1.0 million for the year ended December 31, 2012 as compared to the same period in 2011. Third-party development consulting revenue decreased $3.3 million from the prior year due to less development activity on two active third-party development consulting projects offset by $0.4 million of revenue related to the Mansfield University of Pennsylvania - Phase II project which was begun in the third quarter of 2012. The Science + Technology Park at Johns Hopkins (see Note 2 to the accompanying consolidated financial statements) contributed $1.4 million to the decline in revenue as the project was completed early in the third quarter of 2012. Due to the fact that the Trust is guaranteeing the construction loan and extending a second mortgage to the development, all revenue on the project is being deferred in the accompanying consolidated financial statements until the second mortgage is repaid and the Trust no longer guarantees the debt. Since management considers these fees when assessing the performance of the segment, they are included in the segment financial statements above and deferred in the adjustments/eliminations column. If the construction loan and second mortgage had been repaid prior to December 31, 2012, the Trust would have recognized development services revenue net of costs of $1.9 million, guarantee fee revenue of $3.0 million and interest income of $3.8 million since the commencement of the project.

General and administrative expenses increased $0.5 million, or 17.7%, for the year ended December 31, 2012 compared to the prior year. This increase is primarily due to additional payroll costs, net of capitalized payroll on owned developments, related to the increased development activity discussed under "Trends and Outlook" above. Internal development project costs related to the Science + Technology Park at Johns Hopkins discussed above are deferred in the accompanying consolidated financial statements until the revenue associated with this project is recognized. As such, these expenses are eliminated in the adjustments/eliminations column of the segment financial statements.

Management services

Total management services revenue increased $0.1 million, or 3.3%, for the year ended December 31, 2012 when compared to the same period in 2011. Existing contracts produced a net increase in fee revenue and five additional contracts, including one community for which development was completed in the fourth quarter of 2011 and four new management contracts added in 2012, further contributed to the increase, which was offset by the loss of three management contracts associated with the sales of the communities. Beginning with the three months ended March 31, 2012, we are no longer including intersegment revenues related to the management of our owned portfolio in the management services segment for all periods presented due to the fact that the costs to manage our owned portfolio are now included in collegiate housing operating costs as discussed above.
G&A costs for our management services segment increased $0.1 million, or 4.2%, for the year ended December 31, 2012 compared to the same period in the prior year primarily due to the growth of the company.

Other unallocated general and administrative expenses

Other unallocated G&A costs increased $1.2 million, or 17.6%, during the year ended December 31, 2012 over the same period in the prior year primarily due to costs associated with the growth of our owned portfolio.

Depreciation and amortization

Depreciation and amortization increased $9.5 million, or 36.5%, during the year ended December 31, 2012 over the same period in the prior year. This increase relates mainly to the purchase of 17 new properties since January 1, 2011 as discussed above.

Ground lease expense

For the year ended December 31, 2012, the cost of ground leases increased $0.9 million or 16.3%, compared to the same period in the prior year, due to the addition of GrandMarc at Westberry Place at Texas Christian University in the fourth quarter of 2011. This community is subject to a 53-year ground lease with a fixed-floor annual rent increase. The Trust recognizes ground lease expense on a straight-line basis over the life of the lease.

Nonoperating expenses

For the year ended December 31, 2012, nonoperating expenses decreased $3.3 million or 17.8% as compared to the same period in the prior year. Interest expense decreased $2.9 million primarily related to the capitalization of interest on our eleven owned development projects and a $11.2 million net reduction in mortgage and construction debt since December 31, 2011 excluding debt of $48.5 million that was assumed in December 2012 (see Note 10 to the accompanying consolidated financial statements). Also contributing to the decrease was a loss on extinguishment of debt of $0.4 million taken in the first quarter of 2011 related to the repayment of $35.5 million of variable rate debt.

Results of Operations for the Years Ended December 31, 2011 and 2010

The following table presents our results of operations for the years ended December 31, 2011 and 2010 (amounts in thousands):

	Year Ended December 31, 2011					Year Ended December 31, 2010				
	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total	Collegiate Housing Leasing	Development Consulting Services	Management Services	Adjustments/ Eliminations	Total
Segment Revenues:										
Collegiate housing leasing revenue	$98,491	$—	$—	$—	$98,491	$86,347	$—	$—	$—	$86,347
Third-party development consulting services	—	5,682	—	(1,579)	4,103	—	2,788	—	(305)	2,483
Third-party management services	—	—	3,336	—	3,336	—	—	3,189	—	3,189
Operating expense reimbursements	—	—	—	8,604	8,604	—	916	—	13,603	14,519
Total segment revenues	98,491	5,682	3,336	7,025	114,534	86,347	3,704	3,189	13,298	106,538
Segment operating expenses:										
Collegiate housing leasing operations	48,789	—	—	—	48,789	44,703	—	—	—	44,703
General and administrative	—	2,998	2,667	(75)	5,590	—	2,885	3,227	(170)	5,942
Reimbursable operating expenses	—	—	—	8,604	8,604	—	—	—	13,603	13,603
Total segment operating expenses	48,789	2,998	2,667	8,529	62,983	44,703	2,885	3,227	13,433	64,248
Segment net operating income (loss)(1)	$49,702	$2,684	$669	$(1,504)	$51,551	$41,644	$819	$(38)	$(135)	$42,290

(1) The following is a reconciliation of the reportable segments' net operating income to the Trust's consolidated loss before income taxes and discontinued operations for the year ended December 31:

	2011	2010
Net operating income for reportable segments	$51,551	$42,290
Other unallocated general and administrative expenses	(6,726)	(7,431)

Depreciation and amortization	(25,961)	(21,984)
Ground leases	(5,498)	(1,528)
Nonoperating expenses	(18,647)	(19,467)
Equity in earnings (losses) of unconsolidated entities	(447)	(260)
Loss before income taxes and discontinued operations	$(5,728)	$(8,380)

Collegiate housing leasing

Collegiate housing operating statistics for owned communities and same-communities for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011[9]		Year Ended December 31, 2010[9]		Favorable (Unfavorable)	
Owned communities:						
Occupancy						
Physical[1]	92.7	%	91.6	%	110 bps	
Economic[2]	87.8	%	87.0	%	80 bps	
NarPAB[3]	$433		$390		$43	
Other income per avail. bed[4]	$11		$24		$(13	)
RevPAB[5]	$444		$414		$30	
Property operating expense per bed[6]	$220		$214		$(6	)
Operating margin[7]	50.5	%	48.2	%	230 bps	
Design Beds[8]	221,663		208,480		13,183	
Same communities[10]:						
Occupancy						
Physical[1]	92.7	%	91.5	%	120 bps	
Economic[2]	88.6	%	87.3	%	160 bps	
NarPAB[3]	$406		$389		$17	
Other income per avail. bed[4]	$24		$24		$—	
RevPAB[5]	$430		$413		$17	
Property operating expense per bed[6]	$200		$215		$15	
Operating margin[7]	53.6	%	47.9	%	570 bps	
Design Beds[8]	206,613		206,557		56	

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

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

(3) 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.

(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/application fees, late fees, termination fees, parking fees, transfer fees, damage recovery, utility recovery and other miscellaneous fees.

(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 and ground/facility lease fees divided by the sum of the design beds for each of the included months.

(7) Represents operating income divided by revenue.

(8)

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

(9) This information excludes property information related to discontinued operations.

(10) Represents operating statistics for communities that were operating for the full years ended December 31, 2011 and 2010.

Total revenue in the collegiate housing leasing segment was $98.5 million for the year ended December 31, 2011, an increase of $12.1 million, or 14.1%, from the same period in 2010. This increase included $8.5 million related to the new communities, GrandMarc at the Corner, Wertland Square and Jefferson Commons, all located in Charlottesville, Virginia, The Berk located in Berkeley, California, University Village Towers located in Riverside, California, Lotus Center located in Boulder, Colorado, Irish Row located in South Bend, Indiana, GrandMarc at Westberry Place located in Ft. Worth, Texas and 3949 Lindell located in St. Louis, Missouri, and $3.7 million from a 4.3% increase in same-community revenue. The same-community revenue growth was driven by a 1.3% improvement in occupancies, a 2.9% increase in net rental rates and a 0.1% increase in other rental revenue.

Operating expenses in the collegiate housing leasing segment increased $4.1 million, or 9.1%, to $48.8 million for the year ended December 31, 2011 as compared to the same period in 2010. The nine new communities discussed above added $3.0 million of operating expenses over the prior year. In addition, same-community operating expenses increased $1.1 million, or 2.4%, over the same period in the prior year primarily due to real estate tax refunds recorded in the same period in 2010 and an increase in payroll, marketing and cable/internet expenses.

Development consulting services

The following table represents the development consulting projects that were active during the years ended December 31, 2011 and 2010:

Project	Beds	Segment Revenues 2011	2010	Difference
		(in thousands)		
University of Michigan	896	$—	$1	$(1)
Indiana University of Pennsylvania – Phase IV	596	456	641	(185)
Colorado State University – Pueblo II	500	1	531	(530)
SUNY College of Environmental Science and Forestry	454	273	802	(529)
East Stroudsburg University	969	1,886	231	1,655
Mansfield University of Pennsylvania	634	1,362	52	1,310
Miscellaneous consulting fees	—	125	225	(100)
Third-party development consulting services total		4,103	2,483	1,620
Participating project – Science + Technology Park at Johns Hopkins	572	1,579	305	1,274
Development consulting services total		$5,682	$2,788	$2,894

Development consulting services revenue increased $2.9 million, or 103.8%, to $5.7 million for the year ended December 31, 2011 as compared to the same period in 2010. Third-party development consulting revenue increased $1.6 million from the prior year due to more development activity on two active third-party development consulting projects. The Science + Technology Park at Johns Hopkins (see Note 2 to the accompanying consolidated financial statements) contributed $1.3 million of additional revenue. Due to the fact the Trust is guaranteeing the construction loan and extending a second mortgage to the development, all revenue on the project is being deferred in the accompanying consolidated financial statements until the second mortgage is repaid and the Trust no longer guarantees the debt. Since management considers these fees when assessing the performance of the segment, they are included in the segment financial statements above and deferred in the adjustments/eliminations column. If the construction loan and second mortgage had been repaid prior to December 31, 2011, the Trust would have recognized development services revenue net of costs of $1.7 million, guarantee fee revenue of $3.0 million and interest income of $1.9 million since the commencement of the project.

General and administrative expenses increased $0.1 million, or 3.9%, for the year ended December 31, 2011 compared to the same period in the prior year. This increase is primarily due to additional payroll costs related to the increased development activity. Internal development project costs related to the Science + Technology Park at Johns Hopkins discussed above are deferred in the accompanying consolidated financial statements until the revenue associated with this project is recognized. As such, these expenses are eliminated in the adjustments/eliminations column of the segment financial statements.

Management services

Total management services revenue increased $0.1 million, or 4.6%, for the year ended December 31, 2011 when compared to the prior year due to a net increase in fee revenue for existing contracts offset by the sale of the Fontainebleau collegiate housing community joint venture in the third quarter of 2010.

General and administrative costs for our management services segment decreased $0.6 million, or 17.4% for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to a reduction in payroll and benefits. Excluding the impact of restructuring costs recorded in 2010, general and administrative expenses increased 4.5% over the prior year.

Other unallocated general and administrative expenses

For the year ended December 31, 2011, other unallocated general and administrative expenses decreased $0.7 million or 9.5% to $6.7 million compared to the prior year primarily due to $1.5 million in acquisition costs related to the purchase of The GrandMarc at The Corner (Charlottesville) in the fourth quarter of 2010 offset by $0.7 million in acquisition costs for the purchase of various collegiate housing communities incurred during 2011.

Depreciation and amortization

Depreciation and amortization increased $4.0 million, or 18.1%, during the year ended December 31, 2011 over the same period in the prior year. This increase relates primarily to the purchase of nine new properties discussed above.

Ground lease expense

For the year ended December 31, 2011, the cost of ground leases increased $4.0 million, compared to the same period in the prior year, due to the addition of The GrandMarc at The Corner (Charlottesville) in the fourth quarter of 2010. This community is subject to a 99-year ground lease with a fixed-floor annual rent increase. The Trust recognizes ground lease expense on a straight-line basis over the life of the lease.

Nonoperating expenses

For the year ended December 31, 2011, interest expense declined $1.5 million, or 7.8%, when compared to the same period in the prior year primarily due to the repayment of variable rate debt of $35.5 million that was outstanding under the Master Secured Credit Facility with proceeds from the sale of five collegiate housing communities (see Note 10 to the accompanying consolidated financial statements) and the sale of the interest rate cap associated with this variable rate debt in January of 2011. These decreases were offset by the loss on extinguishment of debt of $0.4 million incurred in the first quarter of 2011 (see Note 10 to the accompanying consolidated financial statements) and a decline in interest income of $0.2 million.

Equity in earnings of unconsolidated entities

Equity in earnings of unconsolidated entities represents our share of the net income or loss related to investments in unconsolidated entities that own collegiate housing communities. For the year ended December 31, 2011, equity in losses was $0.4 million compared to $0.3 million in the prior year.

Liquidity and Capital Resources

Fourth Amended Revolver, Master Secured Credit Facility and other indebtedness

On January 14, 2013, the Operating Partnership entered into a Fourth Amended and Restated Credit Agreement (the "Fourth Amended Revolver"). The Fourth Amended Revolver amended and restated the existing unsecured revolving credit facility dated September 21, 2011. The previous facility (the "Third Amended Revolver") was unsecured, had a maximum availability of $175 million and was scheduled to mature on September 21, 2014. The Fourth Amended Revolver is unsecured, has a maximum availability of $375 million and within the first four years of the agreement may be expanded to $500 million upon satisfaction of certain conditions. The Fourth Amended Revolver matures on January 14, 2017, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions.

Availability under the Third Amended Revolver was limited to a "borrowing base availability" equal to the lesser of (i) 60% of the property asset value (as defined in the agreement) and (ii) the loan amount, which would produce a debt service coverage ratio of no less than 1.40. As of December 31, 2012, our borrowing base was $175.0 million, and we had $79.0 million outstanding under the Third Amended Revolver; thus, our remaining borrowing base availability was $96.0 million. During the year ended December 31, 2012, the Trust repaid $62.0 million outstanding under the Third Amended Revolver with proceeds from our August 2012 common stock offering discussed below. As of December 31, 2012, our borrowing base availability would have been $252.3 million considering the expansion under the Fourth Amended Revolver discussed above.

The Trust served as the guarantor for any funds borrowed by the Operating Partnership under the Third Amended Revolver. The interest rate per annum applicable to the Third Amended Revolver was, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage. As of December 31, 2012, the interest rate applicable to the Third Amended Revolver was 1.84%.

The Third Amended Revolver contained customary affirmative and negative covenants and contained financial covenants that, among other things, required 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 included consolidated net worth and leverage ratio tests, and the Trust was prohibited from making distributions in excess of 95% of FFO except to comply with the legal requirements to maintain its status as a REIT. As of December 31, 2012, the Trust was in compliance with all covenants of the Third Amended Revolver.

As of December 31, 2012, the Trust had outstanding mortgage and construction indebtedness of $395.8 million (excluding unamortized debt premium of $3.1 million). Of the total, $89.1 million and $36.3 million relates to construction and variable rate mortgage debt, respectively, that is described below, and $34.8 million pertains to outstanding mortgage debt that is secured by the underlying collegiate housing properties or leaseholds bearing interest at fixed rates ranging from 4.92% to 5.99%. The remaining $235.6 million of the outstanding mortgage indebtedness relates to the Fannie Mae master secured credit facility that the Trust entered into on December 31, 2008 and expanded on December 2, 2009 (the "Master Secured Credit Facility"), which bears interest at a weighted average fixed rate of 5.88%. During the year ended December 31, 2011, we repaid $35.5 million of variable rate debt that was outstanding under the Master Secured Credit Facility with proceeds from the sale of five collegiate housing communities (see Note 10 to the accompanying consolidated financial statements).

In December 2012, in connection with the acquisition of the Suites at Overton Park and the Centre at Overton Park collegiate housing communities, both adjacent to Texas Tech University in Lubbock, Texas, we assumed $25.1 million and $23.3 million of fixed rate mortgage debt, respectively. The loan for the Suites at Overton Park bears interest at 4.2% and initially matures on April 1, 2016. The loan for the Centre at Overton Park bears interest at 5.6%

and initially matures on January 1, 2017. If no event of default has occurred by the initial maturity dates we have the option to extend the maturity dates one year at a base rate plus a 2.5% margin. Principal and interest are paid on a monthly basis for both loans.

As of December 31, 2012, we had outstanding variable rate mortgage debt of $36.3 million that was assumed in connection with the acquisition of the GrandMarc at Westberry Place collegiate housing community located at Texas Christian University during 2011. The interest rate per year applicable to the loan is equal to a base rate plus a 4.85% margin, in total not to exceed 7.5% per year, and principal and interest are paid on a monthly basis. The loan matures on January 1, 2020. As of December 31, 2012, the interest rate applicable to the loan was 4.95%.

As of December 31, 2012, we had borrowed $16.4 million on a construction loan related to the development of a wholly-owned collegiate housing community in Storrs, Connecticut (The Oaks on the Square). The interest rate per year applicable to the loan is, at the option of the Trust, equal to a base rate plus a 1.25% margin or LIBOR plus a 2.25% margin and is interest only through October 30, 2015. As of December 31, 2012, the interest rate applicable to the loan was 2.46%. On October 30, 2015, if certain conditions for extension are met, we have the option to extend the loan until October 31, 2016. On October 30, 2016, if certain conditions are met, we have the option to extend the loan until October 31, 2017. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2012, the Trust had borrowed $32.7 million on a construction loan related to the development of a jointly owned collegiate housing community in Tuscaloosa, Alabama (East Edge). We are the majority owner and managing member of the joint venture and manage the community now that it is completed. The loan bears interest equal to LIBOR plus a 2.4% margin and is interest only through June 30, 2014. As of December 31, 2012, the interest rate applicable to the loan was 2.61%. On June 15, 2014, if the debt service ratio is not less than 1.15 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, we can extend the loan until June 30, 2015. On June 15, 2015, if the debt service ratio is not less than 1.25 to 1 and an extension fee of 12.5 basis points of the total outstanding principal is paid to the lender, we can extend the loan until June 30, 2016. During the first and second extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2012, the Trust had $8.5 million outstanding on a construction loan related to the development of a wholly-owned collegiate housing community at Syracuse University (University Village Apartments on Colvin). The loan bears interest equal to LIBOR plus a 1.1% margin and was interest only through September 29, 2011. On September 29, 2011, the Trust extended the maturity date until September 29, 2013. Going forward, a debt service coverage ratio, calculated annually on a rolling 12-month basis, of not less than 1.25 to 1 must be maintained with principal and interest being repaid on a monthly basis. As of December 31, 2012, the interest rate applicable to the loan was 1.31%.

As of December 31, 2012, the Trust had $12.0 million outstanding on a construction loan related to the development of a second wholly-owned collegiate housing community at Syracuse University (Campus West). The interest rate per year applicable to the loan is, at the option of the Trust, equal to a base rate plus a 0.95% margin or LIBOR plus a 1.95% margin and is interest only through November 30, 2014. As of December 31, 2012, the interest rate applicable to the loan was 2.16%. Once the project is complete and the debt service coverage ratio of not less than 1.30 to 1 is maintained, the interest rate will be reduced to a base rate plus a 0.80% margin or LIBOR plus 1.80% margin at the option of the Trust. If certain conditions for extension are met, the Trust has the option to extend the loan twice for an additional year. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2012, the Trust had borrowed $10.6 million on a construction loan related to the development of a jointly owned collegiate housing community near the University of Mississippi (The Retreat). The Trust is the majority owner and managing member of the joint venture and will manage the community when completed. The interest rate per year applicable to the loan is, at the option of the Trust, equal to a base rate plus a 1.10% margin or LIBOR plus a 2.10% margin and is interest only through June 12, 2015. As of December 31, 2012, the interest rate applicable to the loan was 2.31%. Once the project is complete and a debt service coverage ratio of not less than 1.30 to 1 is maintained, the interest rate will be reduced to a base rate plus a 0.80% margin or LIBOR plus a 1.80% margin at the option of the Trust. If certain conditions for extension are met, the Trust has the option to extend the loan twice for an additional year. During the extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

As of December 31, 2012, the Trust had borrowed $8.9 million on a construction loan related to the development of a jointly owned collegiate housing community near the Arizona State University-Downtown Phoenix campus. The Trust is the majority owner and managing member of the joint venture and will manage the community when completed. The loan bears interest equal to LIBOR plus a 2.25% margin and is interest only through March 20, 2015. As of December 31, 2012, the interest rate applicable to the loan was 2.50%. On March 20, 2015, if the debt service ratio is not less than 1.35 to 1 and an extension fee of 0.25% of the total outstanding principal is paid to the lender, the Trust may extend the loan until March 20, 2016. On March 20, 2016, if the debt service ratio is not less than 1.45 to 1 and an extension fee of 0.25% of the total outstanding principal is paid to the lender, the Trust can extend the loan until March 20, 2017. During the first and second extension periods, if applicable, principal and interest are to be repaid on a monthly basis.

During the year ended December 31, 2012, the Trust repaid in full $27.0 million of mortgage debt secured by the collegiate housing community referred to as The Lofts located near the University of Central Florida in Orlando, Florida. The debt had a fixed interest rate of 5.59% and was due to mature in May 2014. The Trust also repaid $10.2 million and $4.1 million on construction loans related to the development of a wholly-owned collegiate housing community near Southern Illinois University (The Reserve at Saluki Pointe-Carbondale). The loans bore interest equal to LIBOR plus 1.1% and 2.0% margins, respectively, and were due to mature on June 28, 2012. The mortgage debt and construction loans were repaid with proceeds from the Third Amended Revolver and cash on hand.

During the year ended December 31, 2012, the Trust repaid in full $34.0 million of mortgage debt secured by the collegiate housing community referred to as Campus Lodge located near the University of Florida in Gainesville, Florida. The debt had a fixed interest rate of 6.97%, an effective interest rate of 5.48% and was due to mature in May 2012. The mortgage debt was repaid with cash on hand.

During the year ended December 31, 2011, the Trust repaid $18.8 million of mortgage debt bearing a fixed interest rate of 5.55% that was due to mature in March 2012 and was secured by the collegiate housing community referred to as NorthPointe in Tucson, Arizona. The mortgage debt was repaid with proceeds received in connection with the stock offering that was conducted in November 2011 (see Note 2 to the accompanying consolidated financial statements).

Liquidity outlook and capital requirements

During the year ended December 31, 2012, we generated $51.4 million of cash from operations, received proceeds of $220.4 million from equity offerings through a follow-on offering conducted in August 2012 and our at-the-market program, received proceeds of $67.3 million related to the sale of three collegiate housing communities, borrowed $71.2 million on mortgage and construction loans and borrowed a net $79.0 million on our unsecured revolving credit facility. When combined with $75.8 million of existing cash, we were able to invest $22.6 million of capital into existing communities, acquire seven communities for an aggregate of $239.1 million, invest $11.8 million in joint ventures, repay $79.2 million of mortgage and construction debt, make a $3.0 million mezzanine loan to acquire a purchase option to acquire a property, invest $157.8 million in assets under development and distribute $34.0 million to our stockholders and unitholders in order to end the year with approximately $17.0 million in cash.

Our current liquidity needs include funds for distributions to our stockholders and unitholders, including those required to maintain our REIT status and satisfy our current annual distribution target of $0.40 per share/unit, funds for capital expenditures, funds for debt repayment and, potentially, funds for new property acquisition and development. We generally expect to meet our short-term liquidity requirements through cash provided by operations, debt refinancing, existing cash, recycling through potential asset sales and raising additional equity capital. We believe that these sources of capital will be sufficient to provide for our short-term capital needs.

Distributions for the year ended December 31, 2012 totaled $34.0 million, or $0.34, per weighted average share/unit, compared to cash provided by operations of $51.4 million, or $0.50, per weighted average share/unit.

Based on our closing share price of $10.64 on December 31, 2012, our total enterprise value was $1.7 billion. With net debt (total debt less cash) of $457.7 million as of December 31, 2012, our debt to enterprise value was 27.4% compared to 22.9% as of December 31, 2011. With gross assets of $1.5 billion, which excludes accumulated depreciation of $175.3 million, our debt to gross assets ratio was 31.7% as of December 31, 2012 as compared to 31.3% as of December 31, 2011.

Management believes that it has strengthened the Trust’s balance sheet through the follow-on equity offerings in August of 2012 and January and November of 2011, selling 17.3 million shares, 13.2 million shares and 14.4 million shares, respectively, all including the underwriters’ overallotment option to purchase additional shares, for net proceeds of $180.9 million, $91.7 million and $124.4 million, respectively. A portion of the net proceeds was used to repay approximately $117.1 million of debt with the remaining proceeds used to fund the Trust’s current developments and acquisitions, fund future acquisitions and developments and for general corporate purposes.

As discussed in Note 2 to the accompanying consolidated financial statements, we implemented an at-the-market equity distribution program during the second quarter of 2010. As of December 31, 2011, the Trust had sold 5.9 million shares of common stock under the agreements for net proceeds of $49.3 million and reached the aggregate offering amount of $50.0 million. On September 20, 2011, the Trust entered into the 2011 equity distribution agreement. Similar to the 2010 equity distribution agreements, the Trust may issue and sell shares of its common stock having an aggregate offering amount of up to $50.0 million. As of December 31, 2012, the Trust had sold 4.8 million shares of common stock under the 2011 equity distribution program for net proceeds of approximately $49.2 million and reached the aggregate offering amount of $50.0 million. The Trust used the net proceeds to repay debt, fund its development pipeline, fund potential future acquisitions and for general corporate purposes. On May 22, 2012, the Trust entered into two additional equity distribution agreements similar to the previous agreements discussed above. Under the 2012 agreements the Trust may issue and sell shares of its common stock having an aggregate offering amount of $50 million. As of December 31, 2012, the Trust had sold $0.1 million shares of common stock under the 2012 agreements for net proceeds of approximately $1.1 million.

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

The Trust completed the sale of five communities in January 2011 (see Note 5 to the accompanying consolidated financial statements). These transactions culminated a significant repositioning of the Trust's portfolio that began in the fourth quarter of 2010. The five communities had over 1,900 beds and were at mostly smaller universities with limited barriers to entry. With a total sales price of approximately $46.1 million, the dispositions reduced outstanding debt by $16.1 million and provided net cash proceeds, after costs, of approximately $29.7 million.

In the second quarter of 2011, we completed the sale of two non-core assets, Collegiate Village, serving Macon State University, and Clayton Station, serving Clayton State University, for an aggregate sale price of $28.0 million (see Note 5 to the accompanying consolidated financial statements). The net proceeds of approximately $27.8 million were used to fund development and acquisition activity and for general working capital purposes.

In the third quarter of 2012, we completed the sale of NorthPointe, located in Tucson, Arizona, and The Reserve on Frankford, located in Lubbock, Texas, for an aggregate sales price of $44.0 million. In the fourth quarter of 2012, we completed the sale of Star Pass, also located in Tucson, Arizona for an aggregate sales price of $25.5 million (see Note 5 to the accompanying consolidated financial statements). The net proceeds of approximately $67.2 million were used to fund development and acquisition activity and for general working capital purposes.

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

During 2011, we completed eight collegiate housing community acquisitions (see Note 4 to the accompanying consolidated financial statements) for approximately $193.4 million after acquisition costs. The Trust funded these acquisitions with assumed debt of $36.9 million and existing cash, including cash proceeds generated by the January and November 2011 common stock offerings and sales of collegiate housing communities as discussed above.

We have ten active development projects that we are developing for our ownership with our share of aggregate development costs of $343.8 million. Through December 31, 2012, $186.7 million of the anticipated costs had been incurred and funded.

In January 2012, we completed the purchase of The Reserve on Stinson, near the University of Oklahoma in Norman, Oklahoma for a purchase price of $22.9 million. We previously owned a 10% equity interest in the community and managed the property prior to the acquisition. The Reserve on Stinson has 612 beds and is less than a half-mile from campus.

In the third quarter of 2012 we completed the purchase of The Province, near East Carolina University in Greenville, North Carolina for a purchase price of $50.0 million. In the fourth quarter of 2012 we completed the purchase of The District on 5th serving the University of Arizona, Campus Village serving Michigan State University, The Province at Kent State serving Kent State University and The Suites at Overton Park and The Centre at Overton Park both serving

Texas Tech University for a combined purchase price of $206.3 million and a total 2,581 beds (see Note 4 to the accompanying consolidated financial statements). The Trust funded these acquisitions with assumed debt of $48.5 million and existing cash, including cash proceeds generated by the August 2012 common stock offering (see Notes 2 and 10 to the accompanying consolidated financial statements) and sales of collegiate housing communities as discussed above.

On September 7, 2012, the Trust filed an automatic shelf registration statement, which permits us to issue an unlimited number of securities, including equity or debt securities, from time to time in one or more transactions, depending on market conditions and terms. The registration statement was automatically effective on September 7, 2012.

Predevelopment expenditures

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

Long-term liquidity requirements

Our long-term liquidity requirements consist primarily of funds necessary for scheduled debt maturities, renovations and other non-recurring capital expenditures that are needed periodically for our communities. We expect to meet these needs through existing working capital, cash provided by operations, additional borrowings under our Fourth Amended Revolver, net proceeds from potential asset sales, the issuance of equity instruments, including common or preferred stock, Operating Partnership Units or additional debt, if market conditions permit. We believe these sources of capital will be sufficient to provide for our long-term capital needs. Market conditions, however, may make additional capital more expensive for us. 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 communities. Our Fourth 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. As of December 31, 2012, we were in compliance with all covenants related to our Third Amended Revolver.

Capital expenditures

The historical recurring capital expenditures, excluding discontinued operations, at our wholly-owned communities are set forth as follows:

	As of and for the Years Ended December 31,		
	2012	2011	2010
Total units	5,608	5,264	5,264
Total beds	17,854	16,541	16,540
Total recurring capital expenditures (in thousands)	$4,824	$4,390	$4,123
Average per unit	$763.95	$834.03	$783.28
Average per bed	$270.20	$265.42	$249.28

Recurring capital expenditures exclude capital spending on renovations, community repositioning or other major periodic projects. Capital expenditures associated with newly developed communities are typically capitalized as part of their development costs. As a result, such communities typically require little to no 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 communities.

These contributions are typically less than, but could exceed, the amount of capital expenditures actually incurred during any given year at such communities.

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Commitments

The following table summarizes our contractual obligations as of December 31, 2012 (amounts in thousands):

	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years	Total
Contractual Obligations:					
Long-Term Debt Obligations(1)	$37,919	$120,251	$131,486	$106,122	$395,778
Contractual Interest Obligations(2)	18,179	28,840	18,786	10,650	76,455
Operating Lease and Future Purchase Obligations(3)	12,387	19,014	14,992	503,015	549,408
Capital Reserve Obligations(4)	1,234	2,119	1,250	894	5,497
Total	$69,719	$170,224	$166,514	$620,681	$1,027,138

(1) Includes required monthly principal amortization and amounts due at maturity on first mortgage debt secured by collegiate housing properties and any amounts due under the Fourth Amended Revolver and construction loan agreements.

(2) Includes contractual fixed-rate interest payments as well as estimates of variable rate interest payments based on the variable interest rates effective as of December 31, 2012. The Trust has $89,103 of variable rate debt as of December 31, 2012.

(3) Includes future minimum lease commitments under operating lease obligations (includes long-term ground leases) and future purchase obligations for advertising.

(4) Includes future annual contributions to the capital reserve as required by certain mortgage debt.

Long-term indebtedness

As of December 31, 2012, 20 of our communities were unencumbered by mortgage debt.

As of December 31, 2012, we had outstanding mortgage and construction indebtedness of $398.8 million (net of unamortized debt premium of $3.1 million). The scheduled future maturities of this indebtedness as of December 31, 2012 were as follows (in thousands):

Year	
2013	$37,919
2014	72,912
2015	47,339
2016	91,729
2017	39,757
Thereafter	106,122
Total	395,778
Debt premium	3,068
Outstanding as of December 31, 2012, net of debt premium	$398,846

As of December 31, 2012, the outstanding mortgage and construction debt had a weighted average interest rate of 4.86% and carried an average term to maturity of 3.62 years.

The Trust had $79.0 million outstanding under the Third Amended Revolver as of December 31, 2012. As discussed above, the Third Amended Revolver was replaced with the Fourth Amended Revolver in January 2013. The Fourth Amended Revolver has a term of four years and matures on January 14, 2017, and provides that the Operating Partnership may extend the maturity date one year subject to certain conditions. The Fourth Amended Revolver requires interest only payments through maturity. The interest rate per annum applicable to the Fourth Amended Revolver is, at the Operating Partnership's option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage. The interest rate applicable to the Third Amended Revolver as of December 31, 2012 was 1.84%.

Distributions

We are required to distribute 90% of our REIT taxable income (excluding the deduction for dividends paid and net capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to holders of our common stock and Operating Partnership Units. All such distributions are authorized at the discretion of our Board. We may be required to use borrowings under our Fourth Amended Revolver, if necessary, to meet REIT distribution requirements, avoid the imposition of federal income and excise taxes and maintain our REIT status. Additionally, we may make certain distributions consisting of both cash and shares to meet REIT distribution requirements. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. During the third quarter of 2011, our Board increased the annual dividend target 40% from $0.20 to $0.28 per share/unit becoming effective with the August 16, 2011 dividend. During July of 2012, our Board increased the annual dividend target 43% from $0.28 to $0.40 per share/unit becoming effective with the August 15, 2012 dividend.

As discussed above, our Board declared a fourth quarter distribution of $0.10 per share of common stock for the quarter ended December 31, 2012. The distribution is payable on February 15, 2013 to stockholders of record at the close of business on January 31, 2013.

Off-Balance Sheet Arrangements

The Operating Partnership entered into a letter of credit agreement in conjunction with the closing of the acquisition of a collegiate housing community at the University of Florida. As of December 31, 2012, the mortgage debt on this community was repaid (see Note 10 to the accompanying consolidated financial statements), and the $1.5 million letter of credit is no longer outstanding.

The Operating Partnership serves as non-recourse, carve-out guarantor for secured third-party debt in the amount of $24.3 million, held by one unconsolidated joint venture. The Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the operating agreement, the joint venture partner agreed to indemnify, defend and hold harmless the Trust with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates.
Therefore, exposure under the guarantee for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates is not expected to exceed the Operating Partnership’s proportionate interest in the related mortgage debt.

In connection with the development agreement entered into on July 14, 2010 for a project at the Science + Technology Park at Johns Hopkins Medical Institute (see Note 2 to the accompanying consolidated financial statements) the Trust has committed to provide a guarantee of repayment of a $42.0 million third-party construction loan for a $3.0 million fee. The guarantee fee will not be recognized until the second mortgage loan is repaid. The project will have a $2.5 million reserve to fund any operating or debt service shortfalls that is to be replenished annually by East Baltimore Development, Inc., until a 1.10 debt service coverage ratio is achieved for twelve consecutive months. The second mortgage loan and related debt service are the first at risk if such reserve is not adequate to cover operating expenses and debt service on the construction loan.

In connection with the condominium agreement related to The Oaks on the Square project in Storrs, Connecticut (see Note 4 to the accompanying consolidated financial statements) the Operating Partnership and LeylandAlliance LLC have jointly committed to provide a guarantee of repayment of a $46.4 million construction loan to develop the residential and retail portions of the project. As of December 31, 2012 and December 31, 2011, $22.7 million and $1.5

million, respectively, had been drawn on the construction loan of which $6.3 million and $0.6 million, respectively, is attributable to LeylandAlliance LLC. These amounts are not included in our accompanying consolidated financial statements.

Non GAAP Measures

Funds From Operations (FFO)

As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. In October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO, and prior periods should be restated to be consistent with this guidance. Accordingly, we have restated all periods presented to reflect the current guidance. We present FFO available to all stockholders and unitholders because we consider it to be an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. As such, we also exclude the impact of noncontrolling interests in our calculation. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from 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, April 2002 and by the October 2011 guidance described above), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management’s discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments and uncertainties. We believe that net income is the most directly comparable GAAP measure to FFO available to stockholders and unitholders. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

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

The following table presents a reconciliation of FFO and Core FFO available to our stockholders and unitholders to net income (loss) for the years ended December 31, 2012, 2011 and 2010 (amounts in thousands):

	2012	2011	2010
Net income (loss) attributable to Education Realty Trust, Inc.	$8,421	$(11,014)	$(42,058)
Gain on sale of collegiate housing assets	(5,496)	(2,388)	(611)
Loss on impairment of collegiate housing assets	—	7,859	33,610
Real estate related depreciation and amortization	37,237	29,101	29,940
Real estate depreciation and amortization included in equity in earnings of investees	225	412	479
Equity portion of loss on sale of collegiate housing property on equity investee	88	256	137
Noncontrolling interests	305	244	(233)
FFO	40,780	24,470	21,264
FFO adjustments:			
Loss on extinguishment of debt	—	757	1,426
Acquisition costs	1,110	741	1,467
Straight-line adjustment for ground leases	4,364	4,208	984
Reorganization/severance costs, net of taxes	—	—	447
FFO adjustments:	5,474	5,706	4,324
FFO on Participating Developments:			
Interest on loan to Participating Development	1,830	1,598	329
Development fees on Participating Development, net of costs and taxes	91	887	128
FFO on Participating Developments:	1,921	2,485	457
Core FFO	$48,175	$32,661	$26,045

Net Operating Income (NOI)

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

The following is a reconciliation of our GAAP operating income to NOI for years ended December 31, 2012, 2011 and 2010 (in thousands):

	For the Year ended December 31,		
	2012	2011	2010
Operating income	$16,157	$13,366	$11,347
Less: Third-party development services revenue	820		